

ENVIRONMENT

Wind power rates may bottom out

Jacob Koshy

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With reverse auctions stopped, prices may rise from as low as ₹2.50 a unit

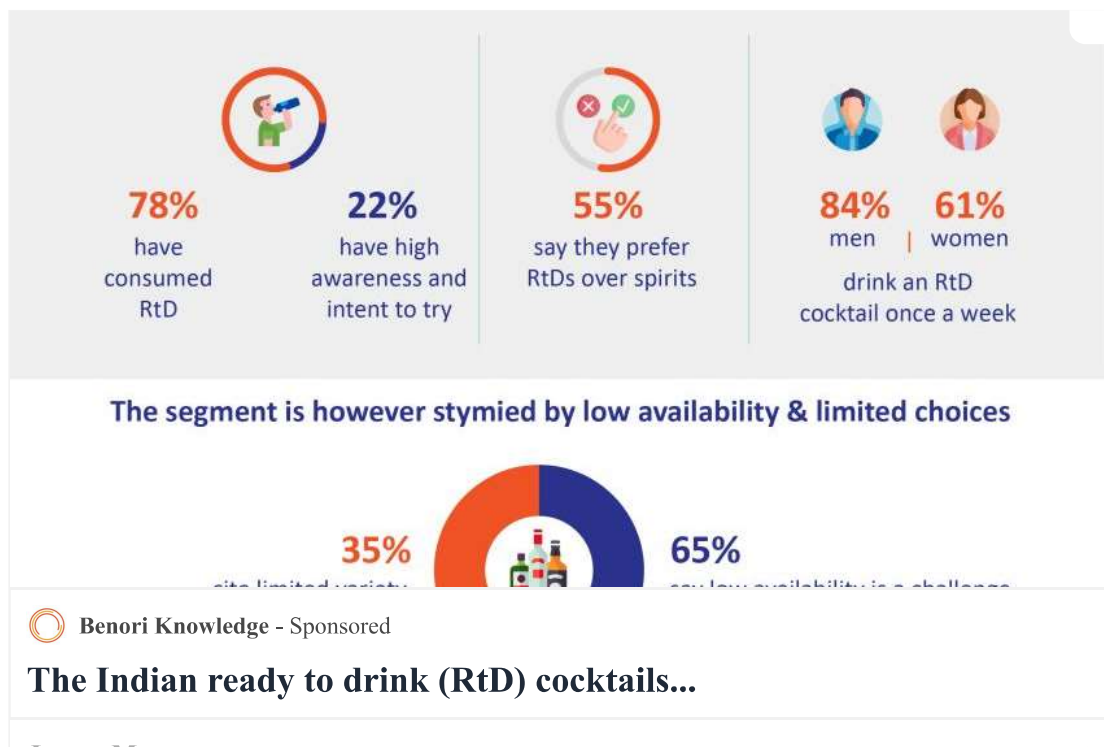


Last week, the Ministry of New and Renewable Energy (MNRE) said that it would be doing away with the practice of reverse auctions – when companies bid to offer the lowest price – while awarding contracts for setting up wind-energy projects. However, wind industry experts say this alone wouldn't necessarily improve the sector's fortunes.

India has committed to installing 60,000 MW of wind power projects by 2022 but has only met two-thirds of the target.

“An in-principle decision has been taken. There were complaints from the industry that e-reverse auctions are leading to tariffs being artificially lowered leading to unhealthy competition,” said Indu Shekhar Chakravarty, Secretary, MNRE, at a conference organised by Confederation of Indian Industry (CII).

While reverse auctions were the norm for all renewable energy projects including solar and wind projects since 2015, the government’s change of stance signals that the rock-bottom prices associated with clean energy projects—per unit solar power costs have fallen to ₹2.40 a unit—don’t reflect the true costs of renewable energy.



The cost of large tracts of land required to install wind turbines, the limited availability of prime sites that are favourable for cost-efficient wind power projects and the poor

Francis Jayasuriya of the Global Wind Energy Council, an international trade council of the wind energy industry, said that there was yet no clarity on what would replace the existing policy. “Prices were going below ₹2.50 per unit and in fact the government had to intervene and put a ceiling on how low this could go. People were desperately bidding and driving it down to unsustainable levels,” he told *The Hindu*.

The reverse auction system replaced a system of feed-in-tariffs where companies placed closed bids for a chance to develop a wind power project at a site in return for a fixed revenue for a fixed period. While this led to a boom in the sector in Tamil Nadu and Gujarat, States naturally conducive for such projects, per-unit prices for wind power varied widely from State to State.

Frequently, those who bid for wind power projects wouldn’t know the sites at which their potential projects would be located and once they began developing the sites, they would encounter challenges. This would lead to projects being abandoned, that ultimately hindered the development of the sector, explained Vibhuti Garg, energy economist and India-lead at the Institute for Energy Economics and Financial Analysis

Arul Balan, Director, CALS Renewable Energy India Pvt Ltd, which develops wind and solar projects in Tamil Nadu said that the existing policy for wind power projects is a “disaster” for entrepreneurs such as him. Regions that had suitable sites for developing wind farms are usually unconnected to the electricity grid and there are substantial costs involved in ensuring that electricity from the wind farm made it to the grid. “State power distribution companies frequently refuse to provide this connectivity, or the necessary substations, to receive the power we produce and leave us in a lurch,” he told *The Hindu*. “The only way forward for the growth of the sector, especially if it is to be fair and not cornered by a few big companies, is if the true price of a project is transparently captured in the bid price. Else Prime Minister’s target (500 GW of renewable power by 2030) will be impossible to meet.”

While what would replace the current system is still unclear, the move away from auctions could in principle mean higher prices for power, according to Garg, though regulators could fix upper limits to the profits that developers can charge. “It’s quite likely that developers could go for a combination of wind and solar (hybrid) projects and even add battery storage. These could mean higher prices than what we see for solar and wind alone. We’ve seen recent bids on these lines at ₹3.90 per unit but this is still better than bids powered by coal (₹4 or more in several States).”



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