ANDHRA PRADESH ELECTRICITY REGULATORY COMMISSION

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WEDNESDAY, THE SEVENTEENTH DAY OF DECEMBER TWO THOUSAND AND TWENTY FIVE

(17.12.2025)

: Present :

Sri P.V.R.Reddy,
Member & Chairman (i/c)

In the matter of approval of tariff and Procurement of 1,162.8 MW Solar Power on a long-term basis from Grid Connected Solar PV projects to be set up in the State of Andhra Pradesh under RESCO mode for solarisation of Agricultural feeders under the guidelines issued by MNRE for Component-C of the PM-KUSUM scheme.

The matter came up for public hearing on 05.12.2025. Sri Ch. Babu Rao, State Secretariat Member, CPI (M); Sri M. Venugopala Rao, Senior Journalist & Convener, Centre for Power Studies; Sri Hrishabh Chandra, Project Analyst II, Sri Anas Rahman representing International Institute for Sustainable Development (IISD); Sri K. Linga Murthy, CGM/Projects/APCPDCL; Sri L.Dyva Prasad, CGM/EC&Solar/ APEPDCL; Sri M.Umapathy, CGM/IPC & RAC/SPDCL were present at the hearing through online and in-person. After hearing all the parties and carefully considering the material available on record, I pass the following:

ORDER

1. The DISCOMs proposed to procure the power through feeder-level solarisation under PM KUSUM-C are as follows.

Sl.No	DISCOM	Number of Pumpsets covered under FLS	Capacity in MW
1	APSPDCL (includes KUPPAM RESCO)	167452	751
2	APCPDCL	76602	191.5
3	APEPDCL	49533	220.30
4	Three DISCOMs	293587	1162.8

Each DISCOM conducted a tariff-based competitive bidding process with circle-level aggregation. After the completion of the bidding process, the DISCOMs negotiated with the successful bidders, and the final capacities and tariffs agreed are as indicated in the table below.

S. No.	Name of the DISCOM	Name of the Circle	Company Name	Capacity (MW)	Quoted Tariff (INR/kWh)	Final Tariff (INR/kWh) post negotiations
1	APEPDCL	Parvathipuram	Sangammam Power Projects Pvt. Ltd.	21.69	3.94	3.2
2	APEPDCL	Eluru	Paradigm IT Technology Services Pvt. Ltd.	44.00	3.32	3.2
3	APEPDCL	Anakapalli	Megha Engineering & Infrastructures Ltd.	57.97	3.49	3.2
4	APEPDCL	East Godavari	Novel Logistech Corporation Pvt. Ltd.	9.33	3.1	3.06
5	APEPDCL	Kakinada	Paradigm IT Technology Services Pvt. Ltd.	42.17	3.16	3.15
6	APEPDCL	Visakhapatnam	Ecoren Energy India Pvt. Ltd.	10.00	3.5	3.2
7	APEPDCL	Vizianagaram	Ecoren Energy India Pvt. Ltd.	14.38	3.5	3.2
8	APEPDCL	Srikakulam	Paradigm IT Technology Services Pvt. Ltd.	20.76	3.32	3.2
9	APCPDCL	Bapatla	Ecoren Energy India Pvt. Ltd.	17.00	3.6	3.2
10	APCPDCL	NTR	Ecoren Energy India Pvt. Ltd.	23.00	3.6	3.2
11	APCPDCL	Palnadu	Bavya Health Services Pvt. Ltd.	42.50	3.75	3.18
12	APCPDCL	Prakasam	Vriddhi Infratech India Pvt. Ltd.	109.00	3.19	3.19
13	APSPDCL	Nellore	Prathima Infrastructure Ltd.	101.00	3.09	3.09
14	APSPDCL	Tirupati	Mehan Spintex India Ltd.	28.00	3.47	3.19
15	APSPDCL	Chittoor	Arjun Infratech India Pvt. Ltd.	80.00	3.09	3.09

S. No.	Name of the DISCOM	Name of the Circle	Company Name	Capacity (MW)	Quoted Tariff (INR/kWh)	Final Tariff (INR/kWh) post negotiations
16	APSPDCL	Annamayya	I-Solar Technologies Pvt. Ltd.	19.00	3.15	3.15
17	APSPDCL	Kadapa	Megha Engineering & Infrastructures Ltd.	120.00	3.49	3.2
18	APSPDCL	Sri Sathya Sai	Ecoren Energy India Pvt. Ltd.	75.00	3.25	3.19
19	APSPDCL	Ananthapur	Megha Engineering & Infrastructures Ltd.	111.00	3.49	3.2
20	APSPDCL	Nandyal	Vriddhi Infratech India Pvt. Ltd.	29.00	3.15	3.15
21	APSPDCL	Kurnool	Vriddhi Infratech India Pvt. Ltd.	47.00	3.15	3.15
22	APSPDCL	KRECS (RESCO)	Megha Engineering & Infrastructures Ltd.	141.00	3.49	3.2
Total and Weighted Average Tariff				**1,162.8**	**3.38**	**3.17**

The DISCOMs are seeking approval for the above procurement and Tariff.

Introduction & Brief Background of the Proposals:

2. The Government of India launched the Pradhan Mantri Kisan Urja Suraksha Evam Utthaan Mahabhiyaan (PM-KUSUM) Scheme, with the objectives of increasing farmers' energy security, reducing the financial burden on the agricultural sector and promoting distributed solar generation. Component-C of the Scheme provides for Feeder Level Solarisation (FLS), wherein agricultural and mixed feeders are solarised through grid-connected solar power plants supplying power directly at the distribution-substation level.

3. Under Component-C, the Ministry of New and Renewable Energy (MNRE) issued comprehensive guidelines on 17.01.2024, superseding all previous instructions. These guidelines enable States to implement solarisation of segregated agriculture feeders or mixed feeders with significant agricultural load, either through CAPEX mode or RESCO mode, with Central Financial Assistance linked to the number of pump sets solarised.

4. The objective of the Scheme is to provide a dependable daytime power supply for agriculture, cut reliance on costly procurement for agricultural needs, promote local renewable generation, and thus lessen the subsidy burden on State Governments caused by agricultural consumption.

5. MNRE, through its communication No. 32/54/2018-SPV Division dated 10.12.2024, sanctioned 1,00,000 agriculture pump sets for the State of Andhra Pradesh under PM-KUSUM Component-C (FLS) for APDISCOMs. Subsequently,

MNRE sanctioned an additional 1.00,000 agriculture pump sets by Order dated 26.08.2025. The DISCOMs have to obtain a sanction for 93,587 pumpsets from MNRE.

6. The Government of Andhra Pradesh, vide G.O. Rt. No. 113 dated 12.12.2024, accorded approval for the development of 3,725 MW of solar capacity for Feeder Level Solarisation under PM-KUSUM Component-C across the State.

7. The key features of the PM-KUSUM Component-C guidelines applicable to the present proposals are as follows:

   a. **Substation-Level Interconnection:**

      Solar power plants shall be connected to the 11 kV or 33 kV side of the distribution substation feeding the agricultural or mixed feeder.

   b. **Eligible Feeders:**

      Both dedicated agricultural feeders and mixed feeders with agricultural load are eligible for solarisation under the Scheme.

   c. **Project Tenure:**

      The Project period under RESCO mode shall be 25 years, corresponding to the PPA tenure.

   d. **Mode of Implementation – RESCO:**

      Solar Power Developers (SPDs) are selected through tariff-based competitive bidding, and supply power to the DISCOM at the discovered tariff for the entire 25-year term.

   e. **Central Financial Assistance:**

      MNRE provides CFA up to Rs 1.05 crore/MW (equivalent to 30% of the benchmark cost), applicable to the solar capacity corresponding to the max. 7.5 HP pump sets. CFA is released based on the number of pump sets solarised along with the feeder.

8. Pursuant to the MNRE sanction and GoAP approval, the three DISCOMs of Andhra Pradesh, APSPDCL, APCPDCL and APEPDCL, submitted their Detailed Project Reports (DPRs) to the Commission and requested approval for the implementation of Feeder Level Solarisation (FLS) under Component-C of the PM-KUSUM Scheme during March 2025. APSPDCL proposed solarisation of

1,35,346 pump sets aggregating 610 MW, and Kuppam Rural Electric Cooperative Society (KRECS) proposed 32,106 pump sets aggregating 141 MW, bringing APSPDCL's total to 751 MW across 702 feeders and 175 substations. APCPDCL proposed 76,602 pump sets with a total capacity of 191.50 MW across 202 feeders and 76 substations. APEPDCL proposed 50,219 pump sets across 252 feeders with a total capacity of 244.11 MW, covering eight circles, with circle-wise DPRs already furnished to the Commission.

9. **Commission's First Set of Remarks**

Through its communication dated 07.04.2025, the Commission provided its remarks on the DISCOMs' proposals. The remarks mainly

- On the Surplus Power Management and Justification to manage colossal surplus power expected during solar hours, considering that APDISCOMs/APGOVT is already tied with SECI for 7000 MW at INR 2.49 per unit, and the current proposal will add approximately 1500 to 2000 MU of energy at an estimated tariff of Rs. 2.81 - Rs 3.06. They must also justify the necessity of the FLS project by comparing its price to SECI's and requirement vis a vis Resource plan approved by the Commission.
- Timeline and Central Financial Assistance (CFA): While MNRE set the sunset date as March 2026 and commissioning as December 31, 2025, the DPRs state a 24-month completion period from the MNRE sanction date. AP was allotted only 1 lakh pump sets by MNRE, with a proposal for an additional 2 lakh pending sanction. DISCOMs must ensure CFA to RESCOS in this context.
- Inconsistencies: DISCOMs need to explain the discrepancies in figures relating to substations, feeders, and pump sets.

10. **First Round of DISCOM Responses**

The Key Points from the APDISCOMs' Response to APERC Queries:

- Surplus Power Management and FLS Justification (Query 1):
    - APDISCOMs provided the latest commencement schedule for the 7,000 MW from SECI, which is staggered from June 2025 to May 2029.
    - They plan to utilise surplus solar power as input for:

        - 1,500 MW/3,000 MWh Battery Energy Storage Systems (BESS), with approval for 2,500 MWh already received from the Government of India (GOI).
        - Around 7,500 MW of Pumped Storage Hydro Stations (PSHPs) are being developed by AP GENCO.
    - It is anticipated that, with the latest SECI schedule and the PSHPs' implementation, the power from the FLS scheme can be absorbed without a substantial surplus.
    - FLS projects qualify for RCO obligation, and local generation avoids 6-7% of Transmission & Sub-Transmission Losses and network usage cost.
    - Any incidental surplus power can be sold in the short-term market.
- Project Timelines and Central Finance Assistance (CFA) (Query 2):
    - The MNRE Guidelines state that FLS projects must be completed within 24 months from the date of sanction.
    - The project completion timelines can be extended on valid grounds.
    - To ensure CFA for RESCOs, the Government of Andhra Pradesh (GoAP) is actively pursuing an extension of the PM-KUSUM Scheme's sunset date with MNRE and seeking the allocation of an additional 2 lakh pump sets.
- Inconsistencies in Figures (Query 3):
    - The figures were revised after extensive discussions among APDISCOMs and stakeholders to comply with the state-level allocation of 3 lakh pump sets and to accommodate practical limitations, such as land availability.

11. **Commission's Second Communication**

Through its communication dated 15.07.2025, the Commission conveyed that approval had been granted to the DISCOMs to implement Feeder Level Solarisation to the extent of 1,00,000 pump sets sanctioned by MNRE under PM-KUSUM Component-C. The Commission further directed that the DISCOMs shall approach the Commission separately for approval of the balance 1,62,167 pump sets, excluding the 32,106 pump sets under the Kuppam RESCO, upon receipt of the corresponding sanction from MNRE. In the same communication, the Commission also noted that the tariffs identified under the bidding process in Andhra Pradesh were higher than those identified in certain other States, such as Gujarat and Uttar Pradesh. Accordingly, it directed the DISCOMs to revisit the benchmark assumptions and examine the possibility of tariff reduction through renegotiation with the successful bidders. Subsequently, on 23.10.2025, the Commission, considering the exemption from licensing requirements and the submissions of APSPDCL, approved the implementation of FLS in the Kuppam RESCO area for 32,106 pump sets.

12. **First Tariff Justification Submissions by DISCOMs**

The Key Points from the APDISCOMs' Response to the Commission's letter dated 15.07.25 on Tariff Justification.

(i) The timing of the bidding is well before the bidding date of APDISCOMs.

(ii) Andhra Pradesh faces lower solar irradiation (5.5 kWh/m²/day) compared to Gujarat (6.0 kWh/m²/day) and Uttar Pradesh (5.7 kWh/m²/day), resulting in lower achievable CUF and higher tariffs;

(iii) Project cost escalations occurred subsequently due to higher module prices, increased BoS costs (mounting structures, inverters, cables), and elevated logistics costs;

(iv) Mandatory use of DCR modules and ALMM List-II compliance under PM-KUSUM created a tariff premium of Rs 0.40–Rs 0.50/kWh compared to States where ALMM applicability was waived; and

(v) The financial position and credit ratings of AP DISCOMs imposed additional risk premiums on developers, affecting bid prices.

In conclusion, a comparison with Karnataka's FLS tariff indicates that the additional tariff cost arises from the MNRE's ALMM List-II order. If the requirement is factored, Karnataka's FLS tariff effectively increases to the INR 3.57–3.67/kWh range, which is higher than the weighted average tariff of APDISCOMs.

Similarly, when comparing with Gujarat and Uttar Pradesh, it is essential to recognise factors such as higher CUF due to higher solar irradiation. Furthermore, cost escalations driven by demand for DCR content modules influenced the discovered tariff in AP.

Accordingly, the Commission was requested to approve Tariffs.

13. **Commission's Direction to Renegotiate Tariffs**

On 05.08.2025, the Commission issued directions to the DISCOMs to conduct renegotiations of tariffs discovered under PM-KUSUM Component-C tenders, taking into account MNRE's clarification dated 28.07.2025, exempting the requirement of ALMM List-II (solar cells) for tenders floated before the said date. The Commission noted that the discovered tariffs included an embedded cost premium of up to Rs. 0.40–Rs .0.50/kWh on account of ALMM-II, which needs to be reduced through renegotiation with the bidders.

14. **DISCOMs' Compliance: Submission of Revised Tariff Analyses**

The key response of all DISCOMs to the Commission's letter dated 05.08.25 is that the DCR and ALMM List-II requirements apply to Component-C projects, as per the tender documents and MNRE guidelines. Further, they stated that negotiations had been initiated with all successful L1 bidders. However, the bidders expressed difficulty in reducing tariffs due to rising module prices, higher inflation in BoS costs, increased steel and copper prices, and currency exchange rate impacts. APCPDCL submitted detailed comparative analyses showing that, after adjusting for CUF, project cost, and ALMM impacts, tariffs in Andhra Pradesh were aligned with, or lower than, those in Karnataka, Gujarat, and Uttar Pradesh.

15. **GST Reform and Commission's fourth Communication**

Following the GST Council's 56th meeting on 03.09.2025, the GST rate on renewable-energy devices/components was reduced from 12% to 5%, effective from 22.09.2025. The Commission, by communications dated 15.10.2025, directed all DISCOMs to compute and resubmit revised weighted-average FLS tariffs, incorporating the GST reduction, and to evaluate the impact on project CAPEX and tariffs.

16. **Final Submissions of DISCOMs in Response to GST Reduction**

In response to the Commission's letter dated 15.10.2025, the DISCOMs submitted that the reduction of GST from 12% to 5% resulted in an estimated CAPEX reduction of Rs.0.17–0.18 crore per MW, lowering project cost from Rs. 4.12 crore/MW to Rs.3.94 crore/MW. APSPDCL reported that it had reached out to all seven successful L1 bidders. However, three bidders stated that module, inverter, and mounting-structure costs have risen by 5–10%, offsetting GST benefits, and further tariff reduction was not feasible. APEPDCL and APCPDCL also submitted a similar response. APCPDCL further reported the bidder's version that significant escalations in silver, copper, steel, and zinc prices, depreciation of INR against USD, increases in land-acquisition costs due to the non-availability of Government land parcels, and delays in PPA execution, leading to financing cost escalations.

17. **CERC Suo Motu Order on GST Reduction**

The CERC, by a Suo-Motu Order dated 04.11.2025, held that the reduction in GST from 12% to 5% constitutes a Change in Law, requiring appropriate tariff adjustments to pass benefits to procurers. The CERC clarified that contracts with bid submission prior to 22.09.2025, but procurement/invoicing done thereafter must apply revised GST. DISCOMs noted this order as part of their submissions.

Public Notice & Public Hearings

18. After examining the DPRs, clarifications, renegotiation reports, GST-linked tariff assessments, and developer submissions, the Commission consolidated the record and issued a public notice on 31.10.2025, inviting objections from stakeholders to be received by 10.11.2025. In response to requests for additional time, the Commission extended the due date for filing comments/suggestions to 20.11.2025 and directed APDISCOMs to submit their responses by 29.11.2025. A public hearing was held on 05-12-2025. During the public hearing, the Commission permitted the DISCOMs to file any additional submissions, if required. However, APDISCOMs have not furnished any further submissions.

Key Objections, suggestions and DISCOMs's response

19. In response to the Commission's public notice, a few stakeholders (Annexure 1) have submitted their objections and suggestions. The summary of the key objections, suggestions and DISCOM's response is as detailed below.

Key Objections:

Objections-General

- **Disproportionate Capacity and Savings:** The capacity required versus the number of pump sets, and the projected "financial savings" (Rs. 620-644 crore for SPDCL, Rs. 381 cr. for CPDCL, Rs. 253 cr. for EPDCL) vary substantially and disproportionately among the three DISCOMs, despite uniform scheme parameters like 7.5 HP pump sets, 9 hours of power supply, and a minimum 19% Annual CUF.

- **Myth of Savings:** The claimed "savings" are a myth, as they are based on the difference between the average cost of power purchase and the lower cost of solar power (Rs. 2.81-3.06/unit vs. landed cost of Rs. 6.91/unit). These "savings" actually represent a reduction in the subsidy to be provided by the Government of A.P. to agricultural consumers, due to the central government's conditionality requiring that this cheaper power be allocated exclusively to the agriculture sector. The overall power purchase cost for the DISCOMs remains unchanged.
- **Discrimination and Imbalance:** Allocating lower-cost solar power exclusively to agricultural consumers will increase the cost of service for non-agricultural consumers, leading to an irrational and imbalanced arrangement, as power from all sources (RE and conventional) should be clubbed together to determine tariffs for all consumer categories.
- **New Separate DISCOM:** The proposed arrangement will fit into the plan for a separate DISCOM for agricultural consumers, which was ordered nearly two years ago and includes purchasing 17,000 MU of solar power from the Adani group.

Objections Relating to Tariff Determination and Procurement

- **Non-compliance on Renegotiation:** The DISCOMs should have renegotiated tariffs with successful bidders, as directed by the Commission, following the Ministry of New and Renewable Energy (MNRE) relaxation (dated 28.07.2025), which exempted their bids (predating the cut-off date of August 31, 2025) from the mandate of using domestically manufactured solar PV cells (ALMM List-II).
- **Impact of GST Reduction:** The Commission had directed DISCOMs to submit a revised weighted average price of Feeder Level Solarisation (FLS) projects taking into account the Ministry of Finance's GST rate reduction from 12% to 5% on RE devices (Notification dated 22.9.2025), a benefit CERC has ruled must be passed on to consumers.

- **Higher Proposed Tariffs:** The proposed tariff per unit is questioned, given that solar power prices from real competitive bidding in the country have fallen to as low as Rs. 2 per unit. A comparative analysis between the proposed tariffs and those discoverable through wider, unconditional competitive bidding is deemed imperative to protect consumer interest.
- **Avoidable Burden:** Purchasing solar power at a higher tariff under this scheme, similar to the Adani group power purchase (Rs. 2.49/unit), will impose an additional avoidable burden on consumers.
- **Surplus Power and Thermal Backing Down:** Purchasing power under the scheme will intensify the existing surplus power problem, leading to thermal power backing down and the payment of fixed charges, factors that the DISCOMs failed to consider in their proposals.

Suggestions in favour of DISCOMS' proposal:

On the other hand, some stakeholders have presented their analysis and stated that the tariffs finalised in APDISCOMs's bidding are relatively low compared to those in different states. Comparison of AP-KUSUM tariffs with the Adani/SECI tariff of Rs. 2.49/kWh is inappropriate because the models differ fundamentally: PM-KUSUM projects are decentralised, spread across scattered private lands, involve lease payments, land development and stamp-duty costs, and operate without economies of scale or shared infrastructure. It was stated that mandatory DCR modules under Component-C add high cost, evacuation through 11 kV rural networks increases losses and grid requirements, and O&M expenses are inherently higher due to multiple small sites. The reduction of GST from 12% to 5% has been largely offset by increases in module prices, anti-dumping duties on solar glass, rupee depreciation, increases in steel, aluminium, copper and other raw-material costs, and as a result, the net project cost per MW has risen from around Rs. 4.12 crore to approximately Rs. 4.81 crore. It was also submitted that India faces a domestic supply shortfall of DCR-compliant cells, causing longer lead times and higher procurement risks. The stakeholder contended that tariffs in the range of Rs. 3.20/kWh already represent competitive pricing for decentralised DCR-based solar under Component-C and that further tariff reduction would adversely affect bankability and timely project execution.

DISCOMS's response:

The DISCOMs have furnished their responses to the objections raised. They relied on the MNRE guidelines, which are the basis for extending CFA. They also reiterated their submissions, mostly in response to the Commission's queries. Their primary reliance is on the following:

- Solar power procured under FLS would reduce power purchase costs. Thus, a reduction in the Average cost of Supply and subsidy requirement from the Government.
- As the location of the solar plant under FLS is near a distributed substation, the Transmission losses would be reduced.
- It will also help them to meet the RPPO/RCO compliance requirements.
- It will provide a reliable supply to farmers.

Regarding some of the objections, the DISCOMs stated that the Commission will take appropriate action.

Commission's Analysis and Decision

20. After careful examination of all objections and suggestions, the following points arise for my consideration:

A. Whether the procurement of power through feeder-level solarisation (FLS) is necessary.

B. If the answer to the above point is yes, whether the finalised tariff under the competitive bidding is reasonable, and if it is reasonable, what effect the revised GST has on the final tariffs.

The objections will be addressed appropriately in the analysis.

Re: Point A

21. The PM-KUSUM Component-C (Feeder Level Solarisation) Scheme is a national programme with clearly defined eligibility conditions, including mandatory Domestic Content Requirements (DCR), and Central Financial Assistance (CFA) of Rs.1.05 crore per MW. Andhra Pradesh had earlier received MNRE sanction for 1,00,000 pump sets, and, through the communication dated 26.08.2025, MNRE has sanctioned an additional 1,00,000 pump sets to the State, thereby enabling

implementation of feeder-level solarisation for a total of 2,00,000 sanctioned pump sets under Component-C. The scheme has a sunset date of 31.03.2026, and the guidelines stipulate decentralised, substation-connected solar generation and require execution of PPAs before 31.12.2025.

It shall be noted that India's electricity consumption has increased by about 33% between FY21 and FY25, reflecting a 7.4% CAGR, and national demand is projected to continue growing at 6–6.5% annually, with the Reserve Bank of India projecting GDP growth near 7.3%, indicating robust medium-term economic expansion. The Central Electricity Authority further projects that India's peak power requirement will rise to approximately 334.8 GW by 2030, underscoring the need for substantial additional generation. Against this national backdrop, Andhra Pradesh's own Resource Plan, approved by the Commission by Order dated 27.06.2024, shows that the State remains short of generation capacity, with deficits of 186 MW to 4405 MW projected during FY 2025–29 under different scenarios, even after accounting for the power procurement of 7000 MW from SECI.

Moreover, Andhra Pradesh's power demand is expected to grow faster than the national average due to significant industrial expansion, with the State recently securing investment proposals exceeding Rs. 10 lakh crore and signing MoUs worth over Rs. 13 lakh crore across IT, data centres, renewables, green hydrogen, semiconductors, aerospace, defence, ports and logistics, sectors that are inherently power-intensive and are expected to increase future load materially. These were not factored into the Resource Plan approved by the Commission. Considering the sustained deficit outlook, rapid economic and industrial growth, and the fact that FLS generation substitutes for costlier power at or above APPC, procurement will benefit the DISCOMs and their consumers.

The Commission further notes that, as per the Distributed Renewable Energy (DRE) trajectory notified by the Ministry of Power on 20.10.2023, the State's DRE obligation increases steadily from 1.50% in FY 2024-25 to 4.50% by FY 2029-30. When this obligation is translated into annual energy terms using projected demand in the Resource Plan, the required DR energy rises from about 1,215 MU in FY 2025-26 to over 4,130 MU by FY 2028-29. Against this requirement, the expected commissioning of 1162.8 MW under the FLS programme and 1198.8 MW of rooftop solar projects for SC/ST beneficiaries, both assumed to operate at a

CUF of 19% with commissioning around January 2027, yields combined DRE generation that is adequate to meet the notified DRE obligation only in FY 2027-28. From FY 2028-29 onwards, even after accounting for the combined generation from both the FLS project and the proposed rooftop solar capacity for SC/ST beneficiaries, there will be a shortfall in the mandated DRE requirement, resulting in a deficit of approximately 197 MU from FY 28-29. Thus, FLS capacity is essential for maintaining compliance with the DRE obligation. Further, it shall be noted that, as the Feeder Level Solarisation is decentralised, the energy generated under Component-C is more economical at the point of consumption than conventional or ISTS-connected sources; it avoids ISTS charges, APTRANSCO transmission charges, and the technical losses associated with long-distance transmission and multiple voltage transformations, and reduces transmission losses for both the STU and the DISCOMs. They also avoid or defer investments in Transmission and Distribution to some extent.

Furthermore, the procurement of power under the FLS programme does not create surplus energy, as some stakeholders contend; instead, it replaces higher-cost marginal procurement. It is also noted that power procurement from FLS projects is at a tariff that is constant for 25 years, lower than the APPC of Rs. 4.71/kWh for FY 2025–26.

Further, regarding the concerns raised about surplus energy, the potential backing down of conventional stations, and the impact on other consumer categories, the FLS Scheme is intended for agricultural supply during daytime hours, and the State's ongoing BESS capacity additions strengthen the operational flexibility available to the DISCOMs. Although the supply is intended for farmers, the solar power plants connected to the distributed substations will also serve other consumer categories. Further, as the cost of agricultural supply from FLS projects is lower than the APPC, this will lower the overall weighted average power purchase cost and thus the average cost of supply (ACOS). This would not only reduce the subsidy to be reimbursed by the Government of Andhra Pradesh but also lower the average cost of supply and be beneficial to other consumer categories, since ACOS is the basis for determining the Tariffs. Therefore, this power procurement imposes no additional burden on other consumers. On the contrary, it reduces the marginal cost of supply, thereby lowering the overall cost of service. Further, the entire burden of supplying the free power for nine hours to the agriculture sector lies with the State Government, and the rate will not have any bearing on the normal consumer.

Therefore, all the apprehensions raised about the power procurement under FLS were found to be misplaced.

In view of all the reasons mentioned above, the power procurement under FLS is necessary, economically justified, and aligned with the State's long-term resource requirements.

Accordingly, point A is answered.

Re: Point B

22. The Commission notes that the APDISCOMs have adopted a tariff-based competitive bidding process at the circle level in accordance with the MNRE guidelines. The weighted average tariffs discovered (post negotiations), Rs.3.16/kWh (APSPDCL), Rs.3.18/kWh (APEPDCL) and Rs.3.19/kWh (APCPDCL), with a State-wide average of Rs.3.17/kWh, including KRECS, are the outcome of a competitive and transparent procurement process that attracted multiple qualified bidders across DISCOM jurisdictions.

Regarding tariff benchmarking, the Commission has examined tariff outcomes in other States under PM-KUSUM Component-C, including Gujarat, Uttar Pradesh, Bihar, and Rajasthan. While tariffs vary across States, the Commission notes that the differences are mainly due to procurement timing, bid competitiveness, project-sizing practices, the applicability of ALMM 1/ALMM II, and CFA treatment. Hence, they are not comparable. The Commission is satisfied with the responses of the DISCOMs in this regard. Thus, the objections in this regard are disregarded.

The objectors also compared the tariff determined in various solar parks at the National level with the Tariffs for FLS in the present proposals and stated that these tariffs are higher. It shall be noted that the tariff discovered for such projects, the latest of which were awarded LoAs by SECI in January 2025, were in the range of Rs.3.04 to Rs.3.05 paise. In contrast, FLS projects in the present proposals are connected to 33/11 kV distributed substations at the 11 kV level. The DISCOMs' primary consumption is at 11 kV and below. If the solar energy at ISTS tariff of Rs.3.05 is translated at the 11 kV level after accounting for the ISTS losses (Assuming waiver of ISTS Charges), intra-state transmission charges and losses and 33 kV wheeling charges and losses, it would be at Rs.4.19 per unit.

Even if the objectors' assessment of Rs.2.0 per unit is assumed, it will be around Rs.3.03 paise at the 11 kV level.

Further, the Commission has carefully examined the submissions filed on 20.08.2025 in compliance with the renegotiation directions issued on 05.08.2025. It is observed that MNRE has clarified, through its Office Memoranda dated 12.08.2025 and 23.09.2025, regarding ALMM for solar PV cells that both the DCR and ALMM List-II requirements apply to Component-C projects. It is further noted that the tender documents stipulate mandatory compliance with DCR. Hence, the cost impact of DCR compliance is inherent and unavoidable for availing the CFA. The objections in this regard are that the mandatory DCR compliance increased the Tariff. It should be noted that all solar projects to be commissioned for DISCOMs procurement, or in general, must mandatorily comply with MNRE guidelines. Hence, all the objections raised in this regard are disregarded.

Hence, for all the reasons mentioned above, the tariffs finalised by the DISCOMs, in the Commission's view, are reasonable.

Having concluded that the tariffs are reasonable, the Commission has analysed the impact of the GST reduction following the GST Council's decision to reduce GST on renewable-energy devices from 12% to 5%, and has considered the DISCOMs' submissions furnished in response to the Commission's letter dated 15.10.2025. The DISCOMs' analyses estimate a CAPEX reduction of approximately Rs.17-18 lakh/MW. The Commission notes that solar EPC contracts typically constitute a composite supply with 70% treated as goods and 30% as services. With the new GST regime, goods attract 5% GST while services continue at 18%, resulting in a reduction in the effective GST burden from 13.8% to 8.9%, a drop of 4.9 percentage points. The CERC has treated the GST reduction as a Change-in-Law event requiring appropriate adjustment in the tariff. Further, the reduction in GST qualifies as a Change-in-Law event under the Model PPA. Therefore, disregarding the objections in this regard, the Commission is inclined to pass on the benefit to consumers in light of the GST revision post-bidding. In this regard, the Commission has examined the impact of the reduction in GST on the levelised cost of energy in the context of the overall project cost structure. While the DISCOMs have estimated the reduction in capital cost due to GST revision from 12% to 5% at about Rs.17–18 lakh per MW, the Commission, after considering market dynamics and other relevant factors estimates the net

GST-related capital cost reduction at approximately Rs. 14 lakh per MW, assuming a base project cost of Rs. 4.20 crore per MW prior to the revised GST notification. Based on this assessment, the Commission estimates the corresponding reduction in levelised tariff at about 11 paise per kWh. Accordingly, the Commission is inclined to fix the ceiling tariff for the FLS projects at Rs. 3.09 per unit. The rates finalised above this tariff will not be allowed by the Commission. However, since the CERC clarified that contracts with bid submission prior to 22.09.2025, but procurement/invoicing done thereafter must apply revised GST, if any expenditure is made prior to 22.09.2025 by the bidders after the award of LoA by DISCOMs, whose finalised tariff is above Rs. 3.09 per unit in the proposals, they may be given the benefit of an additional tariff over Rs.3.09 per unit on a prorated basis corresponding to such expenditure based on the statutory auditor certificate, assuming GST impact 11 paise for Rs.4.20 crores per MW. Further, the tariffs under or at Rs.3.09 per unit need not be altered.

Accordingly, point B is answered.

23. Having inclined to approve the power procurement and Tariffs, upon examination of the draft PPA, the Commission is of the opinion that it requires some modification.

24. Based on the analysis in paragraphs 21, 22 and 23, I am inclined to approve the DISCOMs' FLS procurement and Tariff finalised, subject to the following conditions.

   i. Of the 2.93587 lakh pumpsets proposed for solarisation, only 2 lakh have MNRE sanction. Hence, the DISCOMs shall obtain the MNRE sanction for the balance pump sets.

   ii. The ceiling price of the Tariff is Rs.3.09 per unit. However, if any expenditure is made prior to 22.09.2025 by the bidders after the award of LoA by DISCOMs, whose finalised tariff is above Rs. 3.09 per unit in the proposals, they may be given the benefit of an additional tariff over Rs.3.09 per unit on a prorated basis corresponding to such expenditure based on the statutory auditor certificate, assuming GST impact 11 paise for Rs.4.20 crores per MW. The tariffs under or at Rs.3.09 per unit need not be altered.

   iii. The Solar Power projects shall be connected only at the 11 kV busbar of 33/11 kV substations.

iv. The modification of clauses as stated in Annexure II shall be incorporated.

25. The DISCOMs are further directed to explore the option of installing distributed BESS where FLS is integrated into 33/11 substations, following the APERC Regulation 5 of 2025, APERC [Planning Procurement Deployment and Utilisation of Battery Energy Storage Systems BESS] Regulations 2025.

26. Accordingly, the DISCOMs may initiate the necessary steps for the procurement of 1,162.8 MW of Solar Power on a long-term basis from Grid-Connected Solar PV projects to be set up in the State of Andhra Pradesh under the RESCO mode for the solarisation of Agricultural feeders under the guidelines issued by MNRE for Component-C of the PM-KUSUM scheme. However, any future power procurement through feeder-level solarisation (FLS) under MNRE Component-C of the PM-KUSUM scheme should be undertaken only after obtaining prior approval from the Commission.

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

Annexure-I

List of Objectors

S.No	Name of the Objector
1	Sri M. Venugopala Rao, Senior Journalist & Convener, Centre for Power Studies, Hyderabad.
2	Sri Ch.Babu Rao, State Secretariat Member, CPI(M), Vijayawada.
3	Sri Kandharapu Murali, Secretariat Member, CPI(M), Tirupati District Committee
4	Sri Hrishabh Chandra, Policy Analyst II, International Institute for Sustainable Development (IISD)
5	Megha Engineering and Infrastructures Limited

Annexure-II

Modifications/suggestions

S.No	Clause No.	Clause as per Model PPA	Modification suggested/ directed by the Commission
1	1.1 Definitions	"Appropriate Commission" - shall mean the Transmission Corporation of Andhra Pradesh Limited;	"Appropriate Commission" - shall mean the Andhra Pradesh Electricity Regulatory Commission;
2	1.1 Definitions	"Scheduled Commissioning Date" or "SCD" of the Project - shall mean the date 12 (Twelve) months from the date of issue of Letter of Award (LOA) by the DISCOM to the SPD or by 31.12.2025, whichever is earlier;	The clause is to be suitably modified, as the reference to 31.12.2025 is no longer realistic or implementable.
3	4.3.2	Purchase of any excess energy i.e., up to 10% (Ten percent) of declared CUF, (up to CUF of 20.9% (Twenty Point Nine percent)) beyond the energy generated corresponding to an annual CUF of 19% (Nineteen percent), shall be deemed to have been supplied to DISCOM at 75% (Seventy-five percent) of the PPA Tariff whereas purchase of any excess energy i.e., above and beyond 10% (Ten percent) of declared CUF (above CUF of 20.9% (Twenty Point Nine percent)) beyond the energy generated corresponding to an annual CUF of 19% (Nineteen percent), shall be deemed to have been supplied to DISCOM free of cost. SPD shall not be allowed to sell any excess energy under Open Access or to any other buyer. DISCOM shall inform the SPD for procurement of excess power within 15 (Fifteen) days of receiving a written intimation from the SPD for such excess generation, provided that such written intimation by the SPD shall be received by DISCOM at least 30 (Thirty) days of prior to the end of a Contract Year.	Purchase of any excess energy i.e., up to 10% (Ten percent) of declared CUF, (up to CUF of 20.9% (Twenty Point Nine percent)) beyond the energy generated corresponding to an annual CUF of 19% (Nineteen percent), shall be deemed to have been supplied to DISCOM at 75% (Seventy-five percent) of the PPA Tariff whereas purchase of any excess energy i.e., above and beyond 10% (Ten percent) of declared CUF (above CUF of 20.9% (Twenty Point Nine percent)) beyond the energy generated corresponding to an annual CUF of 19% (Nineteen percent), shall be deemed to have been supplied to DISCOM free of cost. SPD shall not be allowed to sell any excess energy under Open Access or to any other buyer. ~~DISCOM shall inform the SPD for procurement of excess power within 15 (Fifteen) days of receiving a written intimation from the SPD for such excess generation, provided that such written intimation by the SPD shall be received by DISCOM at least 30 (Thirty) days of prior to the end of a Contract Year.~~
4	4.4.1	(d) Any delay in the handover of land.	(d) Any delay in the handover of revenue land.