

Probable Impact of Safeguard duty on solar cells

Reference: RFP No. MPUVN/GCRT-RESCO 2017-18/1692 dated 26/07/2017

Many bidders have raised queries regarding the methodology which could be adopted to assess the impact of Safeguard Duty on the tariff being invited through MPUVNL's RESCO tender.

FAQ – I have bid for a 100kW system and assuming I win the project and Safeguard Duty of 25% is imposed after the bid submission deadline, how does the RFP and the PPA account for this variation in capital cost and pass it on in the tariff?

Answer –

The impact of any changes in taxes and duties has been addressed in RfP Clause 3.29: TAXES AND DUTIES and PPA Clause 18.18.3. The impact of variation in capital cost maybe calculated as below –

Calculation -

Benchmark cost of 100kW system = Rs 55, 00, 000

Applicable tariff for the year = Rs Y/kWh

Approximate Cost component of solar cell in the capital cost = 26% X 55, 00,000 = Rs 14, 30,000

Increase in cost of solar cell as a result of Safeguard Duty = 25% X 14, 30,000 = Rs 3, 57,500

% increase in the above cost when compared to benchmark cost = $3, 57, 500 / 55, 00,000 = 6.5\%$

Since the above variation is more than 2.5% threshold as allowed in the RFP and PPA, increment of 6.5% will be considered for tariff adjustment due to change in Capital Cost.

% Adjustment in tariff due to change in capital cost = 6.5% X 80% = 5.20%

Adjustment in tariff due to change in capital cost (Rs/kWh) = 5.2% * Y

This adjustment in tariff because of change in capital cost will be given till three months prior to the Scheduled Commissioning Date of the project as provided in the PPA.