# INDO GULF REFINERIES PRIVATE LIMITED

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To

The Commission Secretary,

Telangana Electricity Regulatory Commission (TGERC),

Vidyut Niyantran Bhavan,

GTS Colony, Kalyan Nagar,

Hyderabad - 500045.

**Subject:** Objections to the Interlocutory Application filed by TGDISCOMs seeking reduction of PM-KUSUM Component-A tariff from ₹3.13/kWh to ₹2.98/kWh and request for revision of tariff based on prevailing project costs.

**Respected Sir,**

I respectfully submit these objections as a Solar Power Generator (SPG) under the PM-KUSUM Component-A Scheme in response to the Interlocutory Application filed by the Telangana DISCOMs seeking reduction of the tariff from ₹3.13/kWh to ₹2.98/kWh.

I am developing a **1MW Solar Power Project** at **Hanumanthraopet** in Telangana, under the PM-KUSUM Component-A Scheme pursuant to **Power Purchase Agreement (PPA) No. 673 Dt 31-12-2025** executed with the DISCOM.

I strongly oppose the proposed reduction in tariff. The tariff determined by the Hon'ble Commission in January 2021 was based on the prevailing market conditions, project costs, financing assumptions and statutory levies existing at that time. Since then, there has been a substantial increase in capital expenditure, financing costs and operating expenses. Accordingly, the tariff deserves reconsideration based on present-day project economics rather than reduction.

## 1. Tariff determined in 2021 no longer reflects present-day project costs

The tariff of ₹3.13/kWh was determined using assumptions applicable during 2020-21. Over the last five years, almost every major cost component has increased significantly due to inflation, changes in taxation and import policies, escalation in commodity prices and higher financing costs. Therefore, the tariff determined in 2021 cannot reasonably be treated as representative of the actual cost of projects presently under implementation.

## 2. Mandatory increase in DC capacity requirement

While determining the tariff in I.A. No. 4 in O.P. No. 24 of 2020, the Hon'ble Commission considered a project configuration based on approximately **1.1 MW DC capacity for every 1 MW AC capacity**.

However, under the implementation guidelines presently followed for PM-KUSUM Component-A projects in Telangana, developers are effectively required to install **1.2 MW DC capacity for every 1 MW AC** to achieve the prescribed generation obligations and performance standards.

This additional 100 kW DC capacity per MW AC requires significant additional investment towards:

- Additional solar PV modules;
- Mounting structures;
- DC cables and connectors;
- Earthing systems;
- Installation and commissioning;
- Transportation and handling.

Thus, the present project involves substantially higher capital investment than what was assumed while determining the tariff in 2021. The Interlocutory Application filed by the DISCOMs completely ignores this important cost escalation.

## 3. GST reduction alone cannot justify tariff reduction

The entire proposal of the DISCOMs appears to rely mainly upon the reduction of GST from 12% to 5%.

This reasoning is fundamentally flawed because:

- GST represents only one element of the total project cost.
- Almost every other component of project cost has increased substantially.
- Tariff determination must consider overall project economics rather than a single tax component.

Further, when the Hon'ble Commission originally determined the tariff at ₹3.13/kWh, the applicable GST on solar projects was 5%. The subsequent increase to 12% and later restoration to 5% merely returned the tax position to what existed when the tariff was originally determined. Therefore, no enduring tax benefit has accrued that would justify reduction of tariff.

## 4. Significant increase in capital expenditure

Since 2021, project costs have increased substantially on account of:

- 40% Basic Customs Duty on imported solar modules;
- 25% Basic Customs Duty on imported solar cells;
- Increase of approximately 38–42% in copper prices;
- Around 41% increase in structural steel prices;
- Higher inverter prices due to semiconductor shortages;
- Increase in transformer, switchgear, HT equipment and cable prices;
- Escalation in transportation and logistics costs;
- Increase in labour and civil construction costs;

- Higher expenditure on land development including fencing, roads, drainage and site levelling.

The cumulative increase in project cost substantially exceeds any notional benefit arising from GST reduction.

## 5. Increase in Interest During Construction (IDC)

Project implementation timelines and loan disbursement schedules have resulted in considerable Interest During Construction. These financing costs were not contemplated while determining the tariff in 2021.

## 6. Higher financing burden

Developers are presently required to meet significantly stricter financing conditions, including:

- Higher promoter contribution;
- Higher margin money;
- Stricter collateral requirements;
- Increased lending rates.

These factors have materially increased the financial burden on small developers participating under PM-KUSUM.

## 7. Economic value of land

The tariff determination did not adequately account for the opportunity cost and economic value of privately owned agricultural land dedicated exclusively for establishment of PM-KUSUM solar plants.

Such land remains unavailable for agricultural use throughout the 25-year project period and therefore represents a significant investment by the developer.

## 8. Rising Operation and Maintenance costs

Although the tariff remains fixed throughout the PPA period:

- O&M expenses continue to increase;
- Spare parts have become costlier;
- Labour charges continue to rise;
- Equipment replacement costs have increased substantially.

These recurring cost escalations adversely affect long-term project viability.

## 9. Increase in insurance and security expenses

Insurance premiums have increased due to higher replacement values of plant and machinery.

Similarly, expenditure towards security arrangements has increased owing to growing risks of theft and vandalism.

## 10. Small PM-KUSUM developers cannot be equated with utility-scale developers

PM-KUSUM Component-A projects are decentralized renewable energy projects implemented by farmers and rural entrepreneurs.

Unlike large utility-scale developers, PM-KUSUM developers:

- do not benefit from economies of scale;
- have limited access to low-cost finance;
- bear higher per-MW execution costs;
- face greater financing constraints.

Accordingly, tariff reduction would disproportionately affect small developers.

## 11. Public interest served by PM-KUSUM projects

PM-KUSUM Component-A projects generate substantial public benefits including:

- Reduction of technical losses;
- Generation near agricultural load centres;
- Reduced transmission investment;
- Improved rural power supply;
- Additional income to farmers;
- Renewable Purchase Obligation compliance;
- Reduction in thermal generation dependence;
- Contribution towards national renewable energy targets.

These public benefits deserve regulatory encouragement rather than tariff reduction.

## 12. Regulatory certainty and legitimate expectation

Developers have invested substantial financial resources based upon the tariff determined by the Hon'ble Commission and have entered into long-term PPAs relying upon the prevailing regulatory framework.

Reduction of tariff after investments have commenced would adversely affect:

- investor confidence;
- project bankability;
- debt servicing capability;
- financial viability.

Regulatory certainty and legitimate expectation are fundamental principles governing infrastructure investments and should be preserved.

## 13. Tariff requires fresh cost-based determination

Considering the cumulative increase in capital cost, financing expenses, inflation, IDC and O&M costs, the existing tariff of ₹3.13/kWh itself appears inadequate for ensuring reasonable project viability.

If the Hon'ble Commission considers reopening the tariff, it is respectfully submitted that the tariff should be determined afresh based on prevailing capital costs and financing parameters, which would warrant an upward revision rather than any reduction.

## Prayer

In view of the foregoing submissions, I most respectfully pray that the Hon'ble Commission may be pleased to:

a) Reject the proposal of TGDISCOMs seeking reduction of tariff from ₹3.13/kWh to ₹2.98/kWh;

b) Continue the existing tariff of ₹3.13/kWh without any reduction;

c) In the alternative, if the Commission considers reopening the tariff, undertake a fresh cost-based determination taking into account the prevailing capital costs, financing costs, inflation and actual project economics, which would justify an upward revision;

d) Pass such other order or orders as the Hon'ble Commission may deem fit in the interests of justice, equity and the successful implementation of the PM-KUSUM Component-A Scheme.

I respectfully submit that we are a proud participant in the Hon'ble Prime Minister's vision of expanding clean and decentralized renewable energy under the PM-KUSUM Scheme and in Telangana's commitment towards sustainable development. I have invested my family's resources and undertaken substantial financial obligations for establishment of this project. I therefore humbly request the Hon'ble Commission to protect the interests of genuine farmers and small renewable energy developers by rejecting the proposed tariff reduction and ensuring that the objectives of the PM-KUSUM Scheme are achieved.

**Yours faithfully,**
**For Indo Gulf Refineries Private Limited**

Sd/-
**Dr. Nagabhushanam Punukollu**
**Director**