



THE UTTAR PRADESH ELECTRICITY REGULATORY COMMISSION

LUCKNOW

Petition No. 75/SM/2026

QUORUM

Hon'ble Shri Arvind Kumar, Chairman

Hon'ble Shri Sanjay Kumar Singh, Member

IN THE MATTER OF

Implication of decrease in GST rate on procurement of renewable energy devices and parts for their manufacture from 12% to 5% and its impact on the PPAs executed under Pradhan Mantri Kisan Urja Suraksha evam Utthaan Mahabhiyan (PM-KUSUM) Component- C2 Scheme.

SUO MOTU ORDER

1. The Ministry of New and Renewable Energy (MNRE), Government of India, vide its Order No. 32/645/2017-SPV Division, dated 17.01.2024, issued comprehensive guidelines for implementation of '**PM KUSUM Scheme**', with the following components:
 - (i) Component-A: Setting up of 10,000 MW of Decentralized Ground/Stilt Mounted, Grid Connected Solar or other Renewable Energy based Power Plants;
 - (ii) Component-B: Installation of 14 Lakh Stand-alone Solar Agriculture Pumps;
 - (iii) Component-C: Solarisation of 35 Lakh Grid Connected Agriculture Pumps including Feeder Level Solarization.
2. The objective of Component-C of PM-KUSUM Scheme is to provide reliable day time solar power to irrigation for which the agriculture feeders have already been separated and the same is to be solarised under the scheme leading to lower cost both in terms of capital cost and cost of power. The requirement of total annual power for an agriculture feeder is to be assessed, and a Solar PV power plant of that capacity needs to be installed.

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3. Project developers were selected on the basis of lowest tariff offered under competitive bidding for the supply of required solar power for a period of 25 years. The developer will get Central Financial Assistance from the Government of India as well as Viability Gap Funding from the Government of Uttar Pradesh through UPNEDA being a nodal agency under the Uttar Pradesh Solar Energy Policy-2022.
4. UPNEDA filed Petition No. 2131 of 2024 before the Commission seeking approval of Bidding Documents (i.e., Request for Selection (RfS) dated 19.07.2024 and draft Power Purchase Agreement) for procurement of 3205 MW grid-connected solar power through Tariff-Based Competitive Bidding (TBCB) process under Section 63 of the Electricity Act, 2003 for a period of 25 years under Component-C2 i.e., Feeder Level Solarisation (FLS) of PM-KUSUM Scheme. The Commission, vide its Order dated 06.12.2024 in the said Petition, approved the Bidding Documents with a ceiling tariff of Rs. 2.99/kWh along with certain deviations and issued directions, inter alia, to UPPCL to verify the list of substations prior to the last date of bid submission.
5. Subsequently, UPNEDA and UPPCL conjointly filed Petition No. 2230 of 2025 pursuant to the completion of the bidding process issued vide RfS dated 19.07.2024. The Commission vide its Order dated 08.10.2025 observed that total power procurement quantum was revised from 3205 MW to 2553.5 MW due to revision of substations. Letters of Award (LoAs) were issued to the successful bidders during the period from 04.02.2025 to 09.07.2025. The timeline of this bidding process was as below:

S. No.	Date	Activity
1.	19.07.2024	Tender Notice Published in Newspaper
2.	06.08.2024	Pre-Bid Meeting Conducted
3.	06.12.2024	Approval of the bidding documents from the Commission
4.	12.12.2024	Corrigendum issued: Revised RFS & Draft PPA amendment as per the Commission's Order dated 06.12.2024.
5.	09.01.2025	Last date of bid Submission
6.	10.01.2025	Technical Bid Opening
7.	29.01.2025	Financial Bid Opening
8.	04.02.2025	LoA Issued (103 Nos./ 401.9 MW)
9.	22.02.2025	LoA Issued (39 Nos./ 144.1 MW)
10.	12.03.2025	LoA Issued (220 Nos./ 591 MW)
11.	19.03.2025	Lottery System Procedure (11 Substations/ 26.4 MW)
12.	21.03.2025	LoA Issued (07 Nos./17.1 MW)
13.	04.04.2025	LoA Issued (123 Nos./ 370.9 MW)

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S. No.	Date	Activity
14.	19.04.2025	LoA Issued (25 Nos./65 MW)
15.	23.04.2025	LoA Issued (48 Nos./ 93.5 MW)
16.	09.07.2025	LoA Issued (01 Nos./ 2.9 MW)

6. Thereafter, Power Purchase Agreements were executed between the project developers and the UPPCL. It was observed that out of a total of 1002 substations, 436 substations remain unallocated. Following are the details of the substations, corresponding capacity, and the bids received:
- Total substations: 1002 (2553.5 MW)
 - Bidders participated in tender: 235
 - Selected Bidders: 153
 - No. of substations on which bids received: 494 (1529.1 MW)
 - Additional bid offer received for 72 substations (157.3 MW)
 - LoAs issued for 566 substations (1686.4 MW)
7. The Commission, through its various Orders, had approved the following quantum of power and number of PPAs under the same bidding documents while the rest are under process of being filed and for listing the filed ones:

S. No.	Order Dated	Petition No.	No. of PPAs approved	Capacity Approved (MW)
1.	08.10.2025	2230/2025	25	118.2
2.	19.11.2025	2268/2025	25	82.6
3.	27.11.2025	2275/2025	25	61.6
4.	02.12.2025	2278/2025	18	56.7
5.	28.11.2025	2282/2025	27	82.2
6.	03.12.2025	2283/2025	28	72.4
7.	04.12.2025	2292/2025	26	68.9
8.	09.12.2025	2253/2025	29	67.5
9.	12.12.2025	2284/2025	25	71.9
10.	15.12.2025	2254/2025	28	57.5
11.	22.12.2025	2304/2025	28	93.4
12.	27.05.2026	2336/2025	22	60.5
13.	29.05.2026	2346/2026	29	165.5
14.	29.05.2026	2347/2026	28	56.0
15.	08.06.2026	2351/2026	21	49.6
16.	08.06.2026	2352/2026	21	60.9
17.	16.06.2026	2357/2026	20	65.4
18.	16.06.2026	2361/2026	24	64.7
Total			449	1,355.5

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8. Article 12.1.2 of the approved PPA (i.e., for PM KUSUM Scheme) provides that affected party shall be entitled to compensation upon the determination of such compensation by the Appropriate Commission. Further, Article 1.1 of the PPA defines the Schedules Commissioning Date shall mean 12 months with extension of 6 months to be given by UPNEDA from the effective date i.e., date of signing of the PPA. The relevant extracts of the PPA are reproduced as follows:

"ARTICLE 12: CHANGE IN LAW

12.1.1 Definitions

In this Article 12, the **term Change in Law shall refer to the occurrence of any of the following events pertaining to this project only after the last date of the bid submission**, including.

- i. the enactment of any new law; or
- ii. an amendment, modification, or repeal of an existing law; or
- iii. the requirement to obtain a new consent, permit or license; or
- iv. any modification to the prevailing conditions prescribed for obtaining a consent, permit or license, not owing to any default of the SPG; or
- v. **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.**

However, Change in Law shall not include.

- a) any change in taxes on corporate income or
- b) any change in any withholding tax on income or dividends distributed to the shareholders of the SPG, or
- c) any change on account of regulatory measures by the Appropriate Commission.

12.1.2 In the event a Change in Law results in any adverse financial loss/gain to the SPG then, in order to ensure that the SPG is placed in the same financial position as it would have been had it not been for the occurrence of the Change in Law, the SPG/Procurer shall be entitled to compensation by the Other party, as the case may be, subject to the condition that the quantum and mechanism of compensation payment shall be determined and shall be effective from such date as may be decided by the Appropriate Commission.

12.1.3 In the event of any decrease in the recurring/non-recurring expenditure by the SPG or any income to the SPG on account of any of the events as indicated above. SPG shall file an application to the Appropriate Commission no later than sixty (60) days from the occurrence of such event, for seeking approval of Change in Law. In the event or SPG failing to comply with the above requirement, in case of any gain to the SPG. Procurer shall withhold the monthly tariff payments on immediate basis, until compliance of the above requirement by the SPG.

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12.2 Relief for Change in Law

12.2.1 *The aggrieved party shall be required to approach the Appropriate Commission for seeking approval of Change in Law.*

12.2.2 *The decision of the Appropriate Commission to acknowledge a Change in Law and the date from which it will become effective, provide relief for the same, shall be final and governing on both the parties."*

9. The Government of India introduced a unified indirect tax structure in the form of Goods and Services Tax (GST) through enactment of the Central Goods and Services Tax Act, 2017, Integrated Goods and Services Tax Act, 2017, Union Territories Goods and Services Tax Act, 2017 and the Goods and Services Tax (Compensation to States) Act, 2017, with effect from 01.07.2017 (hereinafter collectively referred to as GST Laws). Additionally, in relation to the aforementioned Acts, some taxes were merged into either the Central GST or the State GST.
10. The *Notification No. 8/2021- Central Tax (Rate) dated 30.09.2021* was issued by the Ministry of Finance, Government of India. The change in the rate of Goods and Services Tax from 5% to 12% w.e.f. 01.10.2021 resulted in a change in the cost of the inputs of goods required for Solar Power generation. The Commission, vide various orders, held Notification No. 8/2021- Central Tax (Rate) dated 30.09.2021 as a 'Change in Law' as per the relevant provisions of the PPAs.
11. Subsequent to it, *Notification No. 9/2025-Central Tax (Rate), dated 17.09.2025*, has been issued by the Ministry of Finance (Department of Revenue), Government of India, in supersession of the earlier notification No. 08/2017- Central Tax (Rate), dated 30.09.2021. The amended notification dated 17.09.2025 is effective from 22.09.2025, which prescribes a revised Central Tax rate of 2.5% (resulting in a cumulative GST rate of 5%) on renewable energy devices and parts for their manufacture. The change in the rate of Goods and Services Tax from 12% to 5% w.e.f. 22.09.2025 has again resulted in a change in the cost of the inputs of goods required for RE generation including Solar PV based projects.
12. The relevant notifications in this regard provides the following:
- a) Notification No.1/2017-Central Tax (Rate) dated 28.06.2017 (*2017 CGST Notification*):

Schedule I - 2.5%

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Sr. No.	Chapter/Heading /Sub-heading / Tariff-item	Description of Goods
234	84 or 85	<i>Following renewable energy devices & parts for their manufacture:</i> (a) Bio-gas plant; (b) Solar power-based devices; (c) Solar power generating system; (d) Wind mills, Wind Operated Electricity Generator (WOEG); (e) Waste to energy plants/ devices; (f) Solar lantern/ solar lamp; (g) Ocean waves/tidal waves energy devices/plants;

(The 2017 SGST Notification has a similar provision. For the sake of brevity, the same is not reiterated here.)

b) Notification No. 8/2021- Central Tax (Rate) dated 30.09.2021, i.e. 2021 CGST Notifications stipulate as under:

(b) **in Schedule II – 6%,**-

...

(iv) after S. No. 201 and the entries relating thereto, the following S. No. and entries shall be inserted, namely: -

201 A	84, 85 or 94	<i>Following renewable energy devices & parts for their manufacture:-</i> (a) Bio-gas plant (b) Solar power-based devices (c) Solar power generating system (d) Wind mills, Wind Operated Electricity Generator (WOEG) (e) Waste to energy plants/ devices (f) Solar lantern/ solar lamp (g) Ocean waves/ tidal waves energy devices/plants (h) Photo voltaic cells, whether or not assembled in modules or made up into panels. [Explanation: If the goods specified in this entry are supplied, by a supplier, along with supplies of other goods and services, one of which being a taxable service specified in the entry at S. No. 38 of the Table mentioned in the notification No. 11/2017-Central Tax (Rate), dated 28th June, 2017 [G.S.R. 690(E)], the value of supply of goods for the purposes of this entry shall be deemed as seventy per cent. of the gross consideration charged for all such supplies, and the remaining thirty per cent. of the gross consideration charged shall be deemed as value of the said taxable service.
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c) Notification no. 9/2025, Central Tax (Rate) dated 17.09.2025 stipulates as under:

"In exercise of the powers conferred by sub-section (1) of section 9 and sub-section (5) of section 15 of the Central Goods and Services Tax Act, 2017 (12 of 2017), and in supersession of the notification of the Government of India in the Ministry of Finance (Department of Revenue), No. 01/2017-Central Tax (Rate), dated the 28th June, 2017 published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), vide number G.S.R. 673(E), dated the 28th June, 2017, except as respects things done or omitted to be done before such supersession, the Central Government, on the recommendations of the Council, hereby notifies the rate of central tax of-

(i) 2.5 per cent. in respect of goods specified in Schedule I:

Schedule I - 2.5%

Sr. No.	Chapter/ Heading/ Sub-heading /Tariff-item	Description of Goods
437	84, 85 or 94	<p><u>Following renewable energy devices & parts for their manufacture:</u></p> <p>(a) Bio-gas plant;</p> <p>(b) Solar power-based devices;</p> <p>(c) Solar power generating system;</p> <p>(d) Wind mills, Wind Operated Electricity Generator (WOEG);</p> <p>(e) Waste to energy plants/ devices;</p> <p>(f) Solar lantern/ solar lamp;</p> <p>(g) Ocean waves/ tidal waves energy devices/plants</p> <p>(h) Photo voltaic cells, whether or not assembled in modules or made up into panels.</p> <p>Explanation: - If the goods specified in this entry are supplied, by a supplier, along with supplies of other goods and services, one of which being a taxable service specified in the entry at S. No. 38 of the Table mentioned in the notification No. 11/2017- Central Tax (Rate), dated 28th June, 2017 [G.S.R. 690(E)], <u>the value of supply of goods for the purposes of this entry shall be deemed as seventy per cent. of the gross consideration charged for all such supplies, and the remaining thirty per cent.</u> of the gross consideration charged shall be deemed as value of the said taxable service.</p>

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13. The Ministry of Power, Government of India, has through a series of communications, advised the Commission to take necessary action and recognize the changes in GST rate as 'Change in Law' events and to ensure that the resultant benefit is passed on to consumers. In particular, by letter No. 40/22/2025-R&R-dated 31.12.2025, the Ministry of Power advised that the reduction in GST on solar and wind power equipment from 12% to 5% needs to be recognized as a 'Change in Law' events under the applicable regulatory framework, and that the benefit be passed through to consumers at the earliest.

14. In view of above, the Commission observes that reduction in GST rate from 12% to 5% w.e.f. 22.09.2025 has the effect of lowering the cost of procurement of renewable energy devices and components, thereby resulting in reduction in the overall capital cost of RE projects, including projects implemented under PM-KUSUM Component-C2 Scheme. Any financial benefit accruing on account of such reduction is required to be passed on to the procurer (i.e., UPPCL) and, ultimately, to the end consumers. The last date of bid submission was 09.01.2025 i.e., before the Ministry of Finance notification dated 17.09.2025 which becomes effective from 22.09.2025. The PPA provides SCOD to be 12 months extendable to 18 months from the date of signing of the PPA (effective date). Accordingly, the Commission, by this Order, takes '*suo motu*' cognisance of the statutory changes involving the reduction of GST rates on the procurement of renewable energy devices and components with effect from 22.09.2025 and **declare it to be a 'Change in Law' event under the PPA.**

15. The Commission is further of the view that the revised GST rate shall be applicable to all such projects where the bid submission date is prior to 22.09.2025, and where:

- (i) the invoice(s) relating to goods or services have been raised on or after 22.09.2025;
- or
- (ii) the consideration for such goods or services has been paid and tax has been paid on or after 22.09.2025,

Irrespective of the fact whether the consideration for supply has been paid wholly or partly.

16. Further, it is pertinent to mention here that there has to be a clear one-to-one correlation between the projects, the supply of goods or services, the invoices raised

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by the supplier of goods and services, in accordance with the applicable provisions of the PPAs. Accordingly, the monthly tariff or charges need to be adjusted/ refunded, as the case may be, on account of the aforesaid change in GST rates qua Notification No. 9/2025–Central Tax (Rate), dated 17.09.2025, from the date of occurrence of the said event. Accordingly, the Commission hereby issues the following directions:

- (a) An expert committee be constituted for examining cases pertaining to each Discom comprising of following members:
- Director UPNEDA or any officer nominated by him not below the rank of SPO.
 - A Chief Engineer level Officer of UPPCL to be nominated by MD UPPCL.
 - A Chief Engineer level Officer of the concerned Discom to be nominated by MD Discom.
 - A finance Officer not below the rank of DGM from the concerned Discom to be nominated by MD Discom.

For the sake of uniformity of approach, officers mentioned at (i) & (ii) above shall be same for each Discom.

- (b) Within 45 days from COD, each Project Developer shall share the required information (i.e., calculation for the impact of decrease in GST rate along with necessary supporting documents for the same) to the above Expert Committee.
- (c) The Expert Committee shall undertake a project-wise assessment of all executed PPAs to evaluate the impact of the GST reduction. Such assessment shall be based on relevant documentary evidence submitted by project developers such as invoices raised, payment details and applicable GST rates, duly supported by an Auditor's Certificate, etc. so as to enable proper reconciliation of reduction in expenditure with clear one-to-one correlation to the project.
- (d) The Expert Committee shall, in coordination with the respective developers, determine the revised tariff (Rs./kWh) for each respective project, based on the extent of actual benefit accrued due to GST rate reduction using the following formula:

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S.No.	Particulars	Formula	UoM	Remarks
1	Contracted Capacity		MW	Input value
2	PLF/PAF/CUF (as per PPA)		%	Input value
3	Original Tariff		INR/kWh	Input value
4	Estimate monthly electricity generation	$X = (1/12) \times \text{Contracted Capacity (MW)} \times \text{PLF or PAF or CUF (in \%)} \times 8760 \text{ hrs} \times 1000$	kWh	Formula driven
5	Total impact of Change in Law	P	INR	Input value
6	Rate (200 basis points above the average State Bank of India Marginal Cost of Funds based lending rate, of one year tenor, prevalent during the last available six months preceding the month of COD#)	R	%	Input value
7	Monthly rate of interest	$Mr = R / (12 \times 100)$	%	Formula driven
8	No. of month over which change in law impact is to be paid	n	Months	Input value (balance life of PPA)
9	Impact of Change in Law with Interest on monthly basis	$Y = (P \times Mr) \frac{(1+Mr)^n}{((1+Mr)^n - 1)}$	INR	Formula driven
10	Monthly Tariff	$MT = Y / X$	INR/kWh	Formula driven

if the month of COD is July of a year, average State Bank of India Marginal Cost of Funds based lending rate, of one year tenor, for the months of January to June (i.e. 6 months preceding July, i.e. the month of COD)

- (e) After completion of the above exercise, UPPCL shall execute the Supplementary PPA for the agreed revised tariff and only then approach the Commission for its prudence check and approval. In case of any disagreement on specific issues, the disputed issues to be highlighted before the Commission. The Supplementary PPA shall also include the clause that if the Project developer terminates the PPA before completion of the PPA period, then the balance unrecovered amount of GST, shall be recovered from the Project developer along with the termination amount (if any).
- (f) UPPCL shall devise a comprehensive and standardized format for collection of information required for computation of the impact arising from the reduction in

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GST rates. The format shall be designed to capture all relevant data and supporting particulars necessary for accurate assessment, verification, and quantification of the financial impact resulting from such GST rate reduction.

- (g) UPPCL and Project developers are directed to complete the exercise of assessment and submission of project-wise details before the Commission within a period of 90 days from the commercial operation date (COD) of the respective project.

(Sanjay Kumar Singh)

Member



(Arvind Kumar)

Chairman

Place: Lucknow

Dated: 23.06.2026