



## MEGHALAYA STATE ELECTRICITY REGULATORY COMMISSION

New Administrative Building, Left Wing, 1<sup>st</sup> Floor  
Lower Lachumiere: Shillong – 793001

### Suo Moto Petition No. 5 of 2026

#### In the matter of:

Suo moto Proceedings under Regulation 12 of the Meghalaya State Electricity Regulatory Commission (Conduct of Business) Regulations, 2006 and its subsequent amendments and Regulation 5.4.1 of the Meghalaya State Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff for Generation from Renewable Energy Sources) Regulations, 2025, for Determination of Generic Tariff on levelized basis for Small Hydro Projects of 5 MW to 25 MW for the Second Year of the Control Period i.e. FY 2026-27.

#### Coram

**Shri. Chandan Kumar Mondol, Chairman**

#### DATE OF ORDER

**6<sup>th</sup> July 2026**

1. This Commission in exercise of the power conferred under Regulation 12 of the Meghalaya State Electricity Regulatory Commission (Conduct of Business) Regulations, 2006 and its subsequent amendments has taken Suo Moto cognizance on the matter of determination of Tariff for Small Hydro Project of 5 MW to 25 MW. Relevant Regulation is reproduced below:

***“12. Initiation of proceedings***

*(1) Proceedings shall be initiated on a petition filed by an affected person before the Commission:*

***Provided that the Commission may Suo moto initiate a proceeding on a matter that may come to its notice if it is satisfied that it is necessary to do so in public interest.”***

2. The matter arises on account that there is prospect for new Small Hydro Projects (SHPs) with capacities ranging from 5 MW to 25 MW being developed in the State in the near future.
3. The Commission has notified the Meghalaya State Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff for Generation from Renewable Energy Sources) Regulations, 2025 (herein “RE Tariff

Regulation”), vide Notification dated 19<sup>th</sup> December 2025 and subsequently amended the Regulation vide its First Amendment dated 3<sup>rd</sup> June 2026. This Regulation provides the principle for determination of Tariff for various Renewable Energy (RE) projects.

4. Regulation 5.3 of the RE Tariff Regulation specifies the type of RE projects for which generic tariff is to be determined by the Commission on an annual basis in accordance with the Regulation. Relevant Regulation is reproduced below:

***“5.3. Generic Tariff***

*The generic tariff shall be determined by the Commission on an annual basis in accordance with these Regulations for the following types of renewable energy projects:*

- a. Small hydro project;*
- b. Biomass power project with Rankine cycle technology;*
- c. Non-fossil fuel-based co-generation project;*
- d. Biomass gasifier-based power project; and*
- e. Biogas based power project*
- f. Refuse Derived Fuel based Municipal Solid Waste power projects;*

***Provided that the generic tariff determined for the year in which an RE project is commissioned shall be applicable for such RE Project of the same type and shall remain valid for the tariff period.”***

5. The Regulation also empowers the Commission to determine the Generic Tariff for RE projects for which the norms have been provided in the Regulation.
6. Sub-Clause 5.4.1. of Regulation 5.4 of the RE Tariff Regulation provides that the Commission shall determine the generic tariff at the beginning of each year of the Control Period for renewable energy projects for which norms has been specified in this Regulation. Relevant Regulation is reproduced below:

*5.4.1. In case of renewable energy projects for which a generic tariff has to be determined as per these regulations, the Commission shall determine such generic tariff prior to the commencement of the year for each year of the Control Period:*

*Provided that for the first year of the Control Period, the generic tariff shall be determined as on the date of issuance of these regulations till 31.03.2026.*

7. Although the Commission had notified the RE Tariff Regulation on 19.12.2025, however the generic Suo Moto Orders was not initiated as the first year of the control period was coming to the end.
8. The Commission notes that there is a prospect for new Small Hydro Projects (SHPs) with capacities ranging from 5 MW to 25 MW being developed in the State in the near future and thus has proceeded with the determination of the generic tariff of such plants Suo Moto.
9. The Commission in discharge of the mandate under Regulation 5.4.1 of the RE

Tariff Regulation, has issued a Public Notice on 18<sup>th</sup> June 2026 along with a proposal for Determination of Generic Tariff on levelized basis for Small Hydro Projects of 5 MW to 25 MW for the Second Year of the Control Period i.e. FY 2026-27 and invited comments/suggestions/objections. The last date for submission comments/suggestions/objections was 3<sup>rd</sup> July 2026

10. In response to the Public Notice, the Commission has received response only from the Meghalaya Power Generation Corporation Limited, wherein in its letter dated 2<sup>nd</sup> July 2026 has stated that it has 'nil' comments on the above.
11. Therefore, the Commission hereby determines the Generic Tariff on levelized basis for Small Hydro Projects of 5 MW to 25 MW for the Second Year of the Control Period i.e. FY 2026-27 as enclosed in **Annexure-I** to this Order.

**Sd/-**  
**Chandan Kumar Mondol**  
**Chairman**

**ANNEXURE-I**

**Generic Tariff on levelized basis for Small Hydro Projects of 5MW to 25MW for the Second Year of the Control Period i.e., FY 2026-27**

1. The generic tariff on levelized basis for Small Hydro Projects of 5 MW to 25 MW for FY 2026-27 is discussed in the following paragraphs.

**A. SMALL HYDRO PROJECT**

In terms of Sub-Clause (33) of Regulation 2.1 of the RE Tariff Regulation, Small Hydro Project is defined as under:

*(33) 'Small Hydro project' means Hydro Power projects with an installed capacity upto and including 25 MW or as defined by the Government of India, from time to time at a single location;*

**B. TARIFF PERIOD**

In terms of Sub-Clause (39) of Regulation 2.1. of RE Tariff Regulations, the tariff period for Small Hydro Project will be same as Useful life of the project and the tariff period shall be considered from the date of Commercial Operation of such power projects.

**C. USEFUL LIFE**

Sub-Clause (40) of Regulation 2.1 of the RE Tariff Regulations defines 'useful life' of the project from the date of commercial operation of such project. The Useful life for Small Hydro Projects as per Regulation is forty (40) years.

**D. CONTROL PERIOD**

- a) Regulation 5 of the RE Tariff Regulations provides that the control period for determination of tariff for renewable energy projects shall be three (3) financial years and the First year of the Control Period shall commence from the date of notification of the Regulation till 31<sup>st</sup> March 2028. Relevant Regulation is reproduced below:

***"5. Control Period or Review Period***

*5.1. The Control Period under these regulations shall be of three (3) financial years. First year of the Control Period shall commence from the date of notification of these regulations to 31.03.2028.*

*Provided further that the tariff determined as per these regulations for the RE projects commissioned during the Control Period, shall continue to be applicable for the entire duration of the Tariff Period. Provided also that the revision in regulations for next Control Period shall be notified separately and in case regulations for the next Control Period are not notified until commencement of next Control Period, the tariff norms as per these regulations shall continue to remain applicable until notification of the revised regulations subject to adjustments as per revised regulations.*

*Provided further that tariff determined for any project during a Control Period shall be subject to adjustments as per new norms for the Control Period when the project achieves commercial operation,*

*in case delay in the commercial operation is not attributable to the developer.”*

- b) In view of the above proviso, the tariff determined for the Second year of the control period shall be applicable for the Projects commissioned during the period from 1<sup>st</sup> April 2026 till 31<sup>st</sup> March 2026.

**E. TARIFF STRUCTURE**

Sub-Clause 5.5.1 of Regulation 5.5 of the RE Tariff Regulation and its amendment stipulates that the tariff for Small Hydro Projects shall be single-part tariff consisting of the following fixed cost components:

- a. Return on equity;
- b. Interest on loan;
- c. Depreciation;
- d. Interest on working capital; and
- e. Operation and maintenance expenses;

**F. TARIFF DESIGN**

In terms of Regulation 5.6 of the RE Tariff Regulations, the tariff design for Small Hydro Projects is as under:

**5.6. Tariff Design**

*5.6.1. The generic tariff shall be determined on a levelized basis, considering the year of commissioning of the project, for the Tariff Period.*

*Provided that for renewable energy projects having single-part tariff with two components, the fixed cost component shall be determined on a levelized basis considering the year of commissioning of the project while the fuel cost component shall be specified on year of operation basis in the Tariff Order to be issued by the Commission.*

*5.6.2. For the purpose of levelized tariff computation, the discount factor equivalent to Post Tax weighted average cost of capital shall be considered.*

**Discount Factor for the purpose of determination of Levelized Tariff is computed as per the following formula**

*(Interest Rate \* 0.7 \*(1- Corporate Tax Rate) + (Rate of Return \*0.3)*

**G. TREATMENT FOR OVER-GENERATION**

In terms of Regulation 5.7 of the RE Tariff Regulations, if Small Hydro Projects generates energy in excess of the capacity utilization factor or Plant load factor as the case may be, it shall be treated as hereunder:

**“5.7. Treatment for Over-Generation**

*In case a renewable energy project, in a given year, generates energy in excess of the capacity utilization factor or plant load factor, as the case may be specified under these Regulations, the renewable energy project may sell such excess energy in the market under bilateral or collective transactions, provided that the first*

*right of refusal for such excess energy shall vest with the concerned beneficiary. In case the concerned beneficiary purchases the excess energy, the tariff for such excess energy shall be equal to the tariff applicable for that year.”*

#### **H. CAPITAL COST**

1. Regulation 6.1 of the RE Tariff Regulation stipulates that the norms for Capital Cost as specified in the Regulation shall be inclusive of land cost, pre-development expenses, all capital works including Projects and machinery, civil works, erection & commissioning, financing cost, interest during construction and evacuation infrastructure up to inter-connection point.
2. Regulation 8.1 of the RE Tariff Regulation specifies the normative Capital Cost for Small Hydro Projects of size ranging from 5 MW to 25 MW is **Rs. 1200 lakh/MW** and the capital cost as specified for the first year of the Control Period shall remain valid for the entire duration of the Control Period unless reviewed earlier by the Commission

#### **I. DEBT - EQUITY RATIO**

1. Regulation 6.2 of the RE Tariff Regulation provides that the debt-equity ratio of 70:30 shall be considered for determination of generic tariff.
2. Based on the debt-equity ratio of 70:30, the debt and equity components of the normative capital cost for determination of tariff for Small Hydro Projects (5MW to 25MW) have been worked out as under:

<b>Debt (Rs. Lakh)</b>	<b>Equity (Rs. Lakh)</b>
840	360

#### **J. INTEREST AND FINANCE CHARGES ON LOAN CAPITAL**

1. Sub-Clause 6.2.4 of Regulation 6.2 of the RE Tariff Regulation provides that the loan tenure of 15 years is to be considered for the purpose of determination of tariff for Small Hydro Projects. Sub-Clause 6.2.5 of the said Regulation provides for computation of interest on loan as under:

**“6.2.5. Interest on Loan**

- a. *The loans arrived at in the manner indicated above in Regulation 6.2 shall be considered as gross normative loan for calculation of interest on loan. For project specific tariff, the normative loan outstanding as on April 1<sup>st</sup> of every year shall be worked out by deducting the cumulative repayment up to March 31<sup>st</sup> of previous year from the gross normative loan.*
- b. *For the purpose of computation of tariff, the normative interest rate of two hundred (200) basis points above the average State Bank of India Marginal Cost of Funds based Lending Rate (MCLR) (one-year tenure) prevalent during the last available six months shall be considered.*
- c. *Notwithstanding any moratorium period availed by the project developer, the repayment of loan shall be considered from the first year of commercial operation of the project and shall be equal to the annual depreciation allowed.”*

2. The normative interest rate of two hundred (200) basis points above average State Bank of India Marginal Cost of Funds based Lending Rate (MCLR) (one-year tenure) prevalent during the first six months i.e. 15.11.2025 to 15.04.2026 has been considered for the determination of tariff as shown in the table below:

<b>Period from</b>	<b>Period to</b>	<b>Base Rate</b>
15.11.2025	15.04.2026	<b>8.71%</b>
<b>Average for last available 6 months*</b>		<b>8.71%</b>

**\*Source: State Bank of India**

3. In terms of the above, the interest on loan has been considered for determination of tariff in respect of Small Hydro Project treating the base value of loan as 70% of the capital cost and average State Bank of India Marginal Cost of Funds based Lending Rate (MCLR) (one-year tenure) prevalent during the first six months i.e. 8.71% plus two hundred (200) basis points resulting to interest rate of 10.71%

#### **K. DEPRECIATION**

Depreciation for the purpose of determination of tariff has been computed in accordance with Regulation 6.3 of the RE Tariff Regulation. Relevant para is as under:

*“For the purpose of tariff determination, depreciation shall be computed in the following manner,*

*a. The value base for the purpose of depreciation shall be the Capital Cost of the project admitted by the Commission;*

*b. The salvage value of the project shall be considered as 10% and depreciation shall be allowed up to maximum of 90% of the Capital Cost of the project*

*Provided that no depreciation shall be allowed to the extent of grant or capital subsidy received for the project.*

*c. Depreciation rate of 4.67% per annum shall be considered for the first 15 years and the remaining depreciation shall be evenly spread during the remaining Useful Life of the project;*

*d. Depreciation shall be chargeable from the first year of commercial operation. Provided that for determination of project specific tariff, in case of commercial operation of the project for part of the year, depreciation shall be charged on pro rata basis.”*

#### **L. RETURN ON EQUITY (ROE)**

- i. Sub Clause 6.4.1. of the RE Tariff Regulation provides that the value base for the equity shall be 30% of the capital cost for generic tariff determination.
- ii. Sub Regulation 6.4.2 of the RE Tariff Regulation is reproduced below:
- 6.4.2. The normative Return on Equity for renewable energy projects other than small hydro projects shall be 14% and for small hydro projects shall be 15%. The normative Return on Equity shall be grossed up by the latest available notified Minimum Alternate Tax (MAT) rate for the first 20 years of the Tariff Period and by the latest*

*available notified Corporate Tax rate for the remaining Tariff Period.*

- iii. In line with the above Regulation, the normative return on equity for Small Hydro Project has been computed. Furthermore, for computation of Return on Equity, the MAT Rate of 17.47% and the Corporate Tax rate of 34.94% have been considered.
  - a. For Small Hydro Project normative Return on Equity shall be 15%;
  - b. For first 20 years of the Tariff Period normative Return on Equity has been grossed up by the latest available notified Minimum Alternate Tax (MAT) rate of 17.47% (MAT Rate + Surcharge + Cess) resulting to ROE of 18.18%;
  - c. For the remaining Tariff period normative Return on Equity has been grossed up by the latest available notified Corporate Tax Rate of 34.94 % (ITR + Surcharge + Cess) resulting to ROE of 23.06%;

#### **M. Interest on Working Capital (IoWC)**

1. Sub-Clause 6.5.1. of the RE Tariff Regulation provides for the computation of IoWC. Relevant Regulation is reproduced below:
 

*6.5.1. The Working Capital requirement in respect of wind energy projects, **small hydro power projects**, solar PV power projects, floating solar projects, Solar thermal power projects, municipal solid waste-based power projects and refuse derived fuel-based power projects and renewable energy with storage projects shall be computed as under:*

  - a. Operation & Maintenance expenses for one month;*
  - b. Receivables equivalent to 45 days of tariff for sale of electricity calculated on the normative Capacity Utilisation Factor (CUF) or Plant Load Factor as the case may be and;*
  - c. Maintenance spare @ 15% of operation and maintenance expenses;*
2. Receivables equivalent to 45 days of the normative total fixed cost have been considered.
3. In terms of Sub-Clause 6.5.4 of Regulation 6.5 of the RE Tariff Regulation, Interest on Working Capital shall be at an interest rate equivalent to the normative interest rate of three hundred and twenty-five (325) basis points above the average State Bank of India Marginal Cost of Funds based Lending Rate (MCLR) (one-year tenure) prevalent during the last available six months i.e. 15.11.2025 to 15.04.2026 has been considered for the determination of tariff as shown in the table below:

<b>Period from</b>	<b>Period to</b>	<b>Base Rate</b>
15.11.2025	15.04.2026	<b>8.71%</b>
<b>Average for last available 6 months*</b>		<b>8.71%</b>

**\*Source: State Bank of India**

4. In terms of the above the interest on working capital has been carried for determination of tariff in respect of Small Hydro Project by taking average State Bank of India Marginal Cost of Funds based Lending Rate (MCLR) (one-year

tenure) prevalent during the last available six months i.e. 8.71% plus three hundred and twenty-five (325) basis points resulting to interest rate of 11.96%.

**N. CALCULATION OF CAPACITY UTILIZATION FACTOR (CUF) AND PLANT LOAD FACTOR:**

Regulation 6.6 of the RE Tariff Regulation specifies that the number of hours in a year for calculation of CUF shall be considered as 8766. CUF in respect of Small Hydro Project as per Regulation 8.2 of the RE Tariff Regulation is 45% and the normative CUF shall be net of free power to the home state, if any.

**O. OPERATION AND MAINTENANCE (O&M) EXPENSES**

- i. Regulation 6.7 of the RE Tariff Regulation, provides the norms for O&M expenses. Relevant regulation is reproduced below:

*6.7.1. Operation and Maintenance expenses shall be determined for the Tariff Period of the project based on normative O&M expenses specified in these regulations for the first year of the Control Period.*

*6.7.2. Normative O&M expenses allowed during the first year of the Control Period i.e. financial year 2025-26, under these regulations shall be escalated at the rate of 5.25% per annum for the Tariff Period.*

- ii. Sub-Clause 8.4.1. of Regulation 8.4 of the RE Tariff Regulation provides the normative O&M expenses for Small Hydro Projects (5 MW to 25 MW) for the first year of the Control Period i.e., FY 2025-26 is Rs. 38.87 lakh/MW. Since, the Tariff is being determined for the Second Year of the Control Period i.e. for FY 2026-27, the O&M expenses of FY 2025-26, has been escalated by 5.25% as per Sub-Clause 6.7.2 for the purpose of determination of RE Tariff for Small Hydro Project.

**P. AUXILIARY CONSUMPTION**

Regulation 8.3 of the RE Tariff Regulation stipulates the normative auxiliary consumption for determination of Tariff for Small Hydro Project i.e. 1%.

- Q.** In the light of the discussion made in the preceding paragraphs, the generic tariffs for Small Hydro Projects (5MW to 25MW) for the second year of the control period i.e., financial year 2026-27 have been arrived as under:

<b>RE Projects</b>	<b>Levelized Tariff corresponding to Useful Life (Tariff Period) (Rs./kWh)</b>
<b>Small Hydro Projects</b>	<b>6.02</b>

- R.** The detail computations for the Levelized Generic Tariff for Small Hydro Projects of 5MW to 25 MW have been enclosed with this Order as per **ANNEXURE-II**

## ANNEXURE-II

As per the Template provided in Form 1.1 of the RE Tariff Regulations

Small Hydro based Project Parameters Assumptions							
S. No.	Assumption Head	Sub-Head (1)	Sub-Head (2)	Unit	Parameter		
1	Power Generation	Capacity	Installed Power Generation Capacity	MW	1.00		
			Auxiliary Consumption	%	1%		
			CUF	%	45%		
			Useful Life	Years	40		
2	Project Cost	Capital Cost/MW	Normative Capital Cost	Rs. Lakh/MW	1,200.00		
			Capital Cost	Rs Lakh	1,200.00		
			Capital subsidy (if any)	Rs Lakh	0		
			Net capital cost	Rs Lakh	1,200.00		
3	Financial Assumptions	Debt: Equity	Tariff Period	Years	40.00		
			Debt	%	70%		
			Equity	%	30%		
			Total Debt Amount	Rs Lakh	840		
			Total Equity Amount	Rs Lakh	360		
		Debt Component	Loan Amount	Rs Lakh	840		
			Moratorium Period	Years	0		
			Repayment Period (incl. Moratorium)	Years	15		
			Interest Rate	%	10.71%		
		Equity Component	Equity Amount	Rs Lakh	360		
			Rate of Return	%	15%		
			Return on Equity (up to 20 Years)	%	18.18%		
			Return on Equity (after 20 Years)	%	23.06%		
			Discount Rate (equ. To WACC)	%	9.38%		
			<b>Fiscal Assumptions</b>				
			Corporate Tax Rate	%	34.94%		
MAT Rate	%	17.47%					
Depreciation	Depreciation Rate for First 15 years	%	4.67%				
	Depreciation Rate 16th year onwards	%	0.80%				
4	Working Capital		O&M Expenses	Months	1		
			Maintenance Spares (% of O&M expenses)		15%		
			Receivables	Days	45		
			Interest on Working Capital	%	11.96%		
5	Operation and Maintenance		O&M Expenses	Rs Lakh	40.91		
			O&M Expenses Escalation	%	5.25%		
6			Total No. of Hours	Hrs	8,766.00		

