

# Renewable sector to create peak capacities in CY20

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**AFTER CLOCKING** A sub-par growth in 2019, capacity additions are expected to go up for India's renewable sector — solar and wind — by over 40% in calendar year 2020 with projects allocated in 2018 getting commissioned in 2020. Experts believe policy measures and falling module prices will further assist in creating peak capacities. In calendar year 2020, the renewable sector is expected to add 15 GW of new capacities that will include 11 GW of utility-scale solar installations, and 4 GW of wind capacity additions, said experts.

In year 2019 till September, India added around 4 GW of utility scale solar capacity and 1.9 GW of wind capacity as per data with the ministry of new and renewable energy (MNRE). Industry experts believe another 4 GW of solar and 0.8 GW of wind capacities will get added in the October-December quarter of 2019. The cumulative solar capacity of 8 GW in 2019 will be a 28% y-o-y growth. All put together, the cumulative wind and solar capacity will be 10.7 GW in 2019.

Unlike in 2019, projects awarded in 2018 were oversubscribed by developers. There was around 15 GW of commissioning estimated in 2019, from contracts awarded in 2017 and 2018, of these only 5.5 GW capacity got commissioned till October 31,

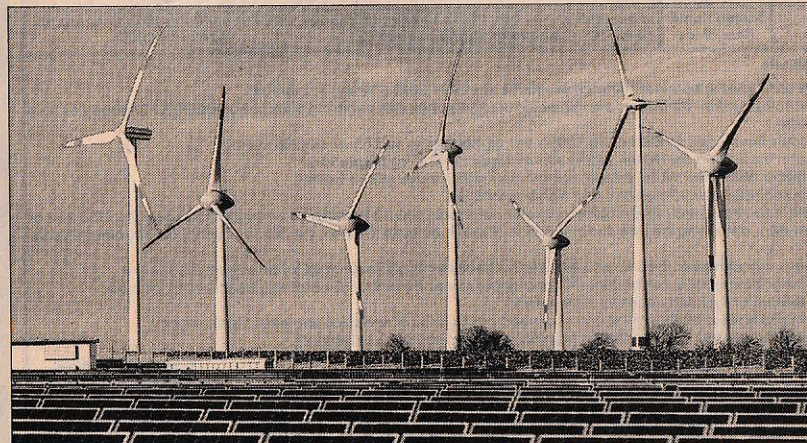
according to MNRE, the remaining are expected to be commissioned in 2020.

Vinay Rustagi, managing director of Bridge to India, Delhi-based research and consultancy firm said, they expect 2020 to be a lot better in terms of capacity additions. "Total utility scale solar and wind power capacity addition is expected to be at about 14 GW, about 45% more than 2019 numbers. But these numbers are still way behind the projections and the government's targets."

Jyoti Gulia, founder and partner of JMK Research, a Delhi-based renewable consultancy firm, said, the year 2020 will see peak additions of renewable capacities in both solar and wind as majority of projects that were awarded in 2018 will get commissioned in 2020,

even if they are delayed by six to nine months, the commissioning will happen in CY20. "We expect solar to witness a 29% y-o-y growth in CY20 with accession of another 1.1 GW of capacity. Out of this 1.1 GW, 50% of the projects would be installed under central tenders (SECI/NTPC). Another 1 GW of the solar capacity would be added under the group captive model (GCM) mainly in Haryana and Uttar Pradesh.

Raj Prabhu, CEO of Mercom Capital Group, believes the 2020 outlook for renewables in India will depend a lot on the state of the economy and availability of financing to a large extent. "Our forecast



for solar in 2020 is approximately 10 GW, which is a lot better than 7-8 GW expected to be installed this year. The improved estimates for solar is mostly due to a better project development pipeline next year."

However, despite the peak addition expected in 2020, experts are sceptical of the same trend to continue in 2021, as the sector is struggling to cope with the off-take risk and policy uncertainty. In particular, the poor financial condition of discoms is leading to a sense of crisis with increasing payment delays, intense pricing pressure, grid curtailment and renegotiation.

"There is too much policy tinkering on taxes and duties, net metering and grid

access. All these factors are draining investor confidence and the banks are not keen to lend to the sector. Moreover, as the share of variable power output has grown, some states are turning their back completely on renewable," Rustagi said.

Sharad Mahendra, chief operating officer of JSW Energy, said although the company is planning to add 250 MW of solar capacity by the end of 2020, it cannot be denied that the sector is facing problems in acquisition of land and evacuation of power. He said the biggest challenge is the poor financial health of discoms and the long pending dues from them.

"The discoms are again moving towards

the pre-Uday phase after the absorption of loss by states got over. The purpose of Uday-2 should be to improve the health of discoms. We have noticed that the aggregate technical and commercial (AT&C) and distribution losses have fallen which is a positive sign, now the government should ensure that this continues. The old plants supplying power at higher cost to discoms should also be stopped to reduce the discoms' burden," Mahendra said.

The company said it is prudent to first evaluate and close in on the land and sub-station and then go for bidding of projects. "The moment I get the order and PPA is signed, I will start the work, the next day itself," Mahendra said.

Puneet Goyal, director and co-founder of SunAlpha Energy, an EPC player in the solar space, said, "Another way to increase the capacity is to look at distributed generation of power. In India, the entire capacity is skewed towards 90% utility scale generation, compared to the global average of 60% which puts excessive pressure on transmission lines as power gets generated in particular location."

"I see the tables turning now and the shift towards distributed in the next 10 years will be a natural progression. It will also bring down the transmission and distribution losses by 20% as the consumption happens at the point of generation itself. We see the distributed generation to reach 20-25% by 2025 in India," said Goyal.

REARVIEW