

Objections to the proposed downward revision of tariff under PM-KUSUM Component-A and request to retain the approved tariff of ₹3.13/kWh

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To

The Commission Secretary
Telangana Electricity Regulatory Commission (TGERC)
Vidyuth Niyamtran Bhavan
Hyderabad – 500004

Subject: Objections to the proposed downward revision of tariff under PM-KUSUM Component-A and request to retain the approved tariff of ₹3.13/kWh

Reference:

1. O.P. No. 24 of 2020 – Tariff Order dated 02.01.2021.
2. I.A. No. 4 in O.P. No. 24 of 2020.
3. Public Notice dated 23.06.2026.
4. PPAs executed under PM-KUSUM Component-A.

Respected Sir/Madam,

I respectfully submit this representation opposing the proposal of TGSPDCL and TGNPDCL seeking reduction of the approved tariff under PM-KUSUM Component-A from ₹3.13/kWh to ₹2.98/kWh on the basis of alleged GST-related “Change in Law”.

The proposed tariff reduction is neither legally sustainable nor economically justified and deserves to be rejected for the reasons set out below.

1. Sanctity of Executed PPAs and Regulatory Certainty

The tariff of ₹3.13/kWh was determined by the Hon’ble Commission through a comprehensive regulatory process and formed the basis upon which:

- Developers participated in PM-KUSUM Component-A.
- PPAs were executed with DISCOMs.
- Financial institutions sanctioned loans.
- Land was acquired and projects were developed.
- Long-term investments were made.

The approved tariff was a critical factor in project viability and financing. Any post-commissioning downward revision would adversely affect the sanctity of executed PPAs, undermine investor confidence, and create uncertainty for future renewable energy investments in Telangana.

2. Tariff Determination is a Comprehensive Exercise

The tariff of ₹3.13/kWh was not determined solely on the basis of GST.

The tariff order considered several parameters, including:

- Benchmark capital cost.
- Debt-equity ratio.

- Interest on term loans.
- Return on Equity.
- Depreciation.
- Operation and Maintenance expenses.
- Generation assumptions.
- Project risks and financing conditions.
- Useful life of the project.

Therefore, revising tariff based on a single component such as GST while ignoring all other cost factors would be contrary to the principles of prudent tariff determination.

3. GST Reduction Alone Does Not Reflect Actual Project Economics

The petitioners have relied upon GST reduction as a basis for tariff reduction.

However, GST constitutes only one component of the overall project cost.

While GST rates applicable to renewable energy equipment have undergone changes over time, the actual project costs incurred by developers during implementation were significantly higher due to multiple economic factors.

Therefore, GST reduction in isolation cannot be treated as a sufficient basis for reducing tariff.

4. Significant Increase in Project Costs During Implementation

Although the tariff was determined in January 2021, most PM-KUSUM projects were implemented during a substantially different economic environment.

Developers experienced significant increases in:

- Solar module prices.
- Steel and mounting structure costs.
- Copper and aluminium prices.
- Cables and electrical equipment.
- Transformers and switchgear.
- Labour and EPC costs.
- Transportation and logistics.
- Insurance expenses.
- Statutory compliance costs.
- Financing and interest costs.

Industry-wide increases experienced during implementation include:

- Solar Modules: 10%–25%
- Steel Structures: 20%–40%
- Electrical Equipment: 15%–30%
- Labour & EPC Costs: 10%–20%
- Financing Costs: 2%–4%

The cumulative impact of these increases substantially outweighs any benefit arising from GST reduction.

5. Global Supply Chain Disruptions, Wars and Shipment Shortages

The implementation period witnessed unprecedented global economic disruptions, including:

- Post-pandemic supply-chain disruptions.
- Russia–Ukraine conflict.
- Middle East and Red Sea shipping disruptions.
- Container shortages and freight escalation.

- Global shortages of solar-grade raw materials.
- Volatility in fuel prices.
- Fluctuations in foreign exchange rates.
- Increase in interest rates and financing costs.

These factors directly impacted procurement, transportation and execution of solar power projects.

Developers incurred substantially higher costs than those assumed during tariff determination.

Therefore, any proposal to reduce tariff by considering only GST while ignoring these adverse factors would result in an incomplete and distorted assessment of actual project economics.

6. Change in Law Cannot Be Applied Selectively

The petitioners seek to invoke “Change in Law” only in respect of GST reduction.

However, regulatory fairness requires that all material cost variations be considered together.

If GST reductions are to be considered, then corresponding increases in:

- Module prices.
- Steel prices.
- Electrical equipment costs.
- Labour costs.
- Financing costs.
- Logistics costs.
- Insurance and O&M expenses.

must also be recognized.

Selective application of Change in Law principles would be inequitable and contrary to sound regulatory practice.

7. Doctrine of Legitimate Expectation

The Solar Power Generators participated in PM-KUSUM Component-A and invested substantial capital based on the legitimate expectation that the tariff approved by the Hon’ble Commission and incorporated into executed PPAs would remain stable throughout the contractual period.

Regulatory certainty and predictability are essential foundations for infrastructure investment.

Any retrospective downward revision after investments have been made and projects commissioned would seriously prejudice investors who acted upon the regulatory framework established by the State and the Hon’ble Commission.

8. Financing Assumptions and Debt Servicing Obligations

Financial institutions sanctioned project loans based on the approved tariff of ₹3.13/kWh.

Many projects have loan repayment tenures of approximately seven years with significant repayment obligations during the initial years.

Any reduction in tariff would:

- Adversely impact project cash flows.
- Affect debt servicing capability.
- Increase financial stress on developers.
- Potentially affect repayment obligations to banks.

Such consequences were never contemplated at the time of investment.

9. Grid Outages and Curtailment Already Impact Revenue

Solar Power Generators continue to face generation losses arising from:

- Grid failures.
- Feeder outages.
- Maintenance shutdowns.
- Utility-side interruptions.
- Curtailment of generation.

These events occur despite full plant availability and are entirely beyond the control of developers.

Consequently, actual project revenues are already lower than projected levels, making any further tariff reduction unjustified.

10. Impact on Farmers and PM-KUSUM Objectives

PM-KUSUM Component-A is a farmer-centric initiative intended to:

- Enhance farmer income.
- Promote decentralized solar generation.
- Encourage renewable energy development in rural areas.

Reduction of tariff after project commissioning would:

- Directly affect farmer earnings.
- Reduce project viability.
- Discourage future participation.
- Undermine confidence in Government-backed renewable energy programmes.

Such an outcome would be contrary to the objectives of PM-KUSUM.

11. Without Prejudice Submission on Reopening of Tariff

Without prejudice to the above submissions, it is respectfully submitted that if the Hon'ble Commission considers reopening tariff determination on account of alleged Change in Law, then such exercise must necessarily consider all cost variations affecting project economics and not merely GST.

A comprehensive review should include:

- Increase in module prices.
- Increase in steel, aluminium and copper prices.
- Increase in transformer and switchgear costs.
- Increase in logistics and transportation costs.
- Increase in labour and EPC costs.
- Increase in interest rates and financing costs.
- Increase in O&M expenditure.
- Impact of global conflicts and supply-chain disruptions.
- Revenue losses caused by grid outages and curtailment.

Such a holistic assessment would demonstrate that overall project economics do not support any reduction in tariff and may in fact justify retention or enhancement of the existing tariff.

Prayer

In view of the facts and circumstances stated above, it is respectfully prayed that the Hon'ble Commission may be pleased to:

1. Reject and dismiss the proposal of TGSPDCL and TGNPDCL seeking reduction of tariff from ₹3.13/kWh to ₹2.98/kWh.

2. Retain and protect the approved tariff of ₹3.13/kWh as incorporated in the executed Power Purchase Agreements under PM-KUSUM Component-A.
3. Uphold the sanctity of contracts, regulatory certainty and the legitimate expectations of Solar Power Generators.
4. Hold that GST reduction alone does not justify tariff revision without considering all other cost escalations and economic factors affecting project implementation.
5. Recognize the substantial increase in project costs arising from inflation, material price escalation, financing costs, labour costs, logistics expenses, supply-chain disruptions and global conflicts.
6. Pass such other order(s) as may be deemed fit in the interest of justice, equity, renewable energy development, farmer welfare and investor confidence.

Yours faithfully,

Name of SPG: KULKARNI PAVAN KUMAR

PPA No.: 347

Project Capacity: 2MW

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