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## 'MANDATE LOCAL SOURCING FOR HOME ROOFTOP SOLAR SYSTEM'

AUGUST 26, 2017

THE HINDU

## 'Mandate local sourcing for home rooftop solar system'

'Guarantee obligations can't be fixed if parts require import'

TCA SHARAD RAGHAVAN  
NEW DELHI

To boost use of rooftop solar systems in residences, the government should mandate domestically-sourced components which could inspire confidence among potential customers, according to Tata Power Solar CEO and executive director Ashish Khanna.

The bigger issues facing solar power projects in India are getting lost in the overt focus on lower tariffs, Mr. Khanna told *The Hindu*, stressing that it was equally important to assess the quality of projects and whether they were meeting cost and longevity assumptions.

"If NTPC, for example, is developing a project, then there will be more than 200 quality engineers working on it," Mr. Khanna said in an interview. "If somebody puts his money on rooftop solar, and with most of the components coming from outside India, the guarantee obligations are very difficult to enforce. So the confidence will not be generated on the quality."

"If the rooftop segment was reserved for domestic manufacturing, then the customer has a company within the country to address any issues that arise, there is legislation, so that company cannot just up and vanish," Mr. Khanna added. "There is a quality that can be mandated for products in India and in the same process, you have a sector that is aligning their growth to the growth of rooftop solar. It is a win-win situation."

Another reason for the poor adoption of rooftop solar in India – where the installed capacity is so far only 1,247 MW out of a target of 40 GW by 2022 – is that the tariffs in place do not make business sense for residential rooftop solar systems.

"In rooftops, there are commercial rooftops and residential," Mr. Khanna explained.



**Low voltage:** Roof size, right of use and costs are all issues in the residential sector, says Tata Power Solar's Khanna.

"The commercial solar rooftop segment is growing. The level that is coming from the commercial rooftops is lower than the grid cost of power, so there is a business model. In the residential part, that business model is not coming. The size of the roof, the roof rights, the cost are all issues. In India, because the residential tariffs for power are lower than those for commercial establishments, there is no business incentive for installing residential rooftop solar system."

The third important issue to be addressed is how to encourage rooftop solar while also helping the power distribution companies, he said. "If something (rooftop solar) is taking away the best clients of the discoms, why should they promote those after a certain point," Mr. Khanna wondered.

**Big clientele**

"If big companies or affluent residential customers, which are the biggest clients of discoms, begin to install rooftop solar, then we have to give the discoms something. If there is no win-win solution, then there will be a problem. The discoms are not in a position to give up those revenues."

While the uncertainty over the Goods and Services Tax had dented the bids received for solar projects this year, Mr. Khanna said older large solar utility projects bid out at tariffs of ₹4.63 and

₹4.34 had seen their assumptions working out so far. However, it was too early to tell whether the same would happen with more recent projects bid at lower tariffs such as ₹3.15 and ₹2.44. "Please don't miss the point that the bids were made on the basis of certain assumptions, and assumptions being assumptions, can go either way," he said.

**Cost absorption**

"Nobody has the margins to absorb costs if they are too much higher than the assumptions made while bidding," Mr. Khanna said.

"It is impossible for a company to absorb an input tax rate of 18% when they have assumed 5% at the time of bidding. Nobody was sure of the GST rate until the government notified them, and it's not like they gave a one-year period where they said that this is what the rate will be in one year's time, so please do your costing accordingly," he pointed out.

"If we go by the number of MW up for bid in January-July 2017, there are fewer bids this year than the same period of last year," he added.


"Most of the projects are being deferred as far as the bidding timelines are concerned. People are awaiting clarity on the GST effect." He also said that apart from the tariffs, the developers and the government alike must focus on the larger issues of the sector.

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