

Winds of change

The auction of wind energy capacity in February has galvanised the industry

The Indian market for wind turbines, which struggled to breach the 3GW-mark a year only till two years ago, has taken a great leap forward. It would, at first glance, seem that creating additional capacity of even 10GW a year (the Centre has set a target of 60GW capacity by 2022) is not all that unrealistic. The game-changer was the February 2017 auction for wind capacity, in which 1GW was auctioned with the bids falling to a low of ₹3.46/kwh. The industry, which had opposed competitive bidding till only a few months back, fearful of abandoning the comfort zone of feed-in tariffs (ruling above ₹4/kwh), is now demanding more of the same. It realises that auctions provide ready access to a larger market of non-windy States; Power Minister Piyush Goyal's plan to aggregate demand through this auction seems to have paid off. A Catch-22 situation — States not meeting their offtake under 'renewable energy obligations' because of the high feed-in tariffs, even as the industry has been unable to reduce tariffs because of its inability to sell more power — has been breached. The Centre has promised auctions of 6GW this year. The Government-owned SECI which is conducting the auction will buy power from the bid winners and sell it to discoms in States that have no wind power potential, enabling States fulfil their 'renewable purchase obligations' at lower costs than at present. The industry, in fact, wants auctions in larger chunks of 3GW, realising the market at its disposal. But the Government has done well in restricting the offer.

Indeed, many issues remain to be sorted out. One is evacuation. Since the auctions allow bidders to put up their wind farms wherever they want, they would inevitably gravitate towards windy States such as Tamil Nadu. Under the tender rules, it is the responsibility of the developer to get the cable from the wind farm to the 'interconnection point' on the inter-State transmission system (such as the lines built by the Power Grid Corporation of India). There aren't too many options for good, windy sites which are close to an inter-State transmission highway. As such, there is little point in offering a higher capacity for bidding. Another niggle is land, the prices of which would go up if there is a rush to limited potential sites. There is also the thorny issue of sites having been 'allotted', on MoU basis, to entities who seem to be squatting on it. This issue is evident in Andhra Pradesh, a favoured State for wind power. A number of approvals still vest with the States, such as 'safety certificate', and these add to costs.

Hence, while the crucial issue of payment security has been taken care of — by the Centre acting as a *de facto* guarantor — land and connectivity are far from resolved. The transformation has begun, but it's not yet the time for euphoria.