

Discoms to save ₹3k cr yearly from GST cut on green energy

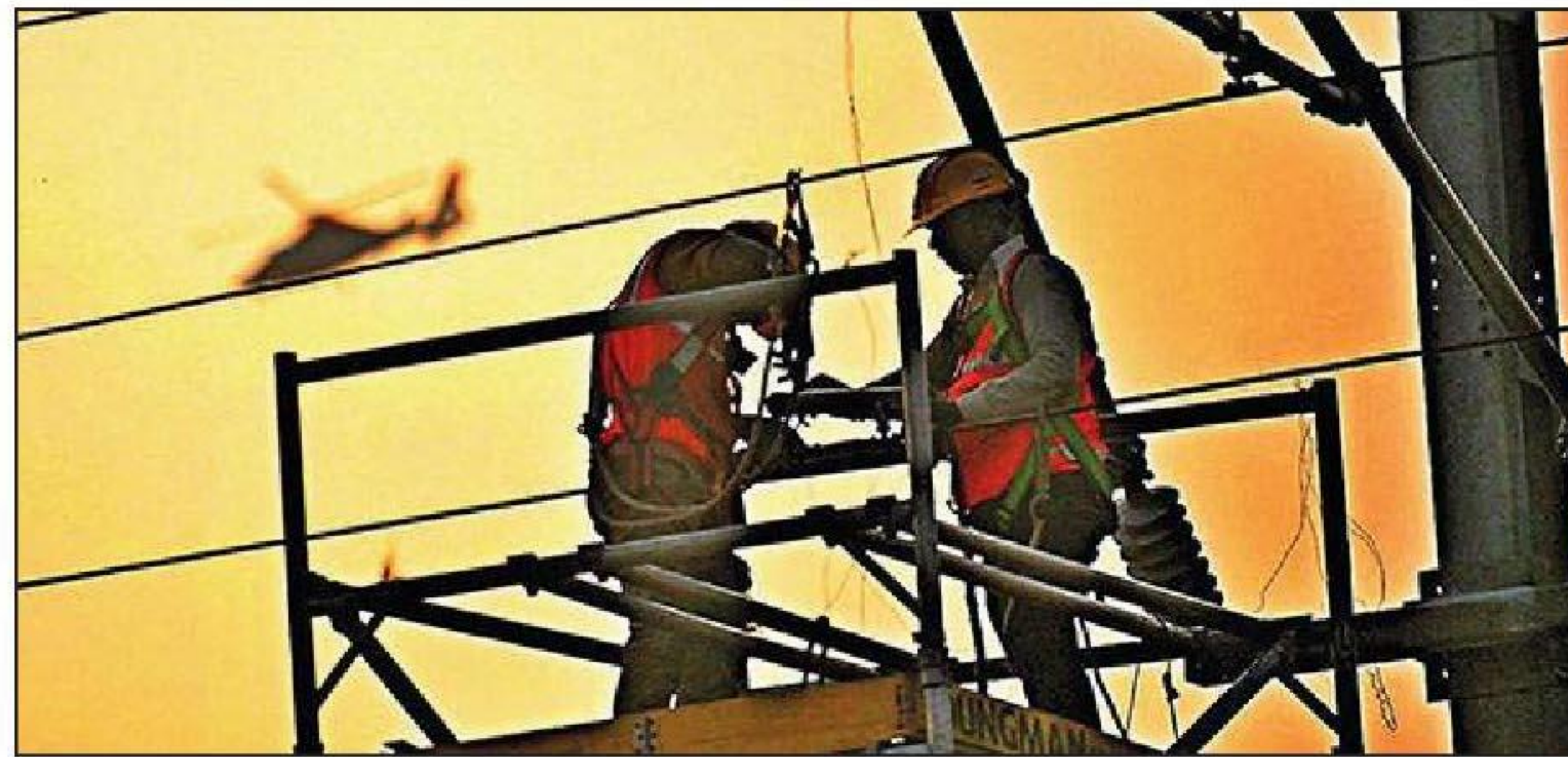
Savings May Not Lead To Reduction In Consumer Tariffs

Sanjay Dutta | TNN

New Delhi: Reduction of GST from 12% to 5% across the renewable energy value chain is expected to bring down the power procurement costs of discoms (distribution utilities) across the country by roughly Rs 3,000 crore annually, the govt said on Wednesday.

However, the savings may not lead to reduction in consumer tariffs which do not fully reflect costs due to inadequate upward revisions. Rating agency ICRA on Tuesday said that as per the tariff revisions for 2025-26 cleared by 23 out of 28 states till Aug, the median hike at the all-India level is 1.9%, as against 2.1% in 2024-25.

Still, the lower GST will contribute towards narrowing the gap between discoms' cost of supply and reve-



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nue realisation, which ICRA pegged at 45 paise per unit.

While factors such as line losses and billing inefficiencies also contribute to this gap, reduced power purchase costs will bring discoms some relief, which ICRA said, have a gross debt burden of Rs. 7.4 lakh crore as of Mar 2024, up from Rs. 6.6 lakh crore a year earlier.

Beyond the immediate,

the real benefit of lower GST will become more noticeable as, with project costs coming down, levelised tariffs for green power become more competitive. The renewable energy ministry reckons that the cost of a grid-level solar project, which typically hovers around Rs 4 crore per MW, will come down by Rs 25 lakh per MW. At the scale of a 500-MW solar park, this transla-

tes into project cost reductions of over Rs 100 crore.

Lower GST will also energise Prime Minister Narendra Modi's rooftop solar scheme by bringing costs within reach of more households, especially those with modest or lower incomes. A typical 3,000-watt rooftop solar system is expected to become cheaper by Rs 9,000-10,500, the ministry said. Farmers will also benefit by way of lower costs for solar pumps covered under the PM KUSUM scheme, as will off-grid projects in rural or remote areas.

The biggest benefit will be for the renewable energy manufacturing sector as reduced GST will make them competitive due to a drop of 3-4% in component costs. This is expected to boost rapid expansion in domestic manufacturing, leading to more job creation.