

Wind Power Bidding

What is the issue?

\n\n

The recent bid by the Solar Energy Corporation of India (SECI) to set up 1000 MW wind power plants saw tariffs drop to Rs 3.46 per unit. This has set a new benchmark for wind power in India, bringing the overall cost of power down in a rapidly growing economy.

\n\n

What the recent bid reveals?

\n\n

\n

- Despite being India's first wind power project tender, SECI was oversubscribed 2.6 times.

\n

- Bids were concentrated in three States; with Tamil Nadu receiving the highest share of 1794 MW, followed by Gujarat with 700 MW and Karnataka with 100 MW.

\n

- **The tender was floated by the SECI to help non-windy States access wind power by linking them to the inter-state transmission system.**

\n

- Project developers will sign a 25-year PPA with the **Power Trading Corporation of India**, which, in turn, shall sign back-to-back arrangements with discoms /bulk customers of non-windy States.

\n

- Waiver of inter-State transmission charges and compensation for system losses till the interconnection point by allowing for construction of 5 per cent additional capacity were also provided as part of the tender.

\n

- Until now, wind energy in India followed the feed-in-tariff (FIT) route with tariffs for long-term PPAs with State discoms ranging from Rs 4- 6 per unit.

\n

\n\n

What are the problems in Indian wind farms?

\n\n

\n

- Going by the historically available PLF data of wind power plants in India and limited availability of high wind density sites, achieving such Plant Load Factors consistently for the 25-year life of the plant seems far-fetched.

\n

- Unlike solar energy, wind farms in India are concentrated in a few high wind States such as Tamil Nadu, Maharashtra, Karnataka, Andhra Pradesh, Gujarat and Rajasthan.

\n

- Even within these States, only selective sites offer high wind energy potential.

\n

\n\n

Where do India's markets heads to?

\n\n

\n

- The Indian market is moving towards adopting higher **capacity wind energy generators (WTGs)** with hub height of more than 100 metres.

\n

- Global players such as GE have come out with advanced technology turbines designed to offer increased swept area, facilitating higher generation in low wind density sites.

\n

- While this will improve the project economics for developers, implementation remains largely untested.

\n

- Alternatively, lower PLFs need to be compensated by either cutting down the project cost substantially, or by obtaining best deals for operation and maintenance (O&M) of the wind turbines, or by locking-in low cost funds, most often a combination of all of these.

\n

- Clearly, higher capacity wind turbines are going to come at a cost and there are limitations to the concessions that can be obtained from O&M players.

\n

\n\n

What are the upcoming uncertainties?

\n\n

\n

- **From April 1, 2017, the tax relaxation for infrastructure projects under 80IA shall cease.**

\n

- Further, wind power plants commissioned after this financial year will not be eligible for generation based incentives.

\n

- **Accelerated depreciation will reduce from 80 per cent to 40 per cent.**

\n

- This kind of aggressive bidding is not new to us. Starting from BoT road projects awarded a decade back, to coal mining, telecom spectrum and more recently, solar power and hybrid annuity model (HAM) projects in the road sector, this issue has been ingrained in the system.

\n

\n\n

\n\n

Source: Business Line

\n

