DEVBHOOMI HYDRO ASSOCIATION (DHA)

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20.07.2026

To,
The Secretary,
Central Electricity Regulatory Commission,
6th to 8th Floor, Tower B,
World Trade Centre, Nauroji Nagar, New Delhi – 110 029
secy@cercind.gov.in, **advisor-re@cercind.gov.in**

Subject ;- Submission of Devbhoomi Hydro Association (DHA), Dehradun on the CERC Staff Paper concerning the Determination of Generic Levelized Tariff for Renewable Energy Projects for FY 2026–27

Dear Sir,

Please refer to the Public Notice No. RA-14026(11)/4/2023-CERC Dated: 03.07.2026 issued by the Hon'ble Commission on the subject above.

The following comments are being submitted by the Devbhoomi Hydro Association (DHA), Dehradun, an association representing developers of Small Hydro Power (SHP) projects in Uttarakhand.

Pursuant to the above-mentioned Public Notice, the Hon'ble Central Electricity Regulatory Commission (CERC) has invited comments and suggestions on the Staff Paper titled "Determination of Levelized Generic Tariff for the Third Year of the Control Period (FY 2026–27) under Regulation 8 of the CERC (Terms and Conditions for Tariff Determination from Renewable Energy Sources) Regulations, 2024."
In response to this invitation, DHA is pleased to submit its observations and recommendations, particularly with respect to the tariff determination parameters applicable to Uttarakhand and other Himalayan states, as detailed below:

1. CAPITAL COST

The normative capital cost requires an upward revision to reflect the prevailing cost environment. Independent industry assessments indicate that greenfield construction costs in India continued to increase during 2024, primarily due to higher labour costs, logistics expenses, equipment charges, and inflation in construction inputs, notwithstanding moderation in the prices of certain individual materials. Further, the Government of India's notified Cost Inflation Index has increased from 363 for FY 2024–25 to 384 for FY 2026–27, representing an increase of nearly 6% over the period. Simultaneously, periodic revisions in labour wages, higher transportation costs, and increased statutory compliance expenses have added to project costs. The impact is even more pronounced for Small Hydro Projects in hilly states such as Uttarakhand, Himachal Pradesh, and the North-Eastern Region, where difficult terrain, longer haulage distances, and limited accessibility significantly increase the cost of civil works and electromechanical equipment. It is, therefore, both reasonable and necessary that the normative capital cost for FY 2026–27 be revised upward to adequately reflect these documented cost escalations and ensure the financial viability of new Small Hydro Projects.

Similarly, cost of Plant and Machinery (P&M), comprising turbines, generators, governors, transformers, switchgear and associated electro-mechanical equipment, has increased appreciably since the base year adopted for FY 2024–25. CERC's tariff methodology itself recognizes that the cost of P&M is linked to the Wholesale Price Indices of steel and electrical machinery. During the intervening period, increases in the prices of electrical machinery, copper, fabricated steel components, manufacturing costs, transportation, testing and commissioning have resulted in a noticeable escalation in the overall cost of hydro-mechanical and electro-mechanical packages. Based on prevailing market trends and inflation indices, an escalation of the order of **8–12%** in Plant and Machinery cost between FY 2024–25 and FY 2026–27 is considered reasonable, with projects in hilly regions experiencing even higher effective costs due to difficult logistics and transportation of heavy equipment. Accordingly, the normative capital cost should be revised to reflect these increases and preserve the financial viability of Small Hydro Projects.

So, we humbly request the Hon'ble Commission to increase the Capital Cost for Small Hydro Projects for the Year 2026-27 by 7%, i.e. to Rs 1284 Lakh/MW to address the cost increases.

2. Operation and Maintenance Expenses

The increasing frequency of cloudbursts, flash floods, landslides, and extreme rainfall events across India's Himalayan states has significantly heightened the exposure of Small Hydropower Projects to physical and financial risks. Recent years have demonstrated that climate-induced disasters can cause extensive damage to civil structures, electro-mechanical equipment, and evacuation infrastructure, resulting in prolonged outages and substantial financial losses. Comprehensive insurance coverage has therefore become an indispensable component of risk management, ensuring business continuity, protecting investments, and enhancing the long-term resilience and bankability of Small Hydropower Projects. The above situation has caused steep rise in insurance costs for Small Hydropower Projects, and Insurance being part of O&M, it has caused the O&M Costs to rise beyond proportion.

Typical Insurance policy premium was 0.1% of the capital cost has increased 5 -fold to approximately 0.5%. Hence, there is net increase of 0.4% of Capital cost i.e. addition of (1200*0.4%=) 4.8 Lakh/MW
Therefore, the O&M Charges for hilly states may be increased from Rs 54.55 Lakh/MW for projects of capacity up to 5 MW to Rs. 59.35 Lakh/MW and 40.91/MW for projects of 5 to 25 MW to Rs. 45.71 Lakh/MW

We trust that the Commission will give due consideration to the foregoing submissions while finalizing the Generic Levelized Tariff for Small Hydro Projects for FY 2026–27, with a view to ensuring that the tariff adequately reflects prevailing market conditions and supports the sustainable development of the sector.

Thanking you,

Yours sincerely.
For Devbhoomi Hydro Association (DHA)



Rakesh Aggarwal
President