

## Low tariffs slowing new bids for wind, solar energy projects: ICRA

**Winding down:** State utilities prefer the bid tariff as it is significantly lower than the feed-in tariffs for wind projects.

The renewable energy sector is in the midst of a lull after the storm, as bidding for wind and solar energy projects is seeing a short-term slowdown, said rating agency ICRA on Tuesday.

“With very limited progress on the firm bidding plans by the State-owned distribution utilities to award the wind energy projects, this particular sector is facing near term headwinds and the capacity addition in the near term remains adversely impacted due to migration from feed-in tariff to bid tariff route,” ICRA said in a note.

“The wind energy sector is now following a bid based regime since February 2017, given the success of a reverse auction under two rounds of 1GW each by Ministry of New & Renewable Energy (MNRE) with a bid tariff discovery at Rs. 3.46/kwh in February 2017 & Rs. 2.64/kwh in October 2017,” said Sabyasachi Majumdar, senior vice-president & group head at ICRA Ratings.

This option is being preferred by the State utilities since the bid tariff level is significantly lower than the approved feed-in tariffs by State Electricity Regulatory Commissions (SERCs) for wind power projects. “The recent increase by about 15% (i.e. 6-7 cents/watt) in imported PV module prices, if sustained, could have an adverse impact on the viability of solar power projects with tariffs lower than Rs. 3.5 per unit,” the note added.

“The bidding activity for award of solar projects has slowed down in calendar year 2017 (till Oct.) as reflected in awarded project capacity of 3.75 GW as against 7.2 GW in the corresponding period of CY 2016.”

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