

SOLAR POWER INDUSTRY YET TO FEEL THE HEAT OF LOW TARIFFS

SEPTEMBER 11, 2016

THE HINDU BUSINESS LINE

Solar power industry yet to feel the heat of low tariffs

DEBABRATA DAS

COMMENTS · PRINT · T+

Like 7

Share

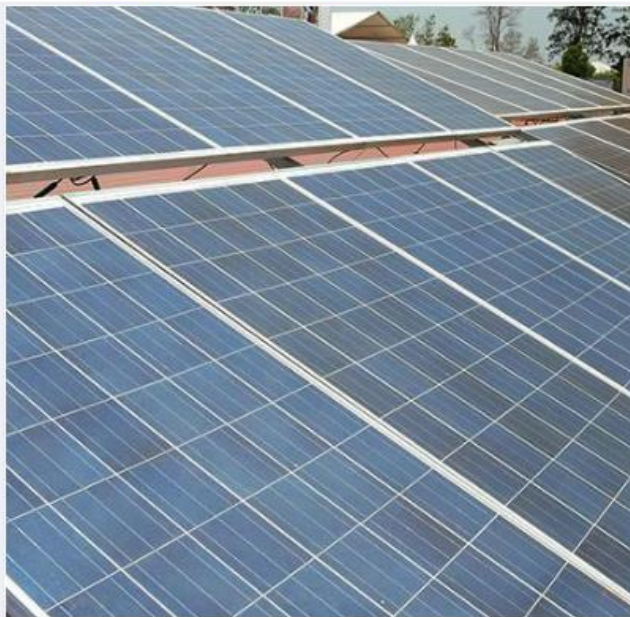
Tweet

G+1 3

in Share 40

Pin it

Share 2



NEW DELHI, SEPTEMBER 11: So far, so good, is how the solar power industry is reacting to the low electricity tariff being offered by project developers.

Over the last year and half several multi-national and domestic solar power plant developers have won projects through competitive bidding and offering electricity tariffs much lower than ₹5 a unit. The low tariff has not yet adversely impacted the engineering, procurement and construction (EPC) firms or solar panel makers, indicating that the industry remains comfortable with tariffs around ₹5 a unit.

“So far, we have been insulated from the tariff the developer will get. We have a standalone transaction with them and based on what they are asking us to do. We have been successful in getting projects because primarily multi-national clients like Fortum value the safety and quality parameters,” Ashish Khanna, Executive Director and Chief Executive Officer of Tata Power Solar, told *BusinessLine*. The company focusses on solar EPC for plant developers.

The company has an order book of around 1,000 MW, according to information from the industry.

But, for how long can they sustain this price?

While Tata Power Solar works primarily with multi-national firms and financially strong firms such as NTPC Ltd, Khanna admitted that across the industry there are some developers who pass on the cost pressures of low tariffs down the value chain.

“I agree that if there is a cost pressure on the developer, it does get passed down the value chain. Some developers are doing that. But we tend to work with developers with whom we can have a long-term relationship and who believe in our value proposition as well,” he added. Officials at several solar plant developers, on condition of anonymity, remained cautiously optimistic about the projects taking off.

Sustaining tariff

“For a lot of the recent projects that were won at extremely low tariffs, the rubber is yet to hit the ground. In other words, EPC contracts are just about being given out, the projects will start to get developed now, the equipment will start to get bought. So this is the year when will know which developer can sustain tariffs at what levels,” said one such solar plant developer based in India.

Consulting firm Bridge To India said in a recent report that with several developers seeing an increase in their commissioned and pipeline capacity at low tariffs, raising capital at a cheap rate has become the number one priority for them.

“Access to capital, including scale and cost of capital, is the most important strength and differentiating factor for project developers,” the consulting firm said in its report.

“...there has been mounting concern about availability of capital for the sector. Falling bid tariffs further served to make things more difficult for Indian developers. India does not have the kind of domestic patient capital — typically utilities and pension funds/ insurance companies looking for long-term predictable cash flows — needed for buyout of such assets.

“The sale of equity stakes by Azure Power and Acme Solar in such an environment is very reassuring for the entire sector,” Bridge to India’s report added.

(This article was published on September 11, 2016)