

Telangana Southern Power Distribution Company Limited (TGSPDCL)

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Telangana Northern Power Distribution Company Limited (TGNPDCL)

Responses to Objections / Suggestions

On

**TGDISCOMs seeking revision of the prefixed levelized tariff for the Solar Power Generators (SPGs)
under Component-A of PMKUSUM Scheme**

S.No.	Summary of Objections / Suggestions	Response of the Licensee
1.	Response to query by Sri. V. Raja Rajeswari (S.No. 201)	
	The PM-KUSUM Scheme was introduced with the objective of providing farmers with a stable and sustainable source of income while promoting renewable energy generation. Like many other farmers, I participated in this scheme based on the tariff approved by the Hon'ble Commission and the assurance provided through the Power Purchase Agreement executed with TGSPDCL. The approved tariff of ₹3.13/kWh was the foundation on which every important decision relating to the project was made. Based on this tariff, we invested our savings, arranged finances, borrowed from banks, committed our land, and completed the project with the expectation that the approved tariff would remain unchanged throughout the term of the Power Purchase Agreement. The proposed reduction in tariff, after the execution of the PPA and completion of the project, is deeply concerning. Farmers cannot go back and renegotiate the prices already paid for solar modules, transformers, inverters, steel, aluminium, copper, cables, labour, transportation or civil works. Likewise, banks will not revise the terms of loans already sanctioned based on the approved tariff. The project has already been established at the actual costs prevailing during implementation, which were significantly higher than those prevailing when the tariff was determined in 2021. During execution, we absorbed increases in module prices, inverter costs due to exchange rate fluctuations, transformer costs, cable costs, labour charges, transportation expenses and financing costs, including additional Interest During Construction arising from delays beyond our control. Despite these increases, we continued with the project because we relied upon the tariff approved by the Hon'ble Commission. We accepted the risks associated with market fluctuations and honoured our commitments. It is therefore difficult to understand why, after the project has been completed and investments have	TGDISCOMs submit that the proposed tariff revision is not intended to revisit the entire project economics or alter the fundamental commercial understanding between the parties. It is limited to passing on the benefit arising from a specific statutory change, namely the reduction in the applicable GST rate on solar modules. The tariff determined by the Hon'ble Commission was based on normative cost assumptions prevailing at the time of tariff determination, including the applicable taxes and duties. GST is a statutory levy that is recovered as part of the project cost and ultimately borne by consumers through the tariff. Consequently, when there is a reduction in GST, the corresponding reduction in capital cost attributable to such tax reduction must be reflected in the tariff to ensure that consumers receive the benefit of the lower tax incidence. Further, there have been favorable changes in cost parameters, including reduction in GST rates and a decline in capital costs, resulting in improved project economics that substantiate the above proposal.

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	become irreversible, only one factor—the reduction in GST on solar modules—is proposed to be considered for reducing the tariff. If the project economics are to be revisited, then fairness demands that all factors affecting project cost be considered. It would be unjust to recognise only one element that may have reduced costs while completely disregarding the much larger increases in the costs of steel, aluminium, copper, transformers, electrical equipment, labour, transportation, financing and other essential components of the project.	
2.	Response to query by a) Sri. Papaiah Lakkam (S.No. 203) b) Sri. Lakkam Mallesh (S.No. 205) c) Sri. Badineni Shankaraiah (S.No. 207) d) Sri. Badineni Shankaraiah (S.No. 208)	
	While the proposal appears to have considered the reduction in GST on certain solar components, it does not adequately account for the substantial increase in the prices of key raw materials such as steel, copper, aluminium, transformers, cables, and other electrical equipment. Due to global market conditions and geopolitical conflicts, the cost of these materials has increased significantly, leading to a considerable rise in the overall project cost. The proposed tariff reduction would seriously affect the financial viability of my project. The project investment, financing, and execution were planned based on the existing tariff of ₹3.13/kWh. Reducing the tariff at this stage would impose an undue financial burden on developers and may adversely impact the successful implementation of the PM-KUSUM Component-A scheme. In view of the above, I humbly request the Hon'ble Telangana Electricity Regulatory Commission to:	TGDISCOMs respectfully submit that the present petition is based on the reduction in GST rates. The proposal has been made considering the overall project economics, including reduction in GST rates and decline in major capital cost components, particularly solar modules. TGDISCOMs further submit that tariff determination is based on normative cost parameters and overall market trends rather than individual project-specific expenditures, financing arrangements, procurement schedules, EPC contracts, loan obligations, or commercial commitments. While certain project cost components may have witnessed increases during implementation, the overall project economics are required to be assessed holistically, considering both cost escalations and

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	1. Reconsider the proposed reduction of the tariff from ₹3.13/kWh to ₹2.98/kWh. 2. Consider the substantial increase in the cost of steel, copper, aluminium, electrical equipment, transportation, and other project components while determining the tariff. 3. Retain a fair and viable tariff that ensures the financial sustainability of PM-KUSUM Component-A projects and promotes continued investment in renewable energy.	reductions in major cost elements. TGDISCOMs respectfully submit that the issues relating to project-specific financing, debt servicing, cash flow projections, and commercial viability are matters between the developers and their lenders and cannot form the basis for tariff determination. Further, if any developer contends that the benefit of GST reduction was not available due to prior procurement commitments or project-specific circumstances, the same may be considered by the Hon'ble Commission based on the facts and merits of the individual case. Accordingly, TGDISCOMs respectfully submit that the present petition seeks to align the tariff with prevailing market conditions and ensure that the benefits arising from reduced project costs are appropriately passed on to consumers while maintaining the financial viability of the projects.
3.	Response to query by Sri. Goturi Venkata Satheesh (S.No. 204)	
	While the reduction in GST from 12% to 5% may appear beneficial on paper, in practical terms it will not significantly ease the overall cost burden for farmers. Instead, lowering the tariff further may dilute the scheme's main objective of supporting farmers with stable and viable income from solar power generation. Farmers already face rising costs in multiple areas such as equipment, installation, maintenance, repair, interest on loans, and service support. In addition, inflation continues to affect labor charges, transportation, spare parts, and other operational expenses. For many farmers, the upfront investment and	TGDISCOMs respectfully submit that the investments made, financing arrangements, loan liabilities, and financial projections of PACS and individual developers are project-specific commercial considerations. Tariff determination is undertaken based on normative cost parameters and prevailing market conditions rather than individual financing structures or repayment obligations. TGDISCOMs fully recognize the contribution of PM-KUSUM

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	recurring costs remain the real challenge, and the limited tax benefit is unlikely to fully offset these pressures. If the tariff is reduced further, the project economics may become less attractive to farmers and this could ultimately defeat the purpose of PM-KUSUM, which is meant to strengthen farmer income, promote energy security, and encourage wider adoption of solar power in rural areas.	projects towards renewable energy promotion, reduction of transmission losses, rural income generation, RPO compliance, and strengthening of decentralized power generation. The present petition seeks to balance the interests of project developers and electricity consumers by ensuring that benefits accruing from GST reduction are appropriately reflected without affecting project viability.
4.	Response to query by Sri. Devireddy Pooja (S.No. 213)	
	1. The proposed cut comes directly out of the Return on Equity that the Commission itself fixed for the farmer, and which it expressly refused to reduce. In determining Rs. 3.13/kWh, the Commission adopted a cost-plus methodology (Table-2 and Annexure-4 of the Order dated 02.01.2021) which builds in a fixed Return on Equity (RoE) of 14%, equal to Rs. 0.92/kWh of the levelised tariff. The proposed reduction of Rs. 0.15/kWh equals 16% of that entire return-on-equity component. As every other component of the tariff (O&M, depreciation, interest on loan and working capital) is mere cost recovery, the cut can be absorbed only out of the farmer's return on equity, dragging the adjudicated 14% down to approximately 11.7% — i.e. into the very range the Commission already examined and rejected as inadequate in 2020. At paragraphs 29–30 of the Order, stakeholders sought an RoE of 11% and the Commission declined, holding 14% to be the prudent rate. The petition seeks, in effect, to achieve indirectly what the Commission has already refused to do directly. 2. The factual premise of the petition is incorrect — the GST reduction never reached the generator and the project cost is unchanged. The Commission fixed Rs. 3.13 on a normative capital cost of Rs. 3.60 crore/MW, on the express finding (paragraph 45) that solar costs were “reducing year-on-year.” My actual EPC / project cost is Rs. 7.20 crore, i.e. Rs. 3.60 crore/MW — exactly the norm the	1. TGDISCOMs respectfully submit that the present petition does not seek any revision of the Return on Equity. The proposed tariff review is based on changes GST and prevailing market conditions. Tariff determination is a composite exercise involving multiple cost elements and overall project economics, and not solely the RoE component. 2. TGDISCOMs respectfully submit that the actual project costs, EPC contracts, procurement timelines, land-related expenses, financing costs, and other project-specific

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	Commission approved. The sanctioned figure of Rs. 7.81 crore is higher only because the bank capitalised Rs. 0.61 crore of interest-during-construction (IDC), which I fund over and above my margin and which is not equipment cost. The plant therefore cannot be built below the very norm on which Rs. 3.13 was determined. Further, the equipment was contracted when GST stood at 12%; when the rate was reduced to 5%, the manufacturers raised their base (pre-tax) prices by almost the same measure — cell, module, structure and galvanizing prices rose sharply (of the order of Rs. 40 lakh on modules alone). I now pay the supplier directly what I earlier paid as base-price-plus-tax, so the landed cost is almost identical to what it was before the GST reduction. The headline tax saving was absorbed by the supply chain and reached neither the generator nor, through him, the consumer. There is accordingly no net reduction in project cost capable of being passed through to a lower tariff. The cost of land, and approximately Rs. 11.5 lakh of unavoidable pre-operative costs (land levelling, supervision of the 1.5 km dedicated evacuation line, and statutory liaisoning), are borne entirely by the farmer and recognised nowhere in the tariff. If the petitioner maintains that the project can be executed at a cost supporting Rs. 2.98/kWh, it ought to be put to proof of that cost — a figure no EPC contractor in the market in fact quotes. 3. If the cost basis is to be reopened under change in law, it must be done on a net basis; selectively invoking only the single favourable input is impermissible. Change in law operates symmetrically. Between the determination on 02.01.2021 and today, multiple cost-increasing changes have materially raised project cost, including the Basic Customs Duty on imported solar cells and modules, enforcement of the Approved List of Models and Manufacturers (ALMM) carrying a domestic price premium, and the documented escalation in equipment prices noted above. The petition cites only the GST reduction that lowers the DISCOMS' liability, while ignoring every change that has raised the SPG's cost. A change-in-law exercise undertaken honestly would net all such changes — the aggregate of which points upward, not downward. 4. The remedy for a change in law is project-specific compensation under Article 13 of the PPA, not a blanket revision of the determined tariff. Article 9.1.1 of the	expenditures referred to by the objector vary from project to project. TGDISCOMs respectfully submit that the present petition does not seek any unilateral modification of the tariff. The matter has been placed before the Hon'ble Commission for consideration in light of the reduction in GST rates and requests the Hon'ble Commission to pass on the benefits of reduced GST to the consumers by balancing the interests of the Developers. In case of any prior procurement commitments or price revisions, the impact thereof, if any, may be considered by the Hon'ble Commission based on the facts and merits of the individual case. 3. TGDISCOMs respectfully submit that the present petition has been filed in view of the reduction in GST rates and other favourable developments in project cost parameters. The applicability and impact of any Change in Law event are required to be considered in accordance with the provisions of the PPA and the applicable regulatory framework. 4. TGDISCOMs respectfully submit that the PPAs executed

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	PPA fixes the tariff at Rs. 3.13/kWh for the full term and expressly makes it “inclusive of all taxes, duties and levies... as applicable from time to time,” so that tax movements in either direction are absorbed within the fixed tariff. Where a change in law nonetheless causes a demonstrated gain or loss, Article 13 provides a specific, fact-based remedy: compensation determined case-by-case by the Commission to place the SPG in the same financial position as before, with the SPG obliged to file within 60 days of any actual decrease in its expenditure. A uniform downward revision of the headline tariff for all SPGs — irrespective of when each committed its capital and whether any actually realised a saving — has no basis in the contract and overrides the fixed-tariff bargain in Article 9.1.1. 5. Even at Rs. 3.13 the project is at the edge of viability; the cut renders it unfinanceable. As demonstrated in the annexed analysis, computed on the project's actual cash flows at the 19% CUF floor stipulated in the PPA: debt-service coverage remains below 1.0 in every year from 1 to 10 (against a normal banking minimum of 1.2), compelling the farmer to inject Rs. 0.75 crore from his own pocket over and above the Rs. 1.51 crore margin merely to keep the loan serviced; and the return on the farmer's own capital is only 5.06% — below the 8.65% he pays the bank and below a bank fixed deposit. The Order's own record (paragraph 40) notes that Rs. 3.13 yields an equity IRR of about 12% on the optimistic normative model and describes even that as “very low.” At Rs. 2.98 the position worsens decisively: coverage stays below 1.0 until year 13, the required injection rises to Rs. 1.27 crore, and the return on the farmer's capital falls to 3.14% — destroying Rs. 1.20 crore of profit over the term, concentrated in precisely the early years when the farmer is already cash-flow negative. 6. The cut inverts the balance of risk and reward and defeats the farmer-upliftment purpose of the Scheme. Under this model the farmer carries the largest up-front commitment and all the operational, weather, payment and interest-rate risk, and supplies power directly at the grid — bearing the wheeling and transmission losses the DISCOMs would otherwise incur. Over the term the lender earns about Rs. 4.27 crore in interest, and the DISCOMs purchase clean, firm-of-location power at Rs. 3.13/kWh — below their own pooled power-purchase cost of Rs.	between DISCOMs and SPGs contain provisions relating to “Change in Law”, and the applicability, treatment, and relief, if any, arising therefrom are matters falling within the jurisdiction of the Hon'ble Commission. The present petition seeks consideration of the impact of GST reduction by the Hon'ble Commission in accordance with the provisions of the PPA and applicable regulations. 5. TGDISCOMs respectfully submit that the financial models, cash flow projections, debt servicing capability, equity returns, and financing arrangements referred to by the objector are project-specific commercial considerations. 6. TGDISCOMs submit that PM-KUSUM aims to promote decentralized renewable energy generation and support farmer participation. At the same time, tariff determination is required to balance the interests of project developers and consumers.

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	4.28/kWh recorded in the Order — for onward sale at materially higher retail rates. The farmer's return is the smallest and last-ranked share, and it is this share alone that the petition seeks to reduce. The project also sustains five rural jobs per plant. Component-A was framed by the Commission as a scheme to facilitate farmers to earn additional income; reducing the only return that reaches the farmer, on a premise that does not hold, is contrary to that object.	
5.	Response to query by Sri. Vookanti Venkata Krishna Reddy (S.No. 209)	
	1. Tariff Based on Outdated Cost Assumptions The tariff of ₹3.13/kWh was determined based on benchmark capital costs and market conditions prevailing in January 2021. Since then, there has been a significant increase in the cost of solar modules, mounting structures, electrical equipment, labour, transportation, financing, insurance, and other project-related expenses. The existing tariff itself has become inadequate to sustain project viability, and any further reduction would impose severe financial hardship on project developers. 2. GST Reduction Alone Does Not Justify Tariff Reduction The proposal to reduce the tariff is based solely on the reduction of GST from 12% to 5%. However, GST represents only a small component of the overall project cost. The limited savings resulting from this tax reduction cannot reasonably justify a reduction of 15 paise per unit, particularly when all other project costs have increased substantially over the years. 3. Tariff Was Finalized Under a Legally Binding PPA	TGDISCOMs submit that In O.P. No. 24 of 2020, this Hon'ble Commission determined a levelized tariff of Rs. 3.13/kWh, as per prevailing capital costs. In 2025, the TGDISCOMs approached this Hon'ble Commission seeking revision of the said tariff, submitting that, owing to the advancement of technology during the period 2021 to 2025, the cost of solar PV modules had declined while their efficiency had correspondingly improved. The TGDISCOMs, however, expressly undertook to abide by and adhere to such tariff as may be determined by this Hon'ble Commission. TGDISCOMs respectfully submit that this Hon'ble Commission, vide its Order in O.P. No. 32 of 2025, approved and adopted the tariff of Rs. 3.13/kWh for procurement of 4,000 MW under the PM-KUSUM Scheme. Accordingly, TGDISCOMs have accepted and signed PPAs with developers at the rate determined by the Hon'ble Commission. Subsequent to the tariff order, the reduction in GST on renewable energy devices with effect from 22.09.2025 constitutes a "Change in Law" event under the relevant

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	The tariff of ₹3.13/kWh was mutually negotiated, agreed upon, and incorporated into the executed Power Purchase Agreement (PPA). The PPA is a legally binding contract, and the agreed tariff constitutes one of its fundamental commercial terms. The DISCOMs cannot unilaterally reopen or alter the agreed tariff after execution of the PPA, as doing so would violate the sanctity of the contract and established legal principles governing contractual obligations. 4. GST Reduction Was Already in Effect Before Execution of the PPA The reduction in GST from 12% to 5% came into force prior to the execution of the PPA. Accordingly: • The prevailing GST structure was fully factored into the project cost estimates, financial calculations, bidding process, and tariff negotiations. • The agreed tariff of ₹3.13/kWh already reflected the benefit arising from the reduced GST. • Therefore, the same GST reduction cannot now be relied upon as a fresh ground to reduce the tariff. 5. "Change in Law" Provisions Are Not Applicable The "Change in Law" provisions under the applicable regulatory framework are intended to address legislative or fiscal changes that occur after the execution of a contract. Since the GST reduction occurred prior to the execution of the PPA, it cannot be treated as a subsequent Change in Law warranting revision of the agreed tariff. Any attempt to apply such provisions retrospectively is legally untenable. 6. Reduction in Tariff Will Seriously Affect Project Viability The tariff of ₹3.13/kWh formed the basis for financial closure, bank financing, loan repayment schedules, debt-equity structuring, and investment decisions. Any	provisions of the Power Purchase Agreements. The Central Electricity Regulatory Commission, in its suo motu Order dated 04.11.2025 in Petition No. 13/SM/2025, has also recognized the said GST reduction as a Change in Law event in accordance with the PPA provisions. Ans also, The PPAs executed b/w DISCOM and developers contain a "Change in Law" provision in clause 13.1.1.e mentions as under <i>"any change in the rates of any Taxes including any duties and cess or Introduction of any new tax made applicable for setting up the power project and supply of power from the Power project by the SPG Which have a direct effect on the Project."</i> The above provision enables adjustments where there is a material impact on project cost. The benefit arising from the reduction in GST shall be passed on to the consumers through the Change in Law mechanism, thereby ensuring that the benefit reaches the consumers while the financial viability of the projects is not adversely impacted. TGDISCOMs respectfully submit that the CUF benchmark and associated performance obligations are contractual provisions mutually agreed upon by the parties under the PPA and are uniformly applicable to all projects under the PM-KUSUM Scheme. The prescribed CUF requirements have been established based on reasonable performance expectations

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	post-execution reduction in tariff would significantly reduce project revenues, adversely affect repayment obligations, disturb the financial viability of the project, and cause severe economic hardship to project developers who invested based on the agreed tariff. 7. Revision of Benchmark Capacity Utilization Factor (CUF) The existing benchmark Capacity Utilization Factor (CUF) of 18% does not reflect the actual performance capability of modern solar power plants. Advancements in solar module efficiency, inverter technology, project design, and the favourable solar irradiation conditions in Telangana enable these projects to achieve substantially higher energy generation. It is therefore respectfully requested that the benchmark CUF be revised from 18% to at least 23%. Such a revision would more accurately reflect actual project performance, improve project viability, strengthen financial sustainability, enable farmers and developers to meet their financial commitments, maximize renewable energy generation, and support the State's clean energy and Net-Zero objectives.	and form part of the agreed terms and conditions of the PPA.
6.	Response to query by Sri. N. Varshanandini (S.No. 215)	
	1. Statement of Facts & The Counter-Claim The Original Agreement: The Power Purchase Agreement (PPA-238) for our 1.5 MW solar asset was executed in July 2025 at an approved baseline tariff of ₹3.13 per kWh. The Flawed Proposal: TGREDCO has arbitrarily proposed to reduce the tariff from ₹3.13 to ₹2.98 per kWh, falsely citing a drop in component GST from 12% to 5% as a "Change in Law" saving. The Reality Mandating an Upward Revision: Due to the extraordinary confluence of global warfare, unprecedented material spikes, and severe administrative	TGDISCOMs respectfully submit that the present petition is not seeking any arbitrary or unilateral revision of tariff. The PPAs executed b/w DISCOM and developers contain a "Change in Law" provision in clause 13.1.1.e mentions as under <i>"any change in the rates of any Taxes including any duties and cess or Introduction of any new tax made applicable for setting up the power project and supply of power from the Power project by the SPG Which have a direct effect on the Project."</i>

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	delays caused by the Respondent, the original ₹3.13 rate is no longer financially viable. The Petitioner respectfully submits a counter-claim requesting an upward revision of the tariff to ₹3.30 per kWh to prevent immediate project insolvency. 2. Comprehensive Grounds for Tariff Increase to ₹3.30 and State Subsidy A. Geopolitical Warfare and Escalated Market Losses Impact of Middle East Conflict: Following our April 2025 signing, sudden escalations in the Middle East war heavily disrupted international shipping lanes and maritime logistics. This regional crisis triggered record spikes in global freight rates and raw energy costs, directly inflating our localized procurement bills. Severe Material Cost Inflation: Driven by war-linked supply chain shocks and domestic anti-dumping duties on solar glass, finished solar PV module procurement costs plummeted our project into a 25% to 33% price surge post April 2025. Elevated Structural Costs: The cost of fabricated galvanized steel mounting structures required to safely anchor a 1.5 MW array rose by 10% to 15%, carrying a heavy, un-rationalized 18% GST rate that completely swallowed any nominal tax savings on modules. B. Administrative Bottlenecks and Compounding Debt Delays Lack of Right of Way (RoW) Support: Total passivity from TGREDCO regarding unaddressed RoW issues during transmission line routing stalled physical grid connection for months. Inordinate Meter Procurement & Paperwork Delays: Extreme delays in meter procurement, testing, and final Commercial Operation Date (COD) synchronization forced a fully capitalized asset to remain idle.	The above provision enables adjustments where there is a material impact on project cost. Further, the present petition is placed before the Hon'ble Commission for a review, to ensure that tariffs remain aligned with prevailing market conditions. A. TGDISCOMs submit that while the war did lead to a increase in raw material prices, but the impact was momentary and has subsided. Tariff determination is based on overall market trends and normative costs, not individual project-specific calculations. The reduction in GST on modules (a major cost component) along with declining solar module prices due to economies of scale and increased domestic manufacturing, has led to a net reduction in capital costs. B. The approvals and clearances falling within the jurisdiction of the authorities were processed in accordance with the applicable procedures and regulations. Similarly, the processes relating to metering, testing, and synchronization were carried out as per the prescribed technical and regulatory requirements. 4. TGDISCOMs respectfully submit that financing arrangements, lending rates, debt servicing obligations, and

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	Social and Financial Distress on Farmers: While the plant stood dark due to bureaucratic delays, bank construction loans fully transitioned into active repayment cycles. This has inflicted severe financial hardship on local Telangana farmers who stood as land-poolers, guarantors, or co-investors in this green infrastructure project. 3. Financial Viability and Loss Matrix <table><tr><th>Impediment / Component</th><th>Projected Cost (April 2025)</th><th>Operational Reality (2026)</th><th>Direct Financial Impact</th></tr><tr><td>Middle East Conflict</td><td>Stable Freight Costs</td><td>Global Shipping Disruption</td><td>Drastic inflation on imported parts & inland transit.</td></tr><tr><td>Project GST Rate</td><td>12% Flat on Components</td><td>70:30 Rule (~8.9% Effective)</td><td>Failed to provide the full 7% relief claimed by TGREDCO.</td></tr><tr><td>Solar PV Modules</td><td>Optimized Base Budget</td><td>Market Spike of 25%–33%</td><td>Distorted Capex limits and equity-to-debt ratios.</td></tr><tr><td>Mounting Structures</td><td>Standard Metal Budget</td><td>Market Spike of 10%–15% + 18% GST</td><td>Drastically reduced Balance of System (BOS) margins.</td></tr><tr><td>Meter & Paperwork Delays</td><td>Streamlined Synchronization</td><td>Extended TGREDCO Bottlenecks</td><td>Zero revenue generation during active loan billing.</td></tr><tr><td>Final Tariff Value</td><td>Designed at ₹3.13 /kWh</td><td>Requires Upward Shift to ₹3.30 /kWh</td><td>₹2.98 forces debt default; ₹3.30 restores project survival.</td></tr></table>	Impediment / Component	Projected Cost (April 2025)	Operational Reality (2026)	Direct Financial Impact	Middle East Conflict	Stable Freight Costs	Global Shipping Disruption	Drastic inflation on imported parts & inland transit.	Project GST Rate	12% Flat on Components	70:30 Rule (~8.9% Effective)	Failed to provide the full 7% relief claimed by TGREDCO.	Solar PV Modules	Optimized Base Budget	Market Spike of 25%–33%	Distorted Capex limits and equity-to-debt ratios.	Mounting Structures	Standard Metal Budget	Market Spike of 10%–15% + 18% GST	Drastically reduced Balance of System (BOS) margins.	Meter & Paperwork Delays	Streamlined Synchronization	Extended TGREDCO Bottlenecks	Zero revenue generation during active loan billing.	Final Tariff Value	Designed at ₹3.13 /kWh	Requires Upward Shift to ₹3.30 /kWh	₹2.98 forces debt default; ₹3.30 restores project survival.	loan structures are project-specific commercial decisions between developers and their lenders. Tariff determination is based on normative financing assumptions and regulatory principles rather than individual financing arrangements adopted by specific developers.
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7.	Response to query by Sri. Thota Srinivasulu (S.No. 216)																													
	The Power Purchase Agreement (PPA) executed between the parties clearly specifies the tariff as ₹3.13 per unit. Once the PPA has been executed, it is neither fair nor legally justified to unilaterally reduce the agreed tariff to ₹2.98 per unit, as it is contrary to the terms of the executed agreement and the applicable guidelines. While it is true that GST on certain solar equipment has been reduced to 5%, the overall cost of establishing solar power projects has increased significantly due to higher prices of solar equipment, raw materials, transportation, labour,	The market conditions have evolved, including reduction in GST and notable decline in capital costs, especially solar modules. Further, recent solar tariffs discovered through competitive bidding have shown consistent year-on-year decline, indicating reduction in overall project costs. TGDISCOMs fully recognize the contribution of PM-KUSUM projects towards renewable energy promotion, rural income generation, RPO compliance, and strengthening of																												

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	financing, and other construction-related expenses. The investment required for a 2 MW solar power plant has increased by approximately ₹80 lakhs. Therefore, the reduction in GST has not reduced the overall project cost; instead, the total project cost has increased substantially. The beneficiaries invested in these projects and obtained bank loans based on the tariff of ₹3.13 per unit as specified in the executed PPA. Any reduction in the tariff at this stage would severely affect the financial viability of the projects and cause significant hardship and injustice to the beneficiaries. In view of the increased project costs, we respectfully request the Commission to consider revising the tariff upward to ₹4.00 per unit instead of reducing it.	decentralized power generation. This petition is based on updated cost conditions, including reduction in GST and overall capital costs, which has improved project returns beyond original projections. The revision aims to align tariffs with current cost realities, while ensuring project viability, fair sharing of additional gains with consumers, and achievement of scheme objectives.
8.	Response to query by Sri. Pemmasani Narasimha Rao (S.No. 218)	
	We wish to bring to the kind notice of the Hon'ble Commission that there were considerable delays in the issuance of the Letter of Award (LOA) and execution of the PPAs. Further, significant delays were encountered in obtaining approvals from various authorities, including TGSPDCL, TGREDCO and other statutory agencies, during the implementation of the projects. In addition, there has been a substantial escalation in the cost of labour, equipment and other project inputs, which has materially increased the overall project cost. MOST RESPECTFULLY SHOWETH: 1. The Petitioners are bona fide Solar Power Generators who have invested in decentralized solar projects under Component-A of the PM-KUSUM Scheme based on the pre-fixed levelized tariff of ₹3.13/kWh determined by this Hon'ble Commission vide Order dated 02.01.2021 in O.P. No. 24 of 2020. Power Purchase Agreements (PPAs) were executed in good faith, incorporating the said tariff and a Change in Law provision intended to address material variations in a balanced manner. 2. The Respondents seek a downward revision of the tariff citing the reduction in	The approvals and clearances falling within the jurisdiction of the authorities were processed in accordance with the applicable procedures and regulations. TGDISCOMs submit that In O.P. No. 24 of 2020, this Hon'ble Commission determined a levelized tariff of Rs. 3.13/kWh, as per prevailing capital costs. In 2025, the TGDISCOMs approached this Hon'ble Commission seeking revision of the said tariff, submitting that, owing to the advancement of technology during the period 2021 to 2025, the cost of solar PV modules had declined while their efficiency had

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	GST rate from 12% to 5% on Solar PV Modules, Solar Cells, and associated components effective 22.09.2025 pursuant to the 56th GST Council Meeting. While the GST reduction is a statutory change, any revision of the pre-fixed tariff must equitably account for all material cost variations since the original determination in 2020-2021, including significant escalations in key input materials. A selective downward adjustment would render projects unviable, undermine investor confidence, and contravene the principles of just and reasonable tariff under Sections 61 and 62 of the Electricity Act, 2003. 3. Significant Escalation in Material Costs (2020–2026): The capital cost considered in the 2021 Order was based on prevailing prices around 2020. Since then, there has been substantial inflation and price volatility in critical components such as steel (used in mounting structures), aluminum (frames and racking), and copper (cabling and electrical systems). These increases largely offset or exceed the savings from the GST reduction (estimated at approximately 3–5% on overall capital cost). Key data on escalations include: Steel: Prices have risen by over 200% since March 2020 in relevant indices, with structural steel for solar projects experiencing sustained upward pressure through 2025–2026 due to global demand, supply constraints, and post-pandemic recovery. Even after partial moderation from 2021 peaks, current levels remain significantly higher than 2020 baselines. Aluminum: Critical for panel frames and mounting/racking systems (accounting for 9–10% of structural costs in solar projects). Prices have surged in 2026 due to supply disruptions, with racking costs rising approximately 20% and aluminum framing costs increasing from ~US\$0.02/Wp to ~US\$0.03/Wp, adding substantial project expenses. Copper: Prices have reached record highs, exceeding US\$14,500/MT in early 2026 (from much lower levels in 2020), driven by energy transition demand and supply imbalances. Copper is essential for inverters, cabling, and balance of system components. These escalations, combined with broader inflation in construction materials, logistics, and labor, have materially increased the normative capital cost per MW since the 2021 determination. A comprehensive review is essential for equity.	correspondingly improved. The TGDISCOMs, however, expressly undertook to abide by and adhere to such tariff as may be determined by this Hon'ble Commission. TGDISCOMs respectfully submit that this Hon'ble Commission, vide its Order in O.P. No. 32 of 2025, approved and adopted the tariff of Rs. 3.13/kWh for procurement of 4,000 MW under the PM-KUSUM Scheme. Accordingly, TGDISCOMs have accepted and signed PPAs with developers at the rate determined by the Hon'ble Commission. Subsequent to the tariff order, the reduction in GST on renewable energy devices with effect from 22.09.2025 constitutes a "Change in Law" event under the relevant provisions of the Power Purchase Agreements. The Central Electricity Regulatory Commission, in its suo motu Order dated 04.11.2025 in Petition No. 13/SM/2025, has also recognized the said GST reduction as a Change in Law event in accordance with the PPA provisions. Also, The PPAs executed b/w DISCOM and developers contain a "Change in Law" provision in clause 13.1.1.e mentions as under <i>"any change in the rates of any Taxes including any duties and cess or Introduction of any new tax made applicable for setting up the power project and supply of power from the Power project by the SPG Which have a direct effect on the Project."</i> The above provision enables adjustments where there is a material impact on project cost and the market conditions have evolved, including reduction in GST and notable decline in

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	4. Legal and Regulatory Grounds: The pre-fixed tariff was determined considering the fiscal and economic conditions then prevailing. Any modification under Change in Law or Regulation 35(2) must be holistic and not unilateral. The Petitioners have relied on the Commission's Order and executed PPAs accordingly. Selective revision favoring the Respondents would violate legitimate expectations, principles of fairness, and the objective of promoting renewable energy under Section 86(1)(e) of the Electricity Act, 2003. The PPAs executed post the 22.04.2025 Order in O.P. No. 32 of 2025 must be honored to maintain sanctity of contracts. 5. Impact on Project Viability and Debt Servicing A reduction of Rs. 0.15/kWh (approx. 4.8%) will materially affect the viability of existing and under construction projects. Many SPGs have structured their project finances based on the Commission approved tariff of Rs. 3.13/kWh. Any reduction will lead to: • Cash flow shortfalls. • Increased risk of default on debt obligations. • Potential stranding of assets.	capital costs, especially solar modules. Further, recent solar tariffs discovered through competitive bidding have shown consistent year-on-year decline, indicating reduction in overall project costs. The benefit arising from the reduction in GST shall be passed on to the consumers through the Change in Law mechanism, thereby ensuring that the benefit reaches the consumers while the financial viability of the projects is not adversely impacted. The financing arrangements, loan tenure, repayment schedules, and debt servicing obligations are project-specific commercial decisions arrived at between the developers and their respective lenders. Tariff determination cannot be based on individual financing structures but is required to be undertaken based on normative cost parameters, overall project economics, and prevailing market conditions.
9.	Response to query by Sri. V Jamuna (S.No. 221)	
	The unit price is clearly specified as ₹3.13 in the Power Purchase Agreement (PPA) executed between us. Once a PPA comes into effect, unilaterally reducing the unit price to ₹2.98, contrary to the existing rules and guidelines, is not only unjust but also legally untenable It is true that the GST on certain solar equipment has been reduced to 5%. However, at the same time, the costs of solar equipment, other raw materials, transportation, labor wages, finance costs, and other construction expenses have increased significantly. To illustrate this steep escalation in expenses, please take the following price increases from 2021 to the present into consideration: Copper: The price was approximately ₹360 per kg in 2021; today it has increased to ₹1,300 per kg. Aluminum: The price was ₹170 per kg in 2021; today it is	TGDISCOMs respectfully submit that the present petition is not seeking any arbitrary or unilateral revision of tariff. The PPAs executed b/w DISCOM and developers contain a "Change in Law" provision in clause 13.1.1.e mentions as under <i>"any change in the rates of any Taxes including any duties and cess or Introduction of any new tax made applicable for setting up the power project and supply of power from the Power project by the SPG Which have a direct effect on the Project."</i> The above provision enables adjustments where there is a

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	approximately ₹450 per kg. Transmission Line (with Bay Extension): The cost per kilometer was ₹5,00,000 in 2021; today it has surged to ₹10,00,000. Steel (for Solar Construction): The price was ₹70,000 per ton in 2021; in the current year, it stands at ₹1,40,000 per ton. Silver (used in Solar Panels): The price was ₹60,000 in 2021; it is now approximately ₹2,45,000. Foreign Exchange Rate: The overall construction cost of a solar plant is heavily dependent on the US Dollar. The USD exchange rate was ₹74 in 2021, whereas it is approximately ₹94 today. Therefore, the reduction in GST has not decreased the project cost; in reality, the overall expenditure has drastically increased. Beneficiaries have made investments, taken bank loans, and established these projects based on the ₹3.13 unit price mentioned in the PPA. Reducing the tariff now will severely damage the financial viability of the projects and cause grave injustice to the beneficiaries.	material impact on project cost. Further, the present petition is placed before the Hon'ble Commission for a review, to ensure that tariffs remain aligned with prevailing market conditions. The market conditions have evolved, including reduction in GST and notable decline in capital costs, especially solar modules. Further, recent solar tariffs discovered through competitive bidding have shown consistent year-on-year decline, indicating reduction in overall project costs. The benefit arising from the reduction in GST shall be passed on to the consumers through the Change in Law mechanism, thereby ensuring that the benefit reaches the consumers while the financial viability of the projects is not adversely impacted.
10.	Response to query by Sri. N. Hamendra Devi (S.No. 222)	
	The existing tariff of ₹3.13 per unit has become entirely unviable given the steep rise in both project execution costs and market prices. This rate no longer ensures a fair return on investment for farmers under the PM-KUSUM Scheme, making an immediate review absolutely essential. While the reduction in GST on solar modules was intended to lower expenses, market realities have shifted in the opposite direction. Prior to the GST cut, solar modules were priced at roughly ₹11–12 per watt. Following the reduction, however, prices actually climbed to around ₹14–15 per watt, significantly driving up the overall capital requirement. Furthermore, the financial viability of these projects has been severely strained	The market conditions have evolved, including reduction in GST and notable decline in capital costs, especially solar modules. Further, recent solar tariffs discovered through competitive bidding have shown consistent year-on-year decline, indicating reduction in overall project costs. TGDISCOMs respectfully submit that the present petition is not seeking any arbitrary or unilateral revision of tariff. The PPAs executed b/w DISCOM and developers contain a "Change in Law" provision in clause 13.1.1.e mentions as under

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	by escalating costs across several key components: Steel Prices: Rose by roughly 12%, adding an unexpected burden of nearly ₹6.6 lakh. Cabling: Increased by approximately 15%, adding around ₹2.7 lakh to expenses. Labor Costs: Scaled up by roughly 15%, resulting in a further increase of nearly ₹4.5 lakh. Logistics & Transport: Surged by approximately ₹1–2 lakh. Consequently, while the GST relief theoretically offered around ₹10 lakh in savings, this benefit has been completely erased by the combined price hikes in solar modules and other vital infrastructure components, culminating in a much higher final project cost. Contractual Sanctity of the Power Purchase Agreement (PPA) It is respectfully submitted that the Power Purchase Agreement (PPA) executed under the PM-KUSUM Scheme stands as a legally binding contract. Farmers and developers moved forward in reliance on the specific tariffs, payment structures, and mutual commitments detailed in the agreement. Based on these firm assurances, beneficiaries cleared their land, allocated substantial capital, and have already executed a major portion of the project infrastructure. The PPA contains no provision allowing for the arbitrary alteration of tariffs or agreed terms post-execution. As a formal contract, its conditions cannot be unilaterally modified after the farmers have already acted upon those promises. Any such modification would disrupt the foundational basis of their investment and inflict severe financial distress upon the beneficiaries. The participating farmers entered this initiative in good faith, trusting the government's tariff and payment commitments as outlined in the contract. With nearly half of the development work already completed and heavy expenses incurred, these farmers now face unforeseen financial uncertainty due to changes never envisioned in the original agreement. Therefore, we respectfully urge that the executed PPA be enforced strictly according to its original provisions, and that no detrimental alterations be made	<i>“any change in the rates of any Taxes including any duties and cess or Introduction of any new tax made applicable for setting up the power project and supply of power from the Power project by the SPG Which have a direct effect on the Project.”</i> The above provision enables adjustments where there is a material impact on project cost. Further, the present petition is placed before the Hon’ble Commission for a review, to ensure that tariffs remain aligned with prevailing market conditions. The benefit arising from the reduction in GST shall be passed on to the consumers through the Change in Law mechanism, thereby ensuring that the benefit reaches the consumers while the financial viability of the projects is not adversely impacted.

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	to the tariff or payment terms after the beneficiaries have already invested based on those prior commitments.	
11.	Response to query by Sri. Maddi Lakshmi (S.No. 225)	
	I most respectfully request the Hon'ble commission to reject the proposed tariff reduction and instead, consider an upward revision of the tariff in view of the present economic realities. My objections are as follows: Assurance of Fixed Tariff for 25 years. Before execution of PPA TGREDCO and DISCOM officials conducted awareness meetings and assured that tariff will be Rs3.13 per unit generated by the farmers for next 25 years. Any reduction at this stage would defeat the legitimate expectations created by the authorities. Significant increase in overall project cost, due global conditions increase of prices abnormally of steel, aluminium, copper and various other materials. PM kusum scheme was introduced to provide farmers with a stable and long-term source of income while promoting clean and renewable energy. Farmers participating in this scheme have invested their land, financial resources, and borrowed capital based on Government Assurances. A reduction in tariff would not only jeopardize individual projects but also discourage future participation in renewable energy initiatives. We humbly request to reject the proposed tariff reduction and continue the existing tariff. Our land has completely gone into this project, and we were promised Rs3.13 per unit for the entire period of 25 years. However, in reality, even Rs3.13 per unit would fall short for the maintenance of the project. Therefore, it would be more appropriate to increase the tariff after considering the over recession worldwide. Protect the legitimate interest of PM Kusum farmers and uphold the sanctity of the commitments made at the time of PPA.	TGDISCOMs submit that While tariff certainty is important, it must be balanced with the need to ensure that tariffs remain fair and reflective of current market conditions. A revision in line with cost reductions supports regulatory prudence and consumer interest, without compromising project viability. While some material costs have increased, this does not reflect the overall scenario. A major cost component, solar modules, has reduced significantly and GST reduction, which combinedly outweighs these increases. Also, recent solar tariffs discovered through competitive bidding have been reducing year after year, which clearly shows that overall project costs have come down. TGDISCOMs fully acknowledge that PM-KUSUM contributes significantly towards enhancement of farmer income, decentralized renewable energy development, rural economic growth, reduction of technical losses and achievement of renewable energy targets. The intent of TGDISCOMs is that the benefit arising from the reduction in GST shall be passed on to the consumers through the Change in Law mechanism, thereby ensuring that the benefit reaches the consumers while the financial viability of the projects is not adversely impacted
12.	Response to query by a) Sri. Jayasri Gunukula (S.No. 228) b) Sri. Poddatur Shravan Kumar Reddy (S.No. 230)	

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	1. The objector participated in PM-KUSUM and planned the project based on the tariff approved by this Hon'ble Commission. Project implementation, loan arrangements and investment decisions were undertaken relying upon the existing tariff framework. 2. At the time of original tariff determination during 2021, the applicable GST on solar equipment was 5%. At present also, the GST applicable has effectively returned to the same level. Therefore, reduction in GST does not create any new financial advantage compared to the original tariff assumptions. 3. While GST may presently be at the same level as considered earlier, the overall project cost has increased substantially over the years. The cost of major project materials including modules, structures, electrical equipment, cables, transformers, erection activities and associated infrastructure has increased approximately by 25% to 30%. 4. A considerable amount of time has been lost in obtaining loan approvals from banks and financial institutions. Farmers faced repeated procedural requirements, technical scrutiny and financial compliance before sanction of loans. 5. In addition to financing delays, substantial time and expenditure were incurred for obtaining Right of Way (ROW) clearances and completion of evacuation line works between the Solar Power Generator and Sub-station. 6. Many project developers and farmers were required to spend significant additional amounts for ROW settlements, permissions, line completion and associated field-level execution. 7. Operation and Maintenance (O&M) expenditure assumed at the time of tariff determination no longer reflects practical conditions. O&M expenses including security, vegetation clearing, inverter servicing, preventive maintenance,	TGDISCOMs respectfully submit that this Hon'ble Commission, vide its Order in O.P. No. 32 of 2025, approved and adopted the tariff of Rs. 3.13/kWh for procurement of 4,000 MW under the PM-KUSUM Scheme. Accordingly, TGDISCOMs have accepted and signed PPAs with developers at the rate determined by the Hon'ble Commission. Subsequent to the tariff order, the reduction in GST on renewable energy devices with effect from 22.09.2025 constitutes a "Change in Law" event under the relevant provisions of the Power Purchase Agreements. The Central Electricity Regulatory Commission, in its suo motu Order dated 04.11.2025 in Petition No. 13/SM/2025, has also recognized the said GST reduction as a Change in Law event in accordance with the PPA provisions. The approvals and clearances falling within the jurisdiction of the authorities were processed in accordance with the applicable procedures and regulations. The benefit arising from the reduction in GST shall be passed on to the consumers through the Change in Law mechanism, thereby ensuring that the benefit reaches the consumers while the financial viability of the projects is not adversely impacted.

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	insurance, manpower and periodic replacement costs have increased by approximately 25% to 30%. 8. Therefore, any perceived benefit arising from present GST conditions is substantially offset by increased EPC costs, O&M expenditure, financing costs, implementation delays and operational expenses. 9. Most of the projects have already obtained bank sanctions based on the approved tariff of ₹3.13/kWh and corresponding projected cash flows. 10. If tariff is reduced at this stage: (a) loan repayment schedules may become unviable; (b) banks may insist upon additional margin contribution; (c) sanctioned loan amounts may be reassessed or reduced; (d) debt servicing capability of farmers may be adversely affected. 11. Farmers have already invested substantial time and financial resources and have undertaken contractual and financing obligations. Any reduction after such commitments would create serious financial hardship. 12. Synchronisation, operation and long-term maintenance of solar plants have become increasingly challenging due to increase in implementation and recurring expenditure. 13. Further, PM-KUSUM projects are based on Distributed Energy Resources (DER), which provide multiple long-term benefits to DISCOMs including: (a) reduction in transmission losses; (b) localised generation and improved grid support;	

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	(c) reduced requirement of large transmission infrastructure; (d) supply closer to agricultural load centres; and (e) improvement in overall energy security and system efficiency. 14. Therefore, PM-KUSUM projects create long-term operational and economic benefits for DISCOMs in addition to supporting farmers. 15. Reduction of tariff at this stage may discourage future participation by farmers and adversely affect implementation of decentralized renewable energy programmes.	
13.	Response to query by Sri. Akula Chinna Gangaram (S.No. 231)	
	I. Tariff Determination Was Based on Existing GST Structure The tariff of ₹3.13/kWh was determined after considering the benchmark capital cost prevailing during FY 2020-21. At that time, GST applicable on eligible solar equipment was already 5%. Therefore, the present GST reduction merely restores the same tax structure that already existed while determining the benchmark tariff. No fresh financial advantage has arisen that can legally justify reduction of tariff. Consequently, the very foundation of the proposed tariff reduction is factually incorrect. II. Overall Project Cost Has Increased Significantly The proposal wrongly assumes that reduction in GST automatically results in reduction of overall project cost. In reality, project expenditure consists of numerous components including: • Land development • Civil works • Foundations • Steel structures • Solar mounting structures • Internal roads • Labour charges • Transportation	I. TGDISCOMs submit that In O.P. No. 24 of 2020, this Hon'ble Commission determined a levelized tariff of Rs. 3.13/kWh, as per prevailing capital costs. In 2025, the TGDISCOMs approached this Hon'ble Commission seeking revision of the said tariff, submitting that, owing to the advancement of technology during the period 2021 to 2025, the cost of solar PV modules had declined while their efficiency had correspondingly improved. TGDISCOMs respectfully submit that this Hon'ble Commission, vide its Order in O.P. No. 32 of 2025, approved and adopted the tariff of Rs. 3.13/kWh for procurement of 4,000 MW under the PM-KUSUM Scheme. Accordingly, TGDISCOMs have accepted and signed PPAs with developers at the rate determined by the Hon'ble Commission. Subsequent to the tariff order, the reduction in GST on renewable energy devices with effect from 22.09.2025 constitutes a "Change in Law" event under the relevant provisions of the Power Purchase Agreements. The Central

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	• Power transformer • Metering equipment • Transmission line • Evacuation infrastructure • Bay extension • Insurance • Bank processing charges • Interest During Construction (IDC) • Security arrangements • Operation & Maintenance • Inflation affecting all construction materials Most of these costs have increased substantially since 2021. Therefore, no reasonable conclusion can be drawn that overall project cost has decreased. III. Financial Closure Has Already Been Achieved Financial institutions evaluated the project exclusively on the basis of the approved tariff of ₹3.13/kWh. Loan sanction, projected cash flow, repayment schedule, Debt Service Coverage Ratio (DSCR), Internal Rate of Return (IRR), and project viability were all determined using the approved tariff. Any reduction after financial closure would fundamentally alter the economics of the project and adversely affect repayment capacity. Such a change may even expose farmers to loan defaults despite no fault on their part. IV. Binding Nature of Executed Power Purchase Agreement The executed Power Purchase Agreement constitutes a valid and legally enforceable contract. The tariff forms one of its essential contractual terms. After execution, neither contracting party should be permitted to alter the agreed commercial consideration unilaterally. Such alteration would undermine certainty and commercial confidence. V. Sanctity of Contract Contractual certainty forms the foundation of commercial transactions. Farmers	Electricity Regulatory Commission, in its suo motu Order dated 04.11.2025 in Petition No. 13/SM/2025, has also recognized the said GST reduction as a Change in Law event in accordance with the PPA provisions. II. While some material costs have increased, this does not reflect the overall scenario. A major cost component, solar modules, has reduced significantly and GST reduction, which combinedly outweighs these increases. Also, recent solar tariffs discovered through competitive bidding have been reducing year after year, which clearly shows that overall project costs have come down. III, VIII & IX. TGDISCOMs respectfully submit that financing arrangements, lending rates, debt servicing obligations, and loan structures are project-specific commercial decisions between developers and their lenders. Tariff determination is based on normative financing assumptions and regulatory principles rather than individual financing arrangements adopted by specific developers. IV. The PPA is binding on relevant parties, The proposed adjustment is implementation of the “Change in Law” provisions expressly contained in the PPA and duly signed by the developer. V, VI, VII, X & XI. TGDISCOMs fully recognize the contribution

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	entered into long-term investments relying upon Government policy, Commission Orders and executed contractual commitments. If tariff is reduced after execution of contracts, confidence in future Government-backed renewable energy programmes will be severely damaged. VI. Legitimate Expectation The Government, through PM-KUSUM, invited farmers to establish renewable energy projects. The Commission determined the tariff. The Distribution Licensee executed the PPA. Banks sanctioned loans. Farmers invested crores of rupees. These cumulative actions created a legitimate expectation that the approved tariff would remain available throughout the contractual period. Changing that expectation after investments have already been made would be manifestly unfair. VII. Promissory Estoppel The entire investment decision was induced by Government policy and regulatory assurances. Farmers altered their financial position relying upon those representations. Once citizens have acted upon such promises and incurred irreversible financial obligations, the underlying economic basis should not subsequently be withdrawn to their prejudice. VIII. Uniform Tariff Reduction Is Arbitrary Every solar project differs with respect to: • Procurement dates • Equipment prices • Financing cost • Transportation expenses • Construction schedule • Vendor quotations • Interest burden Therefore, assuming an identical capital cost reduction across every project is arbitrary and unsupported by actual evidence. Any determination without project-wise verification would be fundamentally unfair.	of PM-KUSUM projects towards renewable energy promotion, reduction of transmission losses, rural income generation, RPO compliance, and strengthening of decentralized power generation. The present petition seeks to balance the interests of project developers and electricity consumers by ensuring that benefits accruing from GST reduction are appropriately reflected without affecting project viability.

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	IX. Equality and Fairness Projects established under entirely different commercial conditions cannot reasonably be treated as identical. Uniform reduction without examining actual facts would ignore material differences among individual projects. Regulatory decisions should always be based upon actual evidence rather than assumptions. X. Objectives of PM-KUSUM The PM-KUSUM Scheme was introduced primarily to: • Enhance farmers' income. • Promote decentralized renewable energy. • Encourage long-term rural investment. • Improve energy security. Reducing tariff after investments have already been made directly undermines these objectives. Instead of encouraging participation, it discourages future investment by farmers. XI. Public Interest Renewable energy investments require regulatory certainty. Banks finance projects only because approved tariffs remain predictable. If tariffs are altered after execution of contracts, investor confidence, banking confidence and future renewable investments will suffer. Maintaining contractual certainty is therefore in larger public interest	
14.	Response to query by Sri. Veera Prem Sai Koppaka (S.No. 233)	
	The GST reduction applies only to the taxable value of specified goods and services. However, the overall project cost includes several components that are either non-GST items or are unaffected by the GST reduction, including: • Land acquisition/lease costs • Land development • Internal roads and drainage • Transmission line and evacuation infrastructure • Bay extension charges	TGDISCOMs respectfully submit that the present petition is based on the reduction in GST rates. The proposal has been made considering the overall project economics, including reduction in GST rates and decline in major capital cost components, particularly solar modules. TGDISCOMs further submit that tariff determination is based

S.No.	Summary of Objections / Suggestions	Response of the Licensee																		
	- Statutory approvals - Financing costs - Interest during construction - Insurance - Operation & Maintenance costs Consequently, the reduction in GST affects only a limited portion of the total project cost and cannot justify a reduction of 15 paise per unit throughout the entire 25-year tariff period. <table border="1"> <thead> <tr> <th>Component</th><th>Earlier</th><th>Current</th></tr> </thead> <tbody> <tr> <td>Solar Modules</td><td>Base Price</td><td>Increased around 20%</td></tr> <tr> <td>Steel Structures</td><td>Baseline</td><td>Increased by 20–40%</td></tr> <tr> <td>Copper Cables</td><td>Baseline</td><td>Increased significantly</td></tr> <tr> <td>Transformers</td><td>Baseline</td><td>Increased due to raw material escalation</td></tr> <tr> <td>Freight</td><td>Baseline</td><td>Increased because of fuel and logistics costs</td></tr> </tbody> </table>	Component	Earlier	Current	Solar Modules	Base Price	Increased around 20%	Steel Structures	Baseline	Increased by 20–40%	Copper Cables	Baseline	Increased significantly	Transformers	Baseline	Increased due to raw material escalation	Freight	Baseline	Increased because of fuel and logistics costs	on normative cost parameters and overall market trends rather than individual project-specific expenditures, financing arrangements, procurement schedules, EPC contracts, loan obligations, or commercial commitments. While certain project cost components may have witnessed increases during implementation, the overall project economics are required to be assessed holistically, considering both cost escalations and reductions in major cost elements. Accordingly, TGDISCOMs respectfully submit that the present petition seeks to align the tariff with prevailing market conditions and ensure that the benefits arising from reduced project costs are appropriately passed on to consumers while maintaining the financial viability of the projects.
Component	Earlier	Current																		
Solar Modules	Base Price	Increased around 20%																		
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Freight	Baseline	Increased because of fuel and logistics costs																		
15.	Response to query by Sri. Koppaka Veera Venkata Satyanarayana (S.No. 235)																			
	The overall economics of renewable energy projects continue to be adversely impacted by significant increases in project costs, including: Increase in the prices of solar modules, steel structures, transformers, inverters, cables, and other Balance of System (BoS) components. Escalation in freight, transportation, and logistics costs. Higher land acquisition and site development expenses. Increased transmission and grid connectivity costs. Rising labour costs, civil works expenses, and statutory compliance charges. Higher interest rates, financing costs, and bank guarantee charges. Escalation in annual Operation & Maintenance (O&M) expenses due to inflation. These cost increases have substantially offset the financial benefit arising from the GST reduction. Further, project financing was secured based on the approved tariff	TGDISCOMs respectfully submit that the present petition is based on the reduction in GST rates. The proposal has been made considering the overall project economics, including reduction in GST rates and decline in major capital cost components, particularly solar modules. TGDISCOMs respectfully submit that the issues relating to project-specific financing, debt servicing, cash flow projections, and commercial viability are matters between the developers																		

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	of ₹3.13/kWh. Any post-award reduction in tariff would adversely affect project cash flows, debt servicing capability, and the financial viability of the project. Such revisions also create regulatory uncertainty and may impact investor confidence in future renewable energy investments in Telangana.	and their lenders and cannot form the basis for tariff determination. Further, if any developer contends that the benefit of GST reduction was not available due to prior procurement commitments or project-specific circumstances, the same may be considered by the Hon'ble Commission based on the facts and merits of the individual case. Accordingly, TGDISCOMs respectfully submit that the present petition seeks to align the tariff with prevailing market conditions and ensure that the benefits arising from reduced project costs are appropriately passed on to consumers while maintaining the financial viability of the projects.
16.	Response to query by Sri. Danda Dharanidhar Reddy (S.No. 237)	
	1. The Proposed Downward Revision May Not Fully Reflect the Overall Project Economics • GST constitutes only one component of the overall project cost. The benefit arising from GST reduction is limited to specific project components. Overall project economics are influenced by several financial and technical factors. GST reduction in isolation may not adequately represent the present-day cost of implementing PM-KUSUM Component-A projects. 2. Significant Escalation in Project Costs Since 2021 Land development and site preparation Boundary fencing Internal roads and drainage Transformers and HT equipment Switchgear and electrical balance of system Power cables Evacuation infrastructure Labour and installation Transportation and logistics Insurance Security arrangements Annual Operation & Maintenance expenses	TGDISCOMs respectfully submit that the present petition is based on the reduction in GST rates. The proposal has been made considering the overall project economics, including reduction in GST rates and decline in major capital cost components, particularly solar modules. TGDISCOMs further submit that tariff determination is based on normative cost parameters and overall market trends rather than individual project-specific expenditures, financing arrangements, procurement schedules, EPC contracts, loan obligations, or commercial commitments. While certain project cost components may have witnessed increases during implementation, the overall project economics are required to be assessed holistically, considering both cost escalations and

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	3. Increase in Financing Costs Higher lending rates Increased promoter contribution requirements More stringent lending conditions Higher collateral requirements Increased debt servicing obligations 4. PM-KUSUM Projects Have Distinct Characteristics Decentralized in nature Located in rural and dispersed areas Smaller in installed capacity Dependent upon dedicated evacuation infrastructure Comparatively higher per-MW implementation costs 5. Broader Benefits of PM-KUSUM Projects Enhancing farmer income Promoting decentralized renewable energy Reducing feeder-level technical losses Strengthening rural power infrastructure Supporting Renewable Purchase Obligation (RPO) compliance Providing stable, clean energy over the long term 6. Importance of Regulatory Stability • The financial tariff approved in 2021 has served as the basis for investment planning and arrangements. A stable and predictable regulatory framework supports stakeholder confidence and successful implementation of PM-KUSUM. PRAYER 1. Not to accept the proposed downward revision of the pre-fixed levelized tariff from ₹3.13/kWh to ₹2.98/kWh. 2. Continue the existing tariff of 3.13/kWh for projects under PM-KUSUM Component-A. 3. Take into consideration the cumulative impact of increased project costs, financing costs, infrastructure costs and operation & maintenance expenses.	reductions in major cost elements. TGDISCOMs respectfully submit that the issues relating to project-specific financing, debt servicing, cash flow projections, and commercial viability are matters between the developers and their lenders and cannot form the basis for tariff determination. Further, if any developer contends that the benefit of GST reduction was not available due to prior procurement commitments or project-specific circumstances, the same may be considered by the Hon'ble Commission based on the facts and merits of the individual case. Accordingly, TGDISCOMs respectfully submit that the present petition seeks to align the tariff with prevailing market conditions and ensure that the benefits arising from reduced project costs are appropriately passed on to consumers while maintaining the financial viability of the projects. TGDISCOMs fully recognize the contribution of PM-KUSUM projects towards renewable energy promotion, reduction of transmission losses, rural income generation, RPO compliance, and strengthening of decentralized power generation. The present petition seeks to balance the interests of project developers and electricity consumers by ensuring that benefits accruing from GST reduction are appropriately reflected without affecting project viability.

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	4. If considered appropriate, kindly consider an appropriate upward revision of the tariff to ensure long-term financial sustainability of PM-KUSUM Component-A projects. 5. Provide stakeholders an opportunity to present their submissions during the scheduled public hearing	
17.	Response to query by a) Sri. Pothuri Sivasankara Naidu (S.No. 238) b) Sri. Pothuri Anasuta (S.No. 239)	
	The Tariff Is a Pre-Fixed Levelized Tariff — Not Amenable to Downward Revision The Change in Law Clause Cannot Be Invoked Selectively — GST Reduction Is Only One Element Among Multiple Changes in Law Increase In Balance Of System (Bos) Costs Grossly Outweighs The GST Benefit — Net Tariff Impact Is Adverse To The SPG The Proposed Reduction Violates the Doctrine of Legitimate Expectation The Petition Is Legally Infirm — No Financial Computation or Engineering Basis Has Been Provided for Rs. 2.98/KWh The Proposed Reduction Causes Severe Financial Hardship and Renders the Project Commercially Unviable The Proposed Tariff Reduction Defeats the Stated Objectives of the Pm-Kusum Scheme and Is Contrary to Public Policy The Express Terms of the PPA Supersede Any Unilateral Revision — Contractual Sanctity Must Be Upheld	TGDISCOMs respectfully submit that the present petition is not seeking any arbitrary or unilateral revision of tariff. The PPAs executed b/w DISCOM and developers contain a “Change in Law” provision in clause 13.1.1.e mentions as under <i>“any change in the rates of any Taxes including any duties and cess or Introduction of any new tax made applicable for setting up the power project and supply of power from the Power project by the SPG Which have a direct effect on the Project.”</i> The above provision enables adjustments where there is a material impact on project cost. Further, the present petition is placed before the Hon’ble Commission for a review, to ensure that tariffs remain aligned with prevailing market conditions. TGDISCOMs respectfully submit that the present petition is based on the reduction in GST rates. The proposal has been made considering the overall project economics, including reduction in GST rates and decline in major capital cost components, particularly solar modules. TGDISCOMs further submit that tariff determination is based on normative cost parameters and overall market trends rather

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	The Change in Law Clause, Properly and Holistically Applied, Entitles SPGs to an Upward Revision — Not a Downward Revision	than individual project-specific expenditures, financing arrangements, procurement schedules, EPC contracts, loan obligations, or commercial commitments. While certain project cost components may have witnessed increases during implementation, the overall project economics are required to be assessed holistically, considering both cost escalations and reductions in major cost elements. TGDISCOMs fully recognize the contribution of PM-KUSUM projects towards renewable energy promotion, reduction of transmission losses, rural income generation, RPO compliance, and strengthening of decentralized power generation. The present petition seeks to balance the interests of project developers and electricity consumers by ensuring that benefits accruing from GST reduction are appropriately reflected without affecting project viability. Accordingly, TGDISCOMs respectfully submit that the present petition seeks to align the tariff with prevailing market conditions and ensure that the benefits arising from reduced project costs are appropriately passed on to consumers while maintaining the financial viability of the projects.
18.	Response to query by Sri. D.Amarendhar (S.No. 243)	
	1. Tariff determined through a regulatory process The tariff of ₹3.13/kWh was approved by the Hon'ble Commission and formed the basis for investment decisions, financial closure, and project execution. Any retrospective reduction would adversely affect the financial viability of projects already established based on the approved tariff. 2. Significant increase in project costs Since issuance of the PPA, project costs have substantially increased due to:	TGDISCOMs respectfully submit that the present petition is not seeking any arbitrary or unilateral revision of tariff. The PPAs executed b/w DISCOM and developers contain a "Change in Law" provision in clause 13.1.1.e mentions as under <i>"any change in the rates of any Taxes including any duties and cess or Introduction of any new tax made applicable for setting</i>

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	* Increase in solar module prices. * Increase in copper, steel, aluminium, and electrical equipment costs. * Supply-chain disruptions caused by international conflicts and global market conditions. * Higher transportation and logistics expenses. * Increased interest burden on project loans. 3. GST reduction benefit does not represent total project cost While GST on certain solar components has been reduced, overall project costs have increased substantially. The GST reduction alone does not offset the escalation in material, financing, and construction costs incurred by developers. 4. Impact on bankability Banks sanctioned loans based on the approved tariff of ₹3.13/kWh. Any reduction in tariff after project implementation may affect debt servicing capability and create financial stress for project developers. 5. Legitimate expectation of investors Developers invested crores of rupees relying on the tariff approved by the Commission. Revising the tariff downward after investments have been made would adversely impact investor confidence in renewable energy projects in Telangana. 6. Request for continuation of existing tariff Considering the increase in project costs and the commitments already undertaken by SPGs, the tariff of ₹3.13/kWh should be continued for all existing PPAs executed under PM-KUSUM Component-A. 7. Alternative request In view of the increased capital expenditure and financing costs, the Commission may also consider enhancement of tariff to ₹3.25/kWh for projects commissioned after substantial cost escalation, to ensure long-term viability of	<i>up the power project and supply of power from the Power project by the SPG Which have a direct effect on the Project.”</i> The above provision enables adjustments where there is a material impact on project cost. Further, the present petition is placed before the Hon'ble Commission for a review, to ensure that tariffs remain aligned with prevailing market conditions. TGDISCOMs respectfully submit that the present petition is based on the reduction in GST rates. The proposal has been made considering the overall project economics, including reduction in GST rates and decline in major capital cost components, particularly solar modules. TGDISCOMs further submit that tariff determination is based on normative cost parameters and overall market trends rather than individual project-specific expenditures, financing arrangements, procurement schedules, EPC contracts, loan obligations, or commercial commitments. While certain project cost components may have witnessed increases during implementation, the overall project economics are required to be assessed holistically, considering both cost escalations and reductions in major cost elements. TGDISCOMs fully recognize the contribution of PM-KUSUM projects towards renewable energy promotion, reduction of transmission losses, rural income generation, RPO compliance, and strengthening of decentralized power generation. The present petition seeks to balance the interests

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	the PM-KUSUM scheme and protect investments made by farmers and developers.	of project developers and electricity consumers by ensuring that benefits accruing from GST reduction are appropriately reflected without affecting project viability. Accordingly, TGDISCOMs respectfully submit that the present petition seeks to align the tariff with prevailing market conditions and ensure that the benefits arising from reduced project costs are appropriately passed on to consumers while maintaining the financial viability of the projects.
	Response to query by Sri. Sridhar Vennamaneni (S.No. 250)	
19.	1. Our financial commitments were based on a tariff rate of Rs 3.13/kWH. Land preparation costs including fencing, project financing, equipment procurement and EPC contract was based on above rate. Reducing the tariff rate now effects the project viability. 2. We paid GST of 18% to EPC contractor as per our contract. The reduction in GST did not benefit us. It benefited the EPC contractor and developers. 3. In the last 1 year, the prices of all commodities have increased significantly, increasing the overall costs of our projects. So, the price paid for solar modules, cables, MMS strictures, transformers and inverters is higher. 4. Right of way payments and grid connectivity expenses were much higher than expected. 5. Interest rates are higher and valuation charges and bank vetting charges are higher.	TGDISCOMs submit that the proposed tariff revision is not intended to revisit the entire project economics or alter the fundamental commercial understanding between the parties. It is limited to passing on the benefit arising from a specific statutory change, namely the reduction in the applicable GST rate on solar modules. The tariff determined by the Hon'ble Commission was based on normative cost assumptions prevailing at the time of tariff determination, including the applicable taxes and duties. The overall project economics are required to be assessed holistically, considering both cost escalations and reductions in major cost elements, including the decline in capital costs, especially solar modules. Further, recent solar tariffs discovered through competitive bidding have shown consistent year-on-year decline, indicating reduction in overall project costs.

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	6. O&M expenses are much higher than expected due to lack of skilled technicians in rural areas affecting project viability. Insurance costs and security costs are also much higher than anticipated. 7. The reduction in GST benefited the developers and EPC contractors but not the farmers who signed contracts with them.	TGDISCOMs submit that, this petition is an attempt to pass on the benefits to the consumers while ensuring that the financial viability of the projects are not adversely impacted.