

Don't bid aggressively, wind turbine makers tell developers

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New Delhi, Feb 23: As the first tariff-based reverse auction for wind power got underway on Thursday, the Indian Wind Turbine Manufacturers Association (IWTMA) has cautioned industry stakeholders, including developers, to be "prudent" in bidding and learn from aggressive solar auction that saw tariffs falling to historic low levels earlier this month. However, certain industry insiders said the move is akin to a call for collusive bidding.

In a letter to all stakeholders, DV Giri, secretary-general of IWTMA, argued that if tariff fall lower than feed-in tariffs (FIT) determined by state electricity regulators, it could bring down the volume of wind capacity addition from the projected level (of around 4,000 MW) in FY18. He further said that low tariffs often come in the way of completion of projects. Lower wind energy tariffs discovered in the auction might also lower the existing tariffs in states such as Gujarat, Karnataka and Tamil Nadu, IWTMA said. The prevailing tariffs in these states are ₹4.19, ₹4.50 and ₹4.16 per unit, respectively.

"Even for manufacturers, the wind power auction opens up another market apart from those operated under



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FIT. Developers would bid based on various parameters including plant site and return on investment," an official of a top turbine manufacturer said on the condition of anonymity. He added that newer turbines, with higher plant load factor, would ensure developers have more room to be aggressive while brushing aside the letter as a mere advisory rather than an attempt at collusion.

Giri also said that as the domestic wind industry has the capacity to add 10 GW every year, the scope of 1 GW put up for auction is too low. The industry would be satisfied if the amount is raised to 5 GW per year, as more volume warrants cost effectiveness, thus supporting lower tariff.

Giri said that since it was not yet clear under which tax slab wind energy equipment would be after the intro-

duction of the GST regime, the sector might plunge into a crisis if tariffs get too low and unremunerative. GST is likely to be 5% or 12% on wind power equipment. Under unfavourable GST calculations, project costs can increase by ₹15-25 lakh per MW. IWTMA's communique has been sent to the wind turbine manufacturers such as Suzlon, GE, Mytrah, Inox, Gamesa and developers such as Renew, Hero Future Energy, Welspun, Continuum energy and Tata Power.

According to industry sources, the companies participating in the auction include Adani Green Energy, Hero Future Energies, ReNew Power Ventures, Inox Wind, Mytrah Energy India and Gamesa Renewable. They are bidding for projects across Gujarat, Karnataka and Tamil Nadu.

One of the interesting features of the first inter-state reverse auction is that it allowed existing wind power units with no buyers to bid for a 1 GW of generation units along with new potential investors. The auction is conducted by the government-owned Solar Energy Corporation of India (SECI). Successful bidders will sign 25-year power purchase agreements (PPAs) with power trading company PTC India, which will sign back-to-back PPAs with distribution companies.