

INTERVIEW: RAHUL SHAH

CEO, TATA POWER RENEWABLE ENERGY LIMITED

“There is more reason to invest in wind than in solar”

TATA Power Renewable Energy Limited, a subsidiary of Tata Power, is looking to add nearly 200MW of capacity annually by spending close to ₹1,400 crore. The company's chief executive officer, Rahul Shah, says there are plenty of assets available in the market looking for a buyer and the company will be cautiously adding assets. Shah talked with FE's Pallavi Ail about the company's investment plans and the policy changes he hopes the Narendra Modi government will bring to the renewable energy sector. Edited excerpts:

Can you explain the expansion plans for Tata Power Renewable Energy?

We seek to add about 150-odd MW of wind and 30-50 MW of solar every year, primarily in India. It can be more or less depending on what kind of projects we come across. We evaluate them for value and very often the promoters want to exit because it is no longer a core business or the core business is under financial pressure. Sometimes you can find that there is an acquisition opportunity that alone can add more capacity than this ballpark number of 180 to 200 MW. The idea is to have a good portfolio. We have a joint venture in South Africa, which is a 240 MW wind farm

and that JV would also consider any acquisition opportunities that come along as a part of the South African renewable projects.

Why are the acquisition targets tilted in favour of solar assets?

We find that a lot of the solar capacity commands a very low tariff and earns a very low return. We don't want to set up capacity that earns such meagre returns. Of all the capacity that is available for sale in the market today, a lot of it is from people who participated in bidding processes and are now getting a very poor return and therefore want to exit at a discount. There is no justification for deploying capital if you are going to earn very low returns so we see that the wind regime in India is far more stable, earns more predictable returns and we will invest in solar in projects where we feel it meets our returns threshold, but otherwise inevitably you find there is more reason to invest in wind than in solar.

How important is TPRE to the Tata Power group?

Tata Power's goal is to have 20% to 25% of our generation capacity from clean energy sources, and in clean energy we include hydro power as well as renewable energy sources like



wind and solar. We target capacity addition so that we can meet this goal. At the moment we have almost 520MW of operating wind and solar capacity of which 470 MW is wind and the rest is solar. TPRE alone is around 130 MW of which 50 MW is solar and rest is wind.

What are the various policy-relat-

ed issues in renewable energy sector in India?

In solar, the project cost was very high. Four year ago, it was ₹18 crore per MW and today it is down to ₹7.5 crore per MW. I believe solar power generation cost has come so close to the cost of grid tariff that it is no longer necessary for solar power procurement to be done. Today when it has reached grid parity, it will be wrong to throttle the growth of solar power to do it via bidding. So just like wind, have a feed-in tariff and the tariff decided by the regulator in terms of reasonableness of assumption. So, anybody who makes an investment will get a PPA at the start. Solar and wind cannot be backed down by the grid, according to the Electricity Act. Still a lot of renewable energy is being lost to the system because the local grid operator backs down despite the regulation saying it's a must-run plant and you cannot back it down.

Can you talk about grid issues when it comes to evacuation of renewable energy?

The grid has to be strengthened so that it can handle far more of solar and wind. In places like Rajasthan, Tamil Nadu and Madhya Pradesh, there is so much of wind and solar capacity com-

ing up that the grid has to be strengthened, so that it can handle so much of power coming in and taken very efficiently to other states which may not have such a good wind and solar resource. Power Grid Corp is building what they call green grid and that should certainly help but the states also have to do their own bit in terms of strengthening the grid.

Why is the renewable energy certificate (REC) mechanism failing in India?

It was an excellent mechanism thought of by the government. Unfortunately, the distribution companies are not buying RECs due to their poor financial health and the whole process cannot be enforced by the state regulator. So, RECs have no demand. There is a lot of investment that is stuck because revenues from REC are crucial for the viability of that investment. The government needs to step in. The National Clean Energy Fund, a very large corpus accumulated through a charge on the linkage coal, has not been deployed yet. One of our strong recommendations to the government has been to use the fund to buy the REC supply in the market so that investors get the requisite funds. It also brings up the demand-supply imbalance that has happened because of the accumulation of RECs over the years.

What are your thoughts on the Renewable Purchase Obligation (RPO) mechanism and its execution?

Again, excellent in principle but the health of discoms is holding it back and if India has to move on its commitments on carbon abatement and climate change then it is inevitable that encouragement to clean energy sources has to come through targets that are set and compliances that are enforced.