Power tender Concerns

What is the issue?

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Solar Photovoltaic (PV) projects have witnessed rapidly declining prices in India over the past two years.

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What are the issues with of solar power tenders?

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- PPAs signed in the recently concluded solar park tenders that have mutual negotiation clauses and are under scrutiny.
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- There is a price difference of almost 23% in a agreement between Kadapa and Bhadla solar plants in Andrapradesh and Rajasthan respectively.
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- There is an aggressive trend of bidding to get the tenders at throw away prices.
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- These sensitive PPAs (Power Purchase Agreements) and solar projects need to be addressed on a case-by-case basis.
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What is the reason for this fall?

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- The winning companies have credited the low rates to the sharp fall in global PV module price.
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- Low cost of finance from foreign investments and low risk hedging because of the offtake guarantees provided by NTPC.
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- Discoms who buy power from National Thermal Power Corporation or

from solar developers directly are trying to renegotiate their commitments.
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- Discoms demands developers with existing power purchase agreements (PPAs) of solar projects to reduce the PPA rate based on auctions.
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What are the impacts of this fall?

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- The cost reductions led to the capital costs falling to Rs 11-13 crores/Mw.
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- The sustainability of solar sector is questionable.
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- Investors are suspicious about Indian solar sector in the near future and hinder the growth by drying up access to finance.
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- Developers with these PPAs face the risk of bankruptcy because the electricity generated will not be sold.
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How this issue can be addressed?

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- The central and state governments need to take a stand and ask developers to revise their rates.
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- For upcoming tenders, developers need to hedge their risk and bid competitively instead of aggressively in order to gain entry into the immensely promising Indian solar market.
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- There is a need to arrive at stable prices with sustainable business strategies for the overall solar sector to continue growing in India.
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- Retendering can be thought of an option if the price difference is too high.
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Source: Business Standard

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