

# Slowdown is affecting renewable energy's bright spot: rooftop solar



FPIs turn net sellers in Indian capital markets in December amid weak macro data  
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**T**he slowdown has hit installation of rooftop solar systems. Rooftop solar installations dropped 43.6% in the September quarter from the year-ago period, shows data from Mercom Capital Group, a clean energy communications firm. Installations are down 35.5% in the nine months to September. This follows the general sluggishness in the renewable energy sector. The pace of capacity additions has slowed in both wind and solar installations.

This is a remarkable change. Thanks to falling costs and the growing tariff differential with the power distribution companies (discoms), rooftop solar has been preferred by corporate and commercial customers to reduce electricity costs. The busi-

ness case still exists. But the economic slowdown and restrictive regulations are sapping the capacity addition momentum.

From an average quarterly addition of 400 megawatts (MW) in 2018, rooftop installations have dropped to below 300MW per quarter this year.

Hit by falling sales, corporate and commercial customers are putting

the growth has slowed," said Andrew Hines, co-founder, CleanMax Solar.

Tight credit markets are not helping either. "Banks and financial institutions are not funding at the same levels they were doing last year," said Raj Prabhu, chief executive officer, Mercom Capital. Credit ratings of many commercial and industrial companies slipped, making it difficult

to finance their projects, he added.

Regulatory hurdles are making things worse. State electricity boards and discoms are increasingly becoming wary of losing high-paying customers.

Approvals are often delayed. Several states are even looking to alter their net metering policies, a crucial cog in rooftop solar. "Discoms continue to treat rooftop solar as a threat. Delays in subsidy disbursement, capping rooftop solar installation capacity, and lack of clarity in installation approvals have dealt a serious blow to the industry,"

## A HOLE IN THE ROOF

**THE** economic slowdown and restrictive regulations are impacting rooftop solar installations

**TIGHT** credit markets and a slip in credit ratings of some companies are making things worse

**THE** lack of an overarching law defining the rights of the customer is also an impediment

investments on the backburner. Customers are even going slow on the opex business model, where capital expenditure is incurred by the solar firm and the customer pays for the energy usage. "Large corporate customers are the primary focus for us under the opex model. I don't see the market shrinking in this segment, but

## Losing speed

Rooftop solar additions have slowed considerably this year, reflecting the economic slowdown and regulatory headwinds.



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says Neha Agrawal, head, corporate strategy, Vikram Solar.

Under net metering, customers inject electricity into the grid when they have excess generation, and draw power when generation in the rooftop system dips.

Lack of an overarching law defining the rights of the customers is seen as an impediment as well. As things stand, regulations vary across states.

Frequent changes are hurting business sentiments and project pipeline. "Right now, rooftop solar operates in a somewhat ambiguous regulatory environment, which makes it easier for discoms to put obstacles. For the commercial and industrial segment, rooftop solar doesn't need subsidies or incentives, but does need more protection from regulatory interference," said Hines of CleanMax Solar.