

INDIAN WIND POWER ASSOCIATION'S VIEW

on

**The Draft Regulation on “Terms and Conditions for
Tariff determination from Renewable Energy Sources”**

A close-up photograph of a hand with a yellow-gold skin tone pointing its index finger towards a globe. The globe is partially visible on the left side of the frame, showing the continents of Africa and Europe. The background is a soft, out-of-focus light blue and white.

by

HON'BLE

CENTRAL ELECTRICITY REGULATORY COMMISSION



IWPA- An Introduction

- Indian Wind Power Association (IWPA) was formed in the year 1996.
- The main objectives of the Association are:
 - Dissemination of information on running of wind farms.
 - Training in wind energy applications for technicians / engineers.
 - Interaction with State Electricity Boards.
 - Dialogues for policy formation with State / Central Government and Public bodies.
 - Exchanging information and technologies with similar associations world over.
 - Representing the industry before the State and Central Electricity Regulatory Commissions.
 - Promoting research and development in the allied fields
 - Exploration of joint actions and other international co-operation efforts

Association's View on Draft Regulations



- The Association appreciates the Hon'ble Commission's initiative to publish long awaited Draft Regulations on tariff determination from Renewable Energy Sources.
- We view this initiative as a milestone towards streamlining and promoting a homogeneous tariff structure and process across the Country for Renewable Energy Sources.
- However, We would respectfully like to express our concerns as follows

WPD & CUF: Reality Check

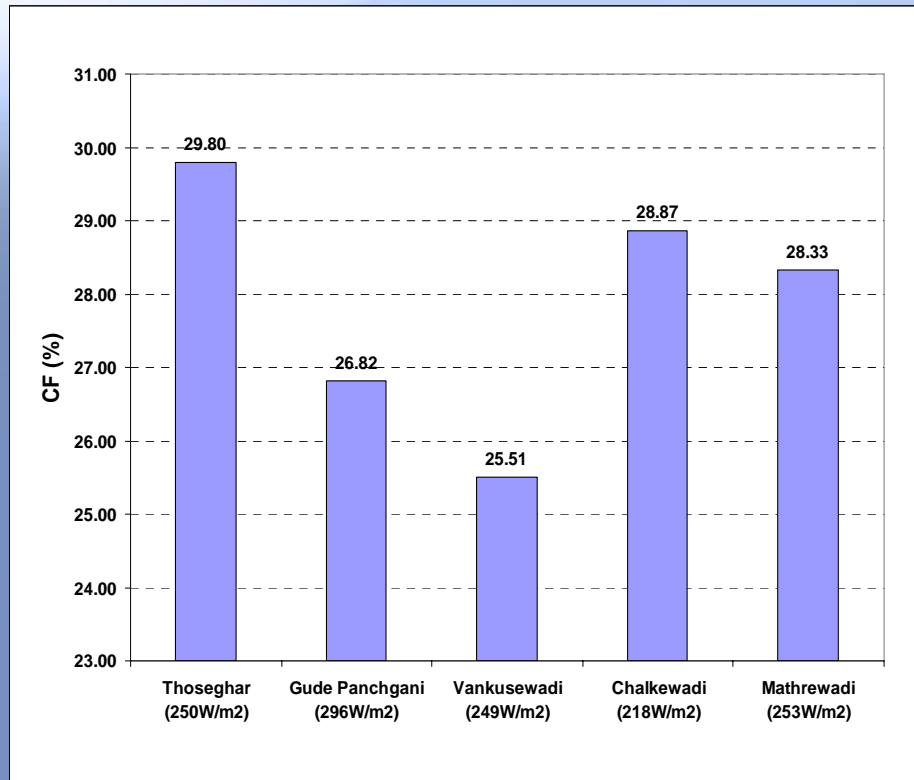


- CUF is an operational parameter which does not have a direct correlation with the WPD.
- CUF depends upon several other variables such as hub height, topographical features etc.
- Moreover, CUF is entirely nature dependent and can not be controlled, stored or modified unlike fuel as in case of conventional power plants.
- Submission of project specific Wind resource data for tariff calculation is a noble concept but is not at all practical.
- Instead of adopting project specific parameters, CUF based on the wind atlas may used.
- This will provide much required stability in policy framework.

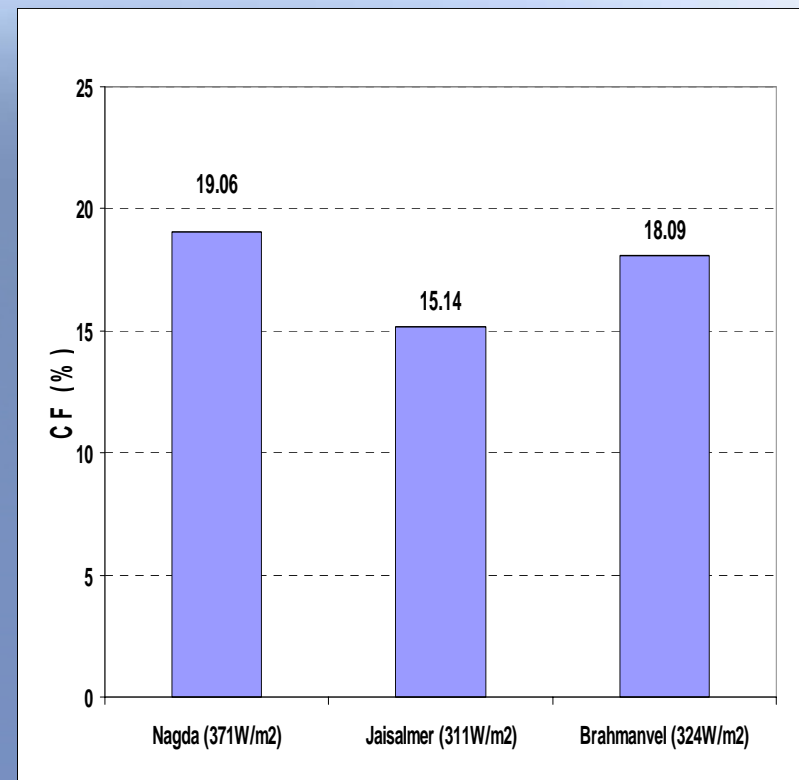
CUF & WPD: No Linear Relationship



Low WPD high CUF



High WPD Low CUF



Preferential Tariff???



- The Tariff Methodology for every source in India is same and derived from the Cost of Generation plus a "reasonable profit".
- Return on Equity (Reasonable Profit) is almost same for every Source.
- From almost last two years Interest Loan itself is hovering around 12% -14%.
- **Conventional fuels are heavily subsidized.**
- In case of conventional sources risk of fuel cost, transit losses, freight rates, inflation, interest rates, capital cost overrun due to delay by equipment suppliers, variation of employee expenses due to wage revision etc. are passed on to consumers.
- **There is no mechanism till this date which saves investor from the risk of variation of wind.**



Government Subsidy

- Government subsidies are aimed at
 - attracting investment into green energy technologies and
 - to offset the disadvantages that Renewable energy sector is facing compared to the conventional sector.
- If such subsidies are factored in while determining the tariff, then the benefit of investment into renewable energy itself will be forfeited.
- Generation Based Incentive is an attempt to promote efficiency in the sector, passing on benefit of such incentive will defeat the basic purpose of rewarding efficiency.
- We request Hon'ble Commission to remove this Clause in the final Regulations.



Financial Parameters

- Project Life:
 - Internationally Turbine life is considered as 20 years.
 - CWET Certifies Turbines only for 20 years.
- Debt repayment Period:
 - Lenders are not willing to finance for longer duration because of higher risks involved in Wind Energy projects
 - Loan tenure vary from of 6 to 8 years.
- We request Hon'ble Commission to kindly approve Project life as 20 years and accordingly change following parameters
 - Depreciation to be spread over a period of 20 years instead of 25 years
 - Tariff design to be changed accordingly.



Project Cost

- Project Cost has increased significantly on account of
 - Rise in raw material prices
 - Credit crunch
 - Inverse relation between Inflation and interest on term loan
 - Increased Infrastructure cost
- On account of these facts we request Hon'ble Commission to kindly consider project cost as Rs. 575 Lac per MW.



Power Evacuation

- Financial Viability of a Wind Power Project also depends on
 - The existence/non-existence of power evacuation infrastructure in the near vicinity
 - Technical capability of the available nearby infrastructure to take the power generated from the wind farm.
- Availability of grid at Wind farm site has always been a major constraint as the generation point are generally far off from load centers.
- Central/ State Utilities have been overlooking needs of wind industry to create adequate evacuation facilities.
- Therefore, we request Hon'ble Commission to develop and place a strong Regulatory System to remove these difficulties.



CDM Sharing

- Wind in India has flourished in India on account of:
 - State Level Support: State Commission provides support in the form of fixed tariff, Renewable Purchase Obligation (RPO) or Renewable Purchase Specification (RPS) and Wheeling and Banking Facility.
 - Central Level Support: In the form of tax benefit and Accelerated Depreciation.
 - International Support: In the form of CDM mechanism.
- Together with all three support wind energy has survived and flourished in India.
- Retreating or lessening any of the policy support instrument will dampen the growth of Wind Energy Sector in India.
- We request Hon'ble Commission to pass on 100% CDM benefit to Investors.

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Thank You...

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