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Rating agencies upgrade wind, solar outlook

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The renewable energy sector in India has got a shot in the arm as rating agencies have upgraded their outlook from negative to stable. The development comes on the back of a favourable environment for wind and solar energy sectors as bids are being driven by central government agencies and developers are warming to power purchase agreements (PPAs) in terms of addressing grid curtailment and termination issues.

India Ratings and Research (Ind-Ra) has maintained a stable outlook on the solar sector and revised the outlook on the wind sector to stable from negative for FY19. The development of guarantee funds by states-/bidders, incentives to local solar panels manufacturers and exploration of wind-solar hybrid projects and offshore wind projects indicate a sustaining growth momentum in renewable power, the agency said.

The industry is also optimistic about opportunities in the near future, although cautious on the inherent challenges which could pull things down if not addressed properly. An industry expert said 2017 was a watershed year for renewable energy in India with significant policy reforms such as competitive bidding in wind, record low wind and solar tariffs and the goods and services roll-out. In addition to this, technological advancement and increased competition are steering new possibilities for clean energy in 2018.

Tulsi Tanti, chairman and managing director, Suzlon Energy, said that in India, investors are bullish and excited to be part of the renewable growth story. Digitalisation of services, innovation in tower and blade technologies aimed towards making unviable wind sites viable, ensuring better yield and increasing turbine utilisation will be the key focus areas. The industry will collaborate further to improve the supply chain, enable grid integration and leverage digital technologies.

"While the wind industry's transition to the bidding regime created short-term challenges in 2017, it has laid the foundation for sustainable and inclusive sector growth. The wind industry is poised to grow to about 8 to 10 Gw (gigawatt) annually, with 5 to 6 Gw annual bidding from the central government level, 3 to 4 Gw capacity auctions from the nine windy states and 1 Gw capacity expected from the PSU and captive markets. This will pave the way to unlock 300 Gw wind energy potential in India and harness the latent potential of non-windy states," he said.

Another rating agency, Icra, has also said that the wind capacity bidding programme announced by the Ministry of New and Renewable Energy (MNRE), is quite significant and provides a visibility to support capacity additions over the next four-year period, provided the same is implemented in a timely manner.

However, the industry has said that there are a few hurdles including uncertainties in solar panel costs, unpredictable behaviour of distribution companies (discoms) and operational troubles from wind turbine manufacturers that need to be addressed by developers.

The rating agency said that avoidance of downtime of solar and wind plants are critical in ensuring the predicted internal rate of returns. Uncertainties in plant load factor is significantly higher in wind projects than solar projects owing to estimation errors during initial wind resource assessment, high dependence on single turbine supplier for operations and maintenance, and high susceptibility to grid curtailment.

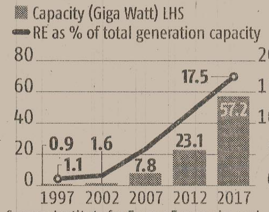
The tariff discovered in the reverse auction under the second MNRE scheme conducted by the Solar Energy Corporation of India in October 2017 declined by 24 per cent to ₹2.64 per unit as against ₹3.46 per unit discovered in the first MNRE scheme. While this significantly improves the tariff competitiveness of wind energy as against the conventional energy sources, the viability of such tariffs remains a challenge. "This would depend on the availability of long-tenure debt at cost competitive rates, capital cost, PLF level and ability of the developer to identity locations with high-generation potential," said Girishkumar Kadam, sector head and vice-president, Icra Ratings.

There are also concerns related to the attempt of the distribution utilities in some states looking at renegotiating or cancelling the signed purchase agreements following the significant decline in wind energy tariffs discovered through the competitive bidding route, although the Centre has advised the states against any such move.

Creating a favourable ecosystem and better ratings may have its importance in the Centre's move towards achieving the targeted 175 Gw clean energy by 2022, said experts.

RENEWABLE SURGE

Growth of renewable energy installed capacity in India (every 5 years)



Source: Institute for Energy Economics and Financial Analysis

Renewable energy all-India capacity as on December 31, 2017 (utilities)

Source	Capacity (Megawatts)
Wind	32,848.5
Solar	17,052.4
Biomass power/cogeneration	8,413.8
Small hydropower	4,418.2
Waste to energy	114.1
Total RES capacity	62,846.9
All India installed capacity (Including thermal, nuclear, hydro and RES)	334,399.8

Source: Central Electricity Authority