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COST FACTOR

CLP India raises concerns over sustainability of solar power bids

India MD Rajiv Ranjan Mishra says Indian private sector gets 'carried away' in case of placing competitive bids

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NEW DELHI

CLP India, one of the largest foreign investors in the Indian power sector, has raised concerns about the sustainability of electricity tariffs being quoted by solar power developers.

This comes in the backdrop of India's plan to minimize its dependence on coal-fuelled electricity, with the National Democratic Alliance (NDA) government pushing renewable energy to the top of its energy security agenda. The government is looking to provide green power at less than ₹4.50 per unit.

Mint reported on 16 September that solar power tariffs in India are set to hit a new low with ₹5 per kWh tariff becoming the new norm.

In an interview to *Mint*, Rajiv Ranjan Mishra, CLP India's managing director and part of CLP Group's executive committee, said the Indian private sector gets "carried away" in case of placing competitive bids.

"This has been our concern (sustainable solar tariffs)... As an individual, or let's just say as a commentator of the industry here, I have often felt for the last 10 years that I have been in this role that competitive bidding; we in the Indian private sector get too carried away sometimes. So, I think that's a generic point," Mishra said.

This comes in the backdrop of power project developers who had bid aggressively to secure coal mines in the auctions conducted by the government this year being reluctant to mine them.

"Now, coming back to solar. Honestly, we have been surprised by some of the recent bids. Okay, so what we are trying to establish as a group... so, we have got together on this from our China team, Hong Kong team, India team, we are trying to figure out what exactly is the latest cost at which one can bid, make a fair return and yet win one of the bids. We are still in that process. The outcome will be that either we will come to the conclusion that this is the level at which we can bid and hopefully we can win at that, or we come to the conclusion we just cannot compete, we don't understand these bids," Mishra added.

India is fit for solar power generation given that the country receives solar radiation of 5 to 7 (kWh) per sq. m for 300-330 days a year. India launched the Jawaharlal Nehru National Solar Mission in 2010 with the aim of adding 20,000MW of grid-connected solar power to the country's energy mix by 2022 in three phases. While India has a solar generation capacity of 2,900MW, the Bharatiya Janata Party-led government has substantially revised an earlier target of achieving 20,000MW capacity by 2022 to 100,000MW, unveiling the world's most ambitious solar power generation programme.

In response to a specific query about whether ₹5 per unit solar tariff was unsustainable, Mishra said, "I think the question is ₹5 per unit at what exchange rate, what is the irradiance at the location. So, what are the solar park charges? There are all kinds of factors associated with it. All I have to say that the latest tariffs have come as a bit of a jolt, surprise."

"There is a fear that irrational exuberance could be driving some of these bids but the good thing we find in solar is that the potential size of the opportunities is so large that unsustainable bids can't go on forever," Mishra added.

India has a $250 billion investment opportunity in the renewable energy space, said Piyush Goyal, minister of power, coal and renewable energy, at *Mint*'s energy conclave in New Delhi on 28 August.

The government's plan to reduce solar power tariffs comes in the backdrop of state electricity boards (SEBs) increasingly showing reluctance to buy power on account of poor financial health. SEBs, which control the discoms in their respective states, owe nearly ₹4 trillion in debt to the banking system.

"The fundamental problem that remains in the sector is the fact that distribution companies are not making money," Mishra said.

CLP Holdings, founded in 1901 as China Light and Power Co. Ltd in Hong Kong, was among the two significant overseas entrants in India's power generation sector along with US-based AES Corp. While AES decided to wind up most of its operations here retaining a stake it owns in Orissa Power Generation Corp. Ltd, CLP's consideration for impairment was due to low plant load factor (PLF) at the ₹6,000 crore Jhajjar project. This was due to risks arising from erratic fuel supplies to its 1,320MW Jhajjar project in Haryana.

Impairment is an accounting practice in which a company decides to write down the value of an asset. PLF is a measure of the actual power generated by a plant.

"We had a very difficult time two-three years back," Mishra said, adding, "As evidenced by our investments in Haryana, there has been secular improvements in the prospects of our coal fired power plant. The fundamental improvement has been in the sheer fuel availability."

In India, which is the biggest greenhouse gas emitter after the US and China, renewable energy currently accounts for only 13%, or 35,777 MW of India's total installed power capacity of 2,76,089 MW. India has said it aims to reduce the emissions intensity of its GDP by 33-35% by 2030 from 2005 levels, and achieve 40% of its cumulative electric power of around 350 GW installed capacity from non-fossil fuel-based energy resources, mainly renewable power, as part of its intended nationally determined contributions.

REUTERS

Financial constraints: *The government's plan to reduce solar power tariffs comes in the backdrop of state electricity boards increasingly showing reluctance to buy power on account of poor financial health.*