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Stormy outlook Competitive bidding has been hanging over the industry like a dark cloud for some time SHUTTERSTOCK

WIND ENERGY

Signs of turbulence ahead

Will the inclusion of competitive bidding in the government's draft guidelines for the sector change the industry's climate, asks **M Ramesh**

the State's regulatory commission saw red in the fixing of the tariff. Everywhere else, solar prices have been determined by a bidding process, with those who quote low tariffs bagging mandates to put up projects and sell power.

No to competitive bidding In sharp contrast, wind energy prices have always been fixed by respective state regulators. Wind power players have assiduously resisted any move to bring in competitive bidding, employing all means at their disposal. For instance, a few years back Rajasthan wanted to come up with 'competitive bidding', but the State government backtracked.

Now, to the dismay of the wind industry, the inevitable has happened. Last week, the Ministry of New and Renewable Energy signalled its intention to usher in competition in wind industry by bringing out draft guidelines for the implementation of a scheme. Under the scheme, the government would call for bids for 1,000 MW of wind projects, a la solar — may the least bidder win.

In so many seminars the question of competitive bidding has come up so often. The questions would come from the audience, and the replies, given by industry honchos on the dais, would be singularly unoriginal: the

industry is in bad shape facing different problems in different states, competitive bidding would kill the industry. Competitive bidding, they would say, would give room to some maverick bidder to quote low, unviable tariffs to bag projects, and the 'bad name' to the industry that would inevitably follow, would finish off the fragile industry.

Specious arguments?

Experts, such as M R Sreenivasa Murthy, former Chairman of the Karnataka State Electricity Regulatory Commission, have pointed to the obvious speciousness of such arguments. Even if there is a maverick bidder who quotes suicidal tariffs, it can be only a part of the capacity offered, say 200 MW out of 1,000 MW — the quotes for rest of the capacity will be surely sensible?

When solar company SunEdison filed for bankruptcy protection, the wind players lost no time in using it as a nourishment for their argument. SunEdison had won 500 MW of solar projects quoting a record low ₹4.63 in November last year. Its bankruptcy is being touted as an inevitable consequence of the tariff by wind power companies, even though SunEdison's bankruptcy had little to do with the ₹4.63 tariff. In any case, the SunEdison ripple has not affected the solar industry one bit.

Nor is it correct to say that the wind industry is passing

through a rough patch and forcing it into the throes of competition would kill it. The wind industry is doing well (despite some headwinds). Listed companies Suzlon and Inox Wind have reported healthy EBITDA margins of 15.7 per cent each, which compares well with other capital goods companies such as BHEL (11 per cent) and ABB (8.5 per cent). One is therefore led to the inference that the industry is resisting competitive bidding to protect its cushy margins.

And now, the MNRE has taken the first step towards bringing in competition in wind, just as in solar. Government-owned Solar Energy Corporation of India (soon to be renamed Renewable Energy Corporation of India) is to come out with auctions — the winners will sell their power to a company that has a trading licence, which in turn will sell it to the various electricity distribution companies.

Game changer ?

Time will tell whether this singular move is a game changer or a lemon, but some experts point out that the scheme is fraught with problems.

The perspective goes like this. Unlike solar, which can be put up wherever there is sunshine, wind projects require careful wind resources assessments.

Data has to be gathered for at least three years for the power producer to arrive at a good guesstimate of electricity generation. Absence of data is a risk, and if the risk is factored into the quotations, the tariffs

will be so high as will be senseless for discoms to buy. Rather than hammer down tariffs, the opposite will happen. The whole scheme will fail. However, it could succeed if the government were to procure huge swathes of land, do resource assessments for a number of years and then ask companies to bid for projects on that land.

Secondly, state governments levy charges for using their transmission infrastructure if the power is sold outside their states. This, according to D V Giri, Secretary General, Indian Wind Turbine Manufacturers' Association, could work out to 40-100 paise a kWhr.

Not enough groundwork

The issue of competitive bidding has been hanging over the industry like a dark cloud for some time, but still wind industry insiders say that the government has rushed towards the scheme without doing preparatory work.

Even those who are in favour of competitive bidding, feel that if the scheme fails for want of proper groundwork, the industry will have the last laugh.

However, if the industry doesn't bring costs down, it faces the risk of pricing itself out of the market. There is now talk that the hydro power sector could be shifted from Ministry of Power and brought under the control of MNRE. State governments will have the option of buying hydro power to meet their obligations to buy green power. Wind could further be marginalised.

Time will tell whether the Centre's latest move is a game changer or a lemon.