

On the prowl

We are exploring acquisitions in renewable power, Tata Power chief tells V Rishi Kumar

With an installed capacity of over 10,500 MW, a non fossil fuel capacity of 3,060 MW and an aim to increase capacity up to 20,000 MW by 2025, Tata Power Limited, the country's leading Independent Power Producer has a lot on its plate. After its several acquisitions, including the renewable portfolio of Welspun, it continues to hunt within and outside the country for business opportunities. In an interaction with BusinessLine, Anil Sardana, MD & CEO, Tata Power elaborates on regulatory issues, company plans and the way forward. Excerpts:

You have recently crossed the 3,000 MW milestone in non-fossil fuel capacity. What is the pipeline across solar, hydel, biomass and others?

Tata Power's non-fossil operating capacity is now 3060 MW. We aim to have a significant contribution of 35-40 per cent generation from clean power sources by 2025.

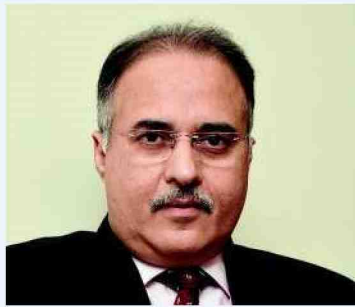
To aggregate our clean and renewable energy portfolio, we have initiated the process of carving out 500MW clean energy assets from our books into Tata Power Renewable Energy Ltd, a 100 per cent subsidiary. TPREL's present operating capacity is 1,876 MW. We wish to increase our solar businesses significantly as government is also expected to bid out large scale projects.

For wind, we will continue to look at opportunities as they come up, both Greenfield and acquisitions.

To capture the market for solar, wind, and hydro based generation, we are in the process of acquiring suitable land parcels in several states.

How is your overseas business in both the fossil and non-fossil segment? Any new projects in the offing?

We have an international non-fossil portfolio with an operational wind asset in South Africa and hydro assets in Zambia and Bhutan. We are evaluating opportunities to grow globally both in the conventional as well non-conventional energy space. The company has prioritised seven countries in



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ANIL SARDANA
MD and CEO, Tata Power

four geographies for international play. These include South Africa and other sub-Saharan African countries, Indonesia, Vietnam, Turkey and Middle East.

In 2016, we commissioned two units of 60 MW each at the 120 MW Itezhi Tezhi hydro power project in Zambia. Cennergi (Pty) Ltd, Tata Power's 50:50 joint venture with Exxaro Resources in South Africa has running assets of 229 MW of wind project. The 187MW hydro project in Georgia is the largest-ever private hydro power investment in Georgia and the first hydropower project here to be certified by the United Nations Framework Convention on Climate Change for carbon emission reductions.

In Bhutan the 126 MW Dagachhu hydro project in partnership with the Royal Government of Bhutan is also operational.

While the domestic market continues to remain the primary focus for us, it also dawned on us that due to fuel shortages, land-availability and delays in various clearances, the pace of domestic opportunities may move slowly. We are setting up 2,600 MW of capacity abroad.

After acquisition of Welspun renewable assets, are you looking at more such initiatives? I understand a number of wind assets are up for grabs?

We continue to evaluate all possible opportunities both organic and inorganic. We are committed to maximising long term shareholder value for our stakeholders and are constantly on the lookout for new and exciting opportunities.

How do you see the country's renewable energy sector faring this year? Do you foresee accelerated development?

To promote adoption of renewable energy resources, the Government has been offering various incentives, capital and interest subsidies, viability gap funding, concessional finance, and fiscal incentives. Major schemes on implementation of solar parks, solar rooftop have been launched during the last two years to achieve the renewable energy target of 175 GW by the year 2022. There is an accelerated development from the renewable energy ministry (MNRE) that has also created a road map for the next two financial years, 2017-18 and 2018-19. Over the next two years, India is looking to add 42.6 GW, almost equivalent to its cumulative renewable energy capacity to date.

There are a number of issues relating to power sector which are yet to be resolved. These seem to be causing concern to IPPs. What is your perspective?

The power sector still faces many challenges, primarily due to structural and systemic issues which have resulted in financial stress for discoms. Distribution remains the weakest link, with the customer not being at the centre-stage of the delivery process and fiscal viability. Aggregate Technical and Commercial (AT&C) losses continue to be one of the highest across the globe. However, we have examples within the country that prove that it is possible to achieve the benchmark of low AT&C losses.

Are there some more regulatory concerns bogging down the renewable space? Is GST a major concern?

Some of the key concerns include constrained inter-regional transmission capacities, delay in payment to generators, regulatory uncertainties, and delays in signing or non-signing of Power Purchase Agreements (PPAs). Recently, the Union Power Ministry has told the GST Council that implementing GST in its current form could push up power generation cost, especially of renewable energy, which will further dent the ability of debt-ridden discoms to serve electricity unless specific relief measures are built in. Solar panels and other equipment used for power production will come under GST and for this, the ministry has proposed giving either deemed export status or zero GST rate for renewable energy.