

Budget Talk

"Solar Industry Needs Incentive Based Initiatives"

In an interaction with Pradeep Pandey, CLP Power India's MD Rajiv Mishra provides an in-depth insight about the various facets of the Union Budget 2013-14.



How shall the extension of the tax holiday provision under 80A-I help power generation companies?

The extension of tax holidays is a welcome move for the power sector, since it will encourage more players to invest in energy and will also lead to capacity additions. For a country that is largely energy deficient and unable to meet the demand-supply gap, this

move will provide a much needed boost to the sector and will help achieve the Planning Commission's target of achieving 30 GW by 2017. However, the industry was expecting it for more than a year as many projects in the country are delayed for more than one and a half year.

After the reintroduction of generation based incentives for wind energy, do you see a revival in investor's interest?

Although many global investors have recognised the rich renewable resources available in India and the overall market potential, the industry needs regulatory incentives to fuel investments in this sector. With the 'accelerated depreciation' benefit being abolished, reintroducing the GBI assumes even greater importance than it has in the past. I am confident that, once operationalised, the generation based incentive will encourage investments and will promote other environment-friendly energy projects in the country as well.

Solar energy sector remained untouched in the budget, what kind of initiatives you think were required?

At present, renewable energy accounts for about 12.20 per cent of India's installed generation capacity of 2,11,766.22

MW. Much of this capacity is wind-based, with the share of solar power being only 980 MW as of December 2012. It is very important that the solar sector gets an impetus; else its growth will continue to remain marginal. Having invested in one of the world's largest solar photovoltaic plants in Thailand, we, at CLP, are also keen on making a meaningful contributing to the growth of this sector. However, for that and other investments to come in, the industry would need a few incentive based initiatives.

An initiative that could help the sector is creation of a separate low cost fund for solar power projects to reduce their tariffs and a step towards eliminating subsidy over time. This fund can allow developers to choose their suppliers and thus provide a competitive platform for Indian solar manufacturers to compete with global counterparts. A long term tax holiday should also be extended to the Solar energy projects that would promote the growth and development of the sector.

According to you, will discom's financial restructuring will help the industry in long-term?

I believe that the debt restructuring scheme announced in September last year will help reform

the financial health of the discoms. The approved debt restructuring package for the State Electricity Boards of around Rs 2 lakh Crore will facilitate a turnaround for the discoms and will fund the operational performance.

For the industry to function efficiently, it is also vital that the State Regulatory Commissions revise power tariffs on a regular basis. We also believe that there needs to be a collaborative effort from each state, along with government's support that will reduce the financial stress of power distribution companies.

Two states Punjab and MP are not ready to follow the trend of discom financial restructuring, in your opinion why they are not?

As I said, the government has taken a positive step in introducing reforms like the financial restructuring package (FRP) to improve the health of electricity distribution companies. However, the lack of acceptance from some states is primarily due to expectation of a separate or tailored reform for some of them, which seems very unlikely to come through. The respective state governments and electricity distribution companies need to work together and resolve specific issues or reservations involved.