

THE CURIOUS CASE OF TAMIL NADU SOLAR

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"No time extension will be given. We are confident that all the projects will be commissioned by November 2013" - This was the response of one of the officials at a pre-bid meeting in December 2012 when several prospective bidders pleaded for time extension in order to take part in the Tamil Nadu Solar bidding (more [here](#) and [here](#)). **Not a single day extension** was given, but the officials would not have foreseen that a nightmare was in store for them and for the industry. The industry



was collectively starting to embark on a "Tamil Nadu solar" marathon, not knowing that they were running on a treadmill, without moving an inch forward even after putting in considerable efforts since that pre-bid meeting in December 2012.

The Tamil Nadu Solar Policy's Solar Purchase Obligation (SPO), the first of its kind in India, was opposed by several HT consumers mainly because of the increase in their electricity bills resulting from the SPO. The opponents of the Tamil Nadu Solar policy fought tooth and nail, and ensured that the policy could not be implemented. They challenged the policy in regulatory forums, and were able to get the policy set aside by the Appellate Tribunal for Electricity (APTEL). "The Hindu Businessline" has reported that the Tamil Nadu government has challenged the decision in the Supreme Court (read [here](#)). In a strange coincidence, the hearing on the petition is scheduled for October 17, 2014, exactly 2 years since the **Tamil Nadu Solar policy** was released.

How did we reach such a sorry state of affairs where every other major state has been able to complete bidding process and sign the Power Purchase Agreements (PPA), while Tamil Nadu hasn't been able to do it? In hindsight, it is clear that while the policy was very ambitious and visionary, somewhere down the line, the policymakers overlooked some of the potential legal and regulatory landmines. Moreover, despite warnings from several stakeholders that the TN policy is being implemented in haste (more [here](#)), the bidding process was carried out as per the timeline on 4th December, when the technical bids were opened. Not only did the bid fail to get fully subscribed, the first step of opening the bids turned out to be the last and only step in the allocation process that was carried out on time. It is now obvious that if the timelines were not so rigid, and if more stakeholder consultations held, things might have turned out quite differently.

The way the policy has been implemented so far has led to problems at multiple levels. At one level, not relaxing the bidding timelines prevented many major developers from taking part in the bidding. Foreign and Indian developers like Posco(Korea) and Tata Power Solar which had shown interest in the policy chose not to participate in the bidding(more [here](#)). Other major developers like Azure Power, Kiran Energy, GMR, etc also did not participate. In the end, the response to the bidding was a disappointment since bids for only 499 MW were received as against the available capacity of 1000 MW(more [here](#)).

At another level, the companies that participated in the bid and were issued the Letter of Intent(LOI) ended up investing huge resources towards land procurement, recruitment of skilled professionals, getting load flow studies done, negotiating with EPCs and vendors, finalizing purchase orders with equipment vendors(mostly modules and inverters) after visiting their production facilities abroad, and on liaising with government agencies. The EPCs and vendors also invested considerable time in writing proposals, finalizing a deal after endless negotiations to the last paisa, only to realise that a competitor had taken away the order by undercutting the price. All these efforts have resulted in nothing.

So what will be the fate of the state policy? I personally would not dare to predict the future, but there are two pointers that don't really look very good. First, the hearing on Tangedco's petition will take place only in October 2014, and looking at the precedents, it won't be surprising if a final judgement is delivered another 6-9 months down the line. (Just as a comparison, the petition against the SPO in Tamil Nadu Solar policy was filed with APTEL in [May 2013](#), and the final judgement was delivered in [January 2014](#)). Even after a judgement is delivered, it will take some time for Tangedco to act upon the judgement.(The Hindu Businessline article highlights that fact that it took about 5 months for Tangedco to file a petition against the APTEL order setting aside the SPO).

The second pointer relates to the financial health of Tangedco. A very insightful article that appeared in "The Hindu" points out how despite the power sector reforms and the related power tariff increases, Tangedco has been continuing to suffer losses(read the [article here](#)). Tangedco officials quoted in the article shared their concerns about escalating power procurement costs, especially if there is a push towards procurement of costlier renewable power, especially solar. It is also to be noted that the tariff offered to the Solar developers in Tamil Nadu(Rs. 6.48/kWh with 5% annual escalation for the first 10 years) is among the highest in the country.

Considering the two pointers above, chances of an early positive outcome on the Tamil Nadu solar policy appears remote. In the meantime, neighboring states like [Karnataka](#) and [Andhra Pradesh](#), and other states like [Uttar Pradesh](#) continue their onward march towards achieving their solar installation targets.