ANDHRA PRADESH ELECTRICITY REGULATORY COMMISSION

Vidyut Niyantrana Bhavan, Adjacent to 220/132/33 kV AP Carbides SS,
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TUESDAY, THE TWENTY THIRD DAY OF JUNE
TWO THOUSAND AND TWENTY-SIX

(23.06.2026)

Present

Sri P.V.R. Reddy,
Member & Chairman $_{i/c}$

In the matter of recognition of reduction in the effective Basic Customs Duty (BCD) incidence on solar modules with effect from 02.02.2025 and reduction in Goods and Services Tax (GST) on renewable energy devices and components with effect from 22.09.2025 as "Change in Law" events under the Power Purchase Agreements entered into by the Distribution Licensees in the State of Andhra Pradesh.

SUO MOTU ORDER

The Andhra Pradesh Power Distribution Companies, namely APSPDCL, APCPDCL and APEPDCL (hereinafter collectively referred to as "APDISCOMs"), procure power from various renewable energy generators under Power Purchase Agreements (PPAs) approved or adopted by the Commission under Sections 62 and 63 of the Electricity Act, 2003.

The Ministry of Power, Government of India, vide Letter No.40/22/2025-R&R-I dated 31.12.2025, informed all State Electricity Regulatory Commissions that the reduction in GST rates applicable to renewable energy equipment from 12% to 5%, effective from 22.09.2025, constitutes a Change in Law event and requested appropriate regulatory intervention to ensure timely pass-through of the resulting benefits to consumers.

The Central Electricity Regulatory Commission (CERC), in Petition No.13/SM/2025 by Order dated 04.11.2025, took suo motu cognizance of the said statutory change and laid down principles governing the flow of benefits arising out of the reduction in GST rates.

In the meeting convened by the Ministry of Power on 16.04.2026 with Secretaries of State Electricity Regulatory Commissions, it was observed that State Commissions may adopt a similar approach to facilitate the timely and uniform implementation of the Change in Law benefits and to minimise avoidable litigation.

Solar Energy Corporation of India Limited (SECI), vide letter dated 04.06.2026, requested the Commission to take suo motu cognizance of the reduction in the effective customs duty incidence on solar modules and the reduction in GST on renewable energy equipment and to evolve a suitable mechanism for passing the resultant benefits to procurers and consumers.

Having examined the matter, the Commission has initiated the present suo motu proceedings in exercise of its powers under Sections 86(1)(b) and 86(1)(f) of the Electricity Act, 2003.

Issues for Determination

The following issues arise for consideration:

i. Whether the reduction in the effective customs duty incidence on imported solar modules from 44% to 40%, effective from 02.02.2025, constitutes a Change in Law event.

ii. Whether the reduction in GST on renewable energy devices and components from 12% to 5%, effective from 22.09.2025, constitutes a Change in Law event.

iii. What mechanism should be adopted for the implementation and pass-through of the resultant benefits?

Commission's Analysis and Decision

Issue No.1:

Whether a reduction in customs duty incidence on solar modules constitutes a Change in Law event.

The Government of India introduced Basic Customs Duty (BCD) on imported solar cells and modules with effect from 01.04.2022. Subsequently, through the Department of Revenue (DoR), Ministry of Finance, GoI, Notification Nos. 04/2025-Customs and

06/2025-Customs dated 01.02.2025, the customs duty structure was revised with effect from 02.02.2025.

Consequent to the said notifications, the effective customs duty incidence on imported solar modules stood reduced from 44% to 40%.

The Commission notes that the Hon'ble CERC, in Order dated 02.06.2023 in Petition No.214/MP/2021, held that imposition of BCD and changes in statutory levies relating to imported solar equipment constitute Change in Law events under the relevant PPAs.

The Commission further notes that the Hon'ble CERC, in Order dated 26.03.2026 in Petition No.219/MP/2023, reiterated that changes in customs duties affecting solar project equipment qualify as Change in Law events.

The principle underlying Change in Law provisions is the restoration of the affected party's economic position. Such provisions apply equally to increases and decreases in statutory levies. Consequently, any reduction in taxes, duties, or cess that results in a financial benefit must be passed through to the procurer and ultimately to consumers.

Decision

The Commission holds that the reduction in the effective customs duty incidence on imported solar modules from 44% to 40%, effective from 02.02.2025, constitutes a Change in Law event under the relevant provisions of the PPAs executed between renewable energy generators and APDISCOMs.

Issue No.2:

Whether a reduction in GST on Renewable Energy Devices & Components constitutes a Change in Law event.

Renewable energy devices were initially subjected to GST at 5%. The GST rate was subsequently increased to 12% with effect from 01.10.2021.

3.8 Thereafter, the Ministry of Finance, Government of India, vide Notification No.09/2025-Central Tax (Rate) dated 17.09.2025, reduced the GST rate from 12% to 5% with effect from 22.09.2025.

The Commission notes that the said reduction covers solar power generating systems, photovoltaic cells, wind energy equipment, and other specified renewable energy devices and components.

The Commission further notes that the Hon'ble CERC, in Petition No.13/SM/2025, recognised the reduction in GST rates as a Change in Law event and directed that the resultant benefits be passed on to procurers and consumers.

Decision

The Commission holds that the reduction in GST from 12% to 5% on renewable energy devices and components, effective from 22.09.2025, constitutes a Change in Law event under the relevant provisions of the PPAs executed between renewable energy generators and APDISCOMs.

Implementation Framework

The Commission is of the view that a uniform implementation mechanism is necessary to ensure expeditious pass-through of benefits and to avoid multiplicity of proceedings.

In respect of GST, the applicability shall be governed by the principles laid down by the Hon'ble CERC in Petition No.13/SM/2025.

For composite EPC contracts, valuation shall be undertaken in accordance with the GST framework notified pursuant to the recommendations of the 31st GST Council, including the prescribed allocation between goods and services.

Directions

Accordingly, in exercise of powers vested under Section 86 (1) (b) and 86 (1) (f) of the Electricity Act, 2003, the Commission hereby orders as follows:

i. The reduction in the effective customs duty incidence on solar modules from 44% to 40%, effective from 02.02.2025, shall be treated as a Change in Law event.

ii. The reduction in GST from 12% to 5% on renewable energy devices and components, effective from 22.09.2025, shall be treated as a Change in Law event.

iii. The benefits arising from the aforesaid statutory changes shall be passed on by the generating companies to APDISCOMs and ultimately to consumers.

iv. The benefit relating to customs duty reduction shall be applicable where:
   a. the bid submission date is prior to 02.02.2025; and
   b. the relevant invoice is issued on or after 02.02.2025, or the payment and corresponding tax discharge occur on or after 02.02.2025.

v. The benefit relating to GST reduction shall be applicable where:
   a. the bid submission date is prior to 22.09.2025; and

b. the relevant invoice is issued on or after 22.09.2025, or the payment and corresponding tax discharge occur on or after 22.09.2025.

vi. Every generator covered by this Order shall furnish within 60 days from the date of this Order project-wise details of invoices, taxes originally paid, taxes subsequently applicable and the resultant savings, duly certified by its Statutory Auditor or a Chartered Accountant.

vii. APDISCOMs shall verify and reconcile such claims within thirty (30) days from the date of receipt of complete information.

viii. The corresponding tariff adjustment or financial settlement shall be effected within thirty (30) days of reconciliation.

ix. The provisions of the Electricity (Timely Recovery of Costs due to Change in Law) Rules, 2021 shall be applied, wherever relevant.

x. Any dispute relating to the applicability, quantification or implementation of the benefits under this Order may be brought before the Commission under Section 86(1)(f) of the Electricity Act, 2003.

xi. Nothing contained in this Order shall preclude any party from approaching the Commission in respect of any issue requiring project-specific adjudication or determination.

Conclusion

The Commission considers that the timely pass-through of benefits arising from reductions in statutory levies is essential to uphold the principles of regulatory certainty, transparency and consumer protection. The present Order is intended to provide a uniform framework for implementing the Change in Law benefits arising from the reduction in basic customs duty and GST applicable to renewable energy projects.

Ordered accordingly.

Sd/-
P.V.R. Reddy
Member & Chairman i/c