

Tuesday, 23 June 2026

To
The Chairman,
Telangana Electricity Regulatory Commission (TGERC)
Hyderabad, Telangana

From ,
MUNUGALA LAILTHA SINDHU (LEAD SPG) & APOORVA RAO M
PPA no - 2/2025 AND 3/2025 dated 08/06/2025
MANIKONDA VILLAGE, HYD
TELANGANA

Subject: Representation against proposed reduction of tariff under PM-KUSUM Component-A projects and request for revision of operational conditions.

Respected Sir/Madam,

We, the undersigned Solar Power Generators (SPGs) commissione under the PM-KUSUM Component-A Scheme in Telangana, respectfully submit this representation regarding the proposal to revise the tariff of ₹3.13/kWh fixed by TGERC vide its Order dated 02.01.2021.

At the outset, we submit that the tariff of ₹3.13/kWh formed the fundamental basis on which developers invested in the scheme, executed Power Purchase Agreements (PPAs), obtained financial closure from banks, procured land, and established solar power projects. Any downward revision of tariff after commissioning would severely impact the financial viability of the projects and defeat the legitimate expectations created by the regulatory framework.

Tariff of ₹3.13/kWh formed the basis of investment decisions. The tariff approved by TGERC was accepted by all stakeholders and incorporated into the PPAs executed between SPGs and DISCOMs.

Based on this tariff:

1. Developers participated in the scheme and invested substantial capital.
2. Financial institutions sanctioned loans considering the assured tariff of ₹3.13/kWh.
3. Project viability and debt servicing calculations were prepared on the approved tariff.
4. Long-term financial commitments were undertaken by SPGs relying upon regulatory certainty.
5. Any reduction in tariff after project commissioning would adversely affect the sanctity of PPAs and investor confidence in renewable energy projects.

Significant increase in project cost compared to assumptions considered in the 2021 Tariff Order, The capital cost assumptions considered in the tariff determination process during 2021 no longer reflect actual project expenditure incurred during implementation.

The following cost escalations have been experienced:

1. Increase in module prices.
2. Increase in steel and structural material costs.
3. Increase in cable and electrical equipment costs.

4. Increase in transformer and switchgear prices.
5. Increase in transportation and logistics costs.
6. Increase in labour and civil construction costs.

Overall project costs have increased substantially compared to the assumptions adopted while determining the tariff in 2021. Therefore, there is no reason for reducing the tariff; rather, actual project economics indicate the need for a review towards enhancement.

GST Regime Applicable to Renewable Energy Projects - TIMELINE

It is respectfully submitted that under the GST framework applicable to Solar PV and other specified Renewable Energy Projects, the Government of India introduced a special valuation mechanism through Notification No. 24/2018-Central Tax (Rate) dated 31.12.2018, effective from 01.01.2019. By virtue of the said notification, where renewable energy devices are supplied along with associated services under a composite EPC contract, 70% of the gross contract value is deemed to be the value of goods and 30% the value of services. Since renewable energy goods attracted GST at 5% and services attracted GST at 18%, the effective composite GST incidence worked out to 8.90% of the contract value. Subsequently, the Central Board of Indirect Taxes and Customs (CBIC), through Circular No. 163/19/2021-GST dated 06.10.2021, clarified that the aforesaid 70:30 valuation principle was applicable to specified Renewable Energy Projects and further extended the same methodology for the period from 01.07.2017 to 31.12.2018 for purposes of tax determination.

Goods & Services Tax Council Thereafter, pursuant to the recommendations of the 45th GST Council Meeting, the Government of India issued Notification No. 08/2021-Central Tax (Rate) dated 30.09.2021 and the corresponding Notification No. 08/2021-Integrated Tax (Rate) dated 30.09.2021, both effective from 01.10.2021, whereby the GST rate on renewable energy devices, including solar power-based devices and photovoltaic modules, was increased from 5% to 12%. While the 70:30 valuation mechanism remained unchanged, the increase in the GST rate on the goods portion resulted in the effective composite GST incidence rising from 8.90% to 13.80% ($70\% \times 12\% + 30\% \times 18\%$). Thus, the effective GST burden of 13.80% came into force only from 01.10.2021, whereas the applicable effective GST burden for the period prior thereto was 8.90%.

Accordingly, any tariff determination, benchmark capital cost computation, bid evaluation, or project viability assessment undertaken prior to 01.10.2021 could only have been based upon the then-prevailing GST regime carrying an effective composite GST incidence of 8.90%, and not the subsequently enhanced effective incidence of 13.80% introduced from 01.10.2021.

Timeline for Annexure

<u>Date.</u>	<u>Notification / Circular</u>	<u>Effect</u>
01.07.2017	GST introduced	Renewable energy devices taxed at 5%
31.12.2018.	Notification No. 24/2018-CT(R)	Introduced 70:30 valuation mechanism
01.01.2019	Effective date of Notification 24/2018.	Effective composite GST became 8.90%
02.01.2021	TGERC -OP N0 24 OF 2020, Dated 02.02.2021	rate per unit fixed at 3.13/unit at 8.90% GST
30.09.2021.	Notification No. 08/2021-CT(R) & 08/2021-IT(R)	GST on renewable energy goods increased from 5% to 12%
01.10.2021	Effective date of Notification 08/2021.	Effective composite GST became 13.80%
06.10.2021.	CBIC Circular No. 163/19/2021-GST.	Clarified applicability of the 70:30 mechanism for Renewable Energy Projects
22.04.2025	TGERC O.P. NO 32 OF 2025 Dated 22.04.25	Petitioners Tgspdc and Tgnpdcl - rate revision not entertained as per points 72 and 73 explained

In short it is to prove that the GST while fixing the rate at 3.13/unit on 2/1/2021 was 8.90% composite and has increased in the month of october 2021 to 13.8%. There was no mention of “change in law” by the same DISCOMS when the TGERC order was passed on 22/4/2025 but instead the petitioners wanted reduction of rate further. At present the GST is back to 8.90% composite from 13.8% on 22.09.2025.

HENCE THE POINT OF CHANGE IN LAW DOSE NOT RISE.

POINTS TO CONSIDER TO REVISE THE RATE UPWARDS IF ANY -

1. Impact of inflation and escalation in operating expenses.

2. Since the issuance of the tariff order, inflation has significantly increased the cost of:
3. Preventive and corrective maintenance.
4. Security arrangements.
5. Spare parts and replacement equipment.
6. Insurance premiums.
7. Statutory compliance expenses.
8. Skilled manpower costs.

The operation and maintenance expenditure currently incurred by SPGs is considerably higher than the values considered in the original tariff calculations.

2. Ground-level implementation challenges not considered in tariff calculations -

During implementation, developers faced several challenges which were not envisaged during tariff determination, including:

- Delays in approvals and permissions.
- Difficulties in obtaining evacuation infrastructure.
- Coordination issues with multiple agencies.
- Delays associated with first-time implementation of PM-KUSUM projects in Telangana.
- Additional expenses incurred for compliance with local requirements and utility conditions.

These costs were unavoidable and directly increased project expenditure.

3. Grid outages and failures reduce generation despite plant availability-

A major issue faced by SPGs is the occurrence of grid failures and outages during solar generation hours. Although the generating plant remains available, energy injection is restricted due to:

- Grid interruptions.
- Feeder outages.
- Maintenance shutdowns.
- Utility-side operational constraints.

These events result in loss of generation for reasons entirely beyond the control of SPGs. However, the resulting reduction in annual energy generation adversely impacts CUF calculations and project revenues.

4. Existing CUF penalty provisions are excessively burdensome -

As per the PPA provisions, if the annual Capacity Utilization Factor (CUF) falls below the stipulated level during the first ten years, the developer becomes liable for penalties. This provision places an unreasonable burden on SPGs because of :

- Grid failures are beyond the control of developers.
- Curtailement and outages directly affect annual generation.
- Weather variations impact generation performance.
- Utility-side interruptions are not considered while assessing CUF.

We therefore request that the CUF-linked penalty provisions be withdrawn or suitably modified to exclude periods affected by grid outages, curtailement, and utility-side interruptions.

5. Increased manpower requirements for maintaining CUF compliance

To avoid penalties and maintain the required CUF levels, developers are compelled to deploy qualified technical personnel for continuous monitoring of:

- Grid availability.
- Protection systems.
- Transformers.
- Metering systems.
- Communication systems.

In practical terms, maintaining a qualified Electrical Engineer and supporting technical staff at the project site has become essential. This alone increases annual operation and maintenance expenditure by approximately ₹4,00,000 per year, which is nearly double the O&M assumptions considered during tariff determination in 2021.

6. Loan repayment assumptions differ significantly from tariff calculations

Financial institutions have sanctioned loans based on project-specific repayment schedules.

In many cases:

- Loan tenures are approximately 7 years.
- Repayment obligations are front-loaded.

Debt servicing calculations are based on the approved tariff of ₹3.13/kWh.

The assumptions of longer repayment periods used in generic tariff modelling do not reflect actual financing arrangements adopted by banks for these projects.

Any reduction in tariff would severely affect debt servicing capability and could lead to financial stress for SPGs.

7. Reduced compensation for energy loss during grid unavailability

The existing compensation mechanism for off-grid periods provides payment at only 50% of the PPA tariff.

This results in substantial revenue loss for developers despite maintaining plant readiness and availability. Considering that the cause of such losses is often external to the developer, The existing compensation mechanism requires reconsideration.

8. Request for revision of CUF benchmark

Considering advancements in technology and actual operating conditions, we request that the benchmark CUF be revised to 23% and corresponding generation expectations be rationalized. At the same time, any penalty provisions linked to CUF should be removed or adjusted to account for:

Grid outages,
Curtailment,
Utility-side interruptions, and
Force majeure conditions.

9. Prayer

In view of the above facts and circumstances, we respectfully request TGERC to:

1. Reject any proposal for reduction of the approved tariff of ₹3.13/kWh and Maintain the tariff as provided in the executed PPAs.
2. Consider revision of tariff parameters in light of increased capital and operating costs.
3. Remove or suitably modify CUF penalty provisions.
4. Exclude grid outages and utility-side interruptions while calculating CUF.
5. Reconsider compensation mechanisms for generation losses arising from grid unavailability.
6. Review project economics considering actual financing conditions and inflationary impacts.
7. Take necessary steps to ensure long-term sustainability of PM-KUSUM Component-A projects and protect investments already made by SPGs.

We trust that the Hon'ble Commission and MNRE will consider the genuine concerns of Solar Power Generators and take an equitable decision in the interest of renewable energy development and investor confidence.

Yours faithfully,



For and on behalf of the Solar Power Generators (SPGs)

Name: B VENKATESH / 9000969612

Project Capacity: 1+ 1mw

Location: vikarabad district, amradhi kurdh

Date: 23/06/2026.