

## AD of 40% may impede growth of wind



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**T**ata Power welcomes the Union Budget 2016-2017 and appreciates the Government's balanced effort to maintain Current Account Deficit under a strict disciplined regime.

This year's budget has given a special focus on building rural economy and rural infrastructure. Reiterating the focus on "power for all", the government announced to have 100 percent electrification completed by May 1, 2018. The Minister has allocated a fund of Rs. 8,500 crore under 'Deen Dayal Upadhyaya Gram Jyoti Yojana' that will be used to facilitate rural electrification. The Budget has also exempted service tax for rural electrification. This will encourage more players and bring in more private participation and accelerate the rural electrification. We clearly see more role for our sponsored companies like Tata Projects & Tata Power Solar to have enhanced participation. However, to sustain an electrified India, there also needs to be a strong power distribution sector. We hope more discoms will benefit from the Uday scheme to meet this goal.

In the past, there was a sharp decline in installation of wind power projects in India when the Accelerated Depreciation (AD) and the 10 year tax

holiday was eliminated. The AD was restored back last year and this helped in bringing back wind capacities in India. Already the tariffs in some States, when it comes to supply to commercial and industrial sectors, are on par with wind and solar power generation. However, limiting the accelerated depreciation to 40 per cent may impede the growth of this industry.

The Clean Environment Cess (erstwhile Clean Energy Cess) has doubled from Rs. 200 per tonne to Rs. 400. This would increase the cost of power generation by 10-12 paise per unit. This will also put more stress on tariffs and regulators, as in most of the states, cost of Average Billing is already lower than Average Cost of Service.

Power projects are developed on capital intensive technologies bearing high capital investments. Given the sectorial lending caps on domestic lenders, there is need to widen the scope of financial incentives and options to the sector. Therefore, the various initiatives by the Minister

to strengthen the financial sector are overall a welcome move and would directly help infrastructural development in the country including the demand of power & in turn growth of the power sector. Also, Finance Minister's announcement on pursuing Public Private Partnership (PPP) options and debottlenecking PPP matters through 'Public Utility Dispute Resolution Bill' and 'Guidelines for renegotiations of PPP contracts' would go a long way in resolving matters related to stranded assets. Government already has recommendations of Vijay Kelkar committee with it.

We also want to congratulate the Government on focusing on social and employability issues like its announcement of increasing its allocation to Skill India Mission to Rs. 1,700 crores. We look forward to working closely with the government towards holistic development of the country. Tata Power is committed to provide 24x7 uninterrupted and reliable power supply and the fuel of the economy." 

