

Winds of change

IWTMA seeks changes in the Generation Based Incentive to attract fresh investments into the wind energy sector

Everyone is for it. The investors want it for viability. Turbine manufacturers want it to expand market. The government too wants it for augmenting power supply.

To grow and flourish, the wind energy sector needs handholding. Initially, accelerated depreciation and a five-year tax holiday made it a lucrative tax shelter. Between 1992 and 1998, the sector recorded impressive growth – from a meagre 41 MW to 968 MW. Then began the slowdown – largely due to the lowering of tax ben-

generating 10,500 MW of wind energy during the 11th Plan period (2007-2012), the ministry of new and renewable energy took a policy decision to offer the GBI scheme to attract new and large independent power producers to the wind sector. This scheme will provide a level playing field to those investors who are unable to absorb the benefit of accelerated depreciation.

Under the GBI scheme, grid interactive wind power generation plants of a minimum installed capacity of 5 MW

commissioned for sale of power to the grid. That is, an entity cannot claim GBI if it generates wind energy for captive consumption, third party sale, or merchant plants.

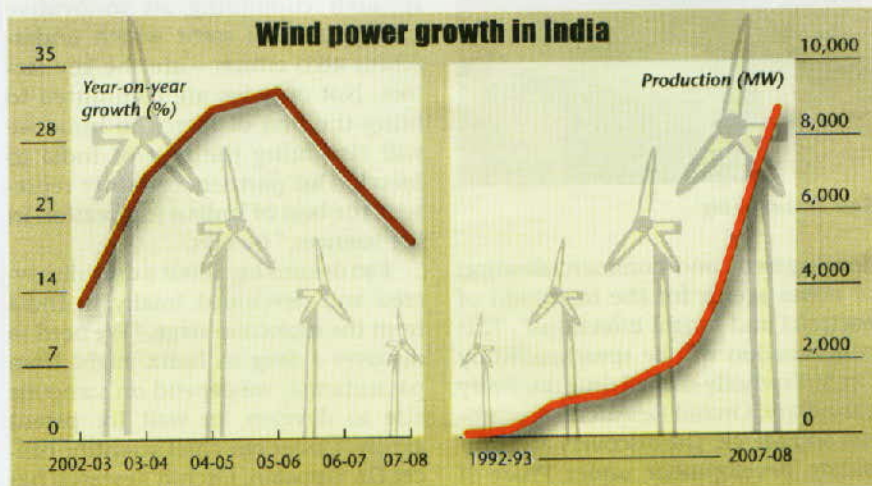
By linking the GBI to the actual generation (as against mere commissioning of the plant), the ministry hopes to not only lure new investors but also solve issues relating to the deteriorating quality of wind turbines and the non-optimal layout of prime wind farms.

As of now, the ministry has adopted a generation-based incentive model on a pilot basis for wind energy projects up to 49 MW. But the apex association Indian Wind Turbine Manufacturers' Association (IWTMA) feels that the GBI scheme will not attract foreign direct investment and independent power producers (IPPs) on a large-scale if there is a cap on the capacity. IWTMA represents nine industry majors, including Suzlon, Vestas, Elecon, Enercon, GE Energy and Pioneer.

IWTMA chairman D.V. Giri says the sector is at a crucial juncture that needs a comprehensive wind energy policy that, among other things, facilitates entry of major IPPs into the wind energy sector. The national policy could address issues such as tariff, renewable purchase specifications (RPS) or renewable purchase obligation (RPO) (i.e. the percentage of wind energy in the basket of power purchased by the state grids) and flexible progressive norms for installation of wind masts/mills.

In the second week of September, the IWTMA team met ministry officials to impress upon them the need for the Renewable Energy Law that addresses key issues. "Under the proposed law, we seek RPO obligations that specify that every state shall purchase a predetermined percentage of NCE. States without wind resource should be allowed to purchase from 'resource abundant states'. Clear tariff determination guidelines should be evolved for consistency in fixing the tariff. Moreover, a uniform wheeling and banking charges be applied across the country," says R. Ravishankar, IWTMA office-bearer and senior vice president, Global Wind Power Limited.

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Source: IWTMA

efits and issues relating to state electricity boards.

Industry's fortunes improved with the Electricity Act 2003, which allowed wind energy turbine manufacturers to offer end-to-end solutions to investors. Under the new system each investor owned specific wind turbines in a farm developed, operated and managed by turbine manufacturers on behalf of investors. Also, under the Act, the State Electricity Regulatory Committee had announced detailed tariff orders and guidelines for procurement of power.

Thanks to hectic lobbying by the industry, the government has announced another package to help the industry move forward – the Generation Based Incentive (GBI).

To achieve the planned target of

would, apart from getting the tariff as determined by the respective State Regulatory Commissions, get an incentive of 50 paise per unit of electricity generated for a period of 10 years. However, an investor can claim either accelerated depreciation or GBI, not both. The Indian Renewable Energy Development Agency (IREDA) would disburse the GBI to the generators through their designated bank account on a half-year basis through e-payment.

There are a few riders, though. The GBI would be available only for projects commissioned i.e. synchronised to the grid and certified by the concerned utility. It will be provided only for projects installed at potential sites validated by the Centre for Wind Energy Technology (C-WET) and com-