Interview with Ashish Khanna

"We are aiming for aggressive growth"

Tata Power Renewables has established a significant renewable energy footprint over the years, with a multi-GW project portfolio in solar and wind energy, and ambitious growth plans in the segments. A leading player in the industry, the company has a presence in solar manufacturing, project development as well as engineering, procurement and construction (EPC). With a 225 MW hybrid project and a 105 MW floating solar project in the pipeline, the company is also well placed to explore and tap the potential in emerging segments. In a recent interview with *Renewable Watch*, Ashish Khanna, president, Tata Power Renewables, discussed recent developments in the industry, the impact of Covid-19 on the company's portfolio and opportunities in emerging segments. Excerpts…

How has been Tata Power Renewables' growth over the past year? What are some of the key highlights?

As per our structure, we have a subsidiary called Tata Power Solar, which deals with manufacturing, EPC and third-party arrangements. Tata Power Solar has been doing well as an EPC provider with an order book of 2.5 GW. In terms of solar pump installations, we installed thrice as many pumps as our nearest competitor in the past one year. As a developer, Tata Power has 2.65 GW of operational capacity, of which 1.1 GW is based on wind power while solar makes up the remaining 1.55 GW. There is almost 1 GW of capacity in the pipeline. Under manufacturing, we currently have 300 MW of cell and 400 MW of module manufacturing capacity. We are aiming for an aggressive growth in the future and are expecting our capacity to increase by four to five times the current amount over the next five years. In the utility-scale segment, we should be at a capacity of 10-15 GW by 2025.

What are your growth plans in emerging segments such as hybrids, storage and floating solar?

Since we have experience in the solar and wind segments, we are well positioned to venture into wind-solar hybrids. These are very promising since they have a higher combined capacity utilisation factor, utilise common infrastructure optimally and help in grid management. Currently, the common use of the solar and wind components is limited to transmission infrastructure. Achieving common use at the equipment level is a potential area of development, which will also help reduce costs. Tata Power Green Energy Limited recently received a letter of award to develop a 225 MW hybrid renewable power project at the lowest tariff so far. Further, we are well poised for round-the-clock power tenders, which involve bundled energy consisting of renewables and thermal power. Having already installed a floating solar plant on one of Tata Power's reservoirs, Tata Power Solar is currently in the process of building India's largest floating solar project of 105 MW for NTPC Limited in Kayamkulam, Kerala. Overall, Tata Power Renewables is in a good position to venture into projects with emerging technologies.

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What is the growth opportunity in the residential rooftop solar segment?

Currently, the project sizes are small in the rooftop space and economies of scale do not exist in this segment. We must look at the future potential in this area since most rooftops in India receive a good amount of sunlight throughout the year, unlike most countries in the west. The way tariffs are structured in India, residential rooftop solar tariffs are more subsidised than commercial rooftop tariffs. This results in a longer payback period for residential rooftop solar projects. While the government is eager to promote residential rooftop solar by rolling out subsidies, it is not a win-win situation for the distribution companies and rooftop solar solutions providers. We need to have a situation where tariffs are determined in a way that the payback period becomes shorter.

How has Covid-19 impacted the upcoming capacity?

There are two major impacts of the pandemic, an increase in working capital and

difficulty in mobilising the workforce. As far as Tata Power Renewables is concerned, its project pipeline has been impacted. The force majeure conditions have affected project timelines, which are being extended. This will lead to stress on the working capital. Also, the reverse migration of labour has taken place and it will be difficult to mobilise the workforce in the same way as it was done earlier. In the past, we used to ramp up workforce in a short duration of time. The project timelines were also based on the timely arrival of raw materials. Since renewable projects are cost sensitive, timelines were kept short in order to minimise the working capital. Thus, timeline extensions would result in higher overall costs. Further, logistics is currently a challenge in the country. Although project durations have been extended, we did not have any upcoming project commissioning that has been impacted.

With Covid-19 and the likely imposition of customs duties, how do you expect solar project costs to be affected?

We will be in a better position to understand this once the customs duties are announced. With regard to safeguard duties, the ministry has declared a pass-through for all the projects that have been bid out, or are under construction. Although I do not foresee a major change in costs, the working capital losses are bound to happen. There may not be much variation in the cost of solar projects that are being commissioned or have already been bid out. Further, there are many lessons to be learnt from the imposition of safeguard duties. Even though the CERC has mandated a formula, there are still many states that are not increasing the tariff. Such challenges must be taken into account in the case of customs duties as well.

What measures has the company taken to safeguard against future risks?

Apart from project development, Tata Power Renewables is involved in manufacturing as well as third-party EPC of utility-scale and rooftop projects, microgrids, captive projects, etc. In each of these areas, we are working with a different set of schemes. For instance, in manufacturing we are spacing out shifts while for EPC we plan to hire a larger number of people for a longer duration to avoid issues in ramping up. We are now building projects along with infrastructure around the project site so that mobilising the workforce and materials becomes more convenient, while communication with the outside community is minimised for safety. We are also focusing on automation and the use of technology to reduce the dependency on manpower. We are developing infrastructure to provide accommodation for the teams at the sites of our operational plants. We have invested in digitalisation and technology in the past, and are now reaping the benefits. Some of the key investments have been made in e-security, robotic cleaning and off-site management systems. It would have taken a year or so to adopt these as standard operating practices, but the outbreak of Covid-19 has catalysed the process.

What is your outlook for the renewable energy sector in India?

There is immense potential for renewable energy to grow in the country. Renewables should not be made to compete with thermal power, while competition between solar and wind should also not be important. Instead of pegging these power sources against each other, we should aim for a holistic growth. Each segment in itself has enough opportunities to grow, having unique complementary advantages. Tariffs for renewable energy projects should also not be too aggressive, or it may result in a loss for investors. On the policy side, the government should come out with a long-term policy direction. The certainty of power offtake is very important since it increases confidence among developers. There should be enough investments in the research and development of technology, which can support the industry's initiatives to expand renewable energy projects. For the industry to thrive there should be a win-win solution for discoms as well as developers. This entails working with a larger goal in mind. ■