

Govt may not fine green project exits

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In a rare move, the government is likely to allow renewable energy developers to relinquish stalled projects without invoking bank guarantees, provided power purchase agreements (PPAs) have not been signed, two people aware of the matter said.

Until now, such surrender of projects was not allowed. Further, in case developers sought to abandon such projects, the government forfeited their bank guarantees. If the move is implemented, there might be a cut-off date for such projects which will be given the exemption.

"Ways are being considered to resolve the issue of unsigned power purchase agreements. Government may bring in some relaxation for these projects and allow them to surrender the projects bagged earlier and the bank guarantees (BGs) would be refunded," said the first of

the two persons cited earlier, both of whom spoke on the condition of anonymity.

Typically, a successful bidder for a renewable energy project needs to submit performance bank guarantees to the tendering agency, in this case renewable energy implementing agencies (REIAs) like Solar Energy Corp. of India (Seci), NTPC, NHPC and SJVN, and the bidder gets a letter of award (LoA). In some recent Seci tenders, bank guarantees was between ₹22 lakh per megawatt (MW) and ₹39 lakh per MW.

Renewable power developers sign PPAs with the REIAs, which are also the procurers of power. These agencies then sign power sale agreements (PSAs) with distribution companies to take the electricity to industry and homes.

Currently, power sale agreements and power purchase agreements remain unsigned for around 30GW of renewable energy capacity—mostly standard solar projects.



Power sale agreements and power purchase agreements remain unsigned for around 30GW of renewable energy capacity. ISTOCKPHOTO

The figure had reached a high of 55GW in November last year.

Mint first reported in September last year that around 30GW of projects are stuck because of unsigned PPAs and PSAs. Delays in transmis-

sion connectivity, falling renewable energy tariffs of new projects, which make power from older projects unattractive for distribution companies, are some of the reasons for backlog of unsigned agreements

and stalled projects.

As reported by *Mint*, the government is urging states to sign agreements and adopt uniform tariffs. Further, stricter enforcement of renewable purchase obligations (RPOs) and the prospect of penalties may force states to ink more PPAs for renewable energy projects. The Centre wants states to sign PPAs as it would also help them in meeting renewable power obligations, which, if not complied with, will attract penalties for discoms. Renewable power obligation or renewable consumption obligation (RCO) is a mechanism under the Energy Conservation (Amendment) Act, 2022 by which the designated consumers, largely state distribution companies, are obliged to consume a certain percentage of electricity from eligible non-fossil sources. This is expressed as a percentage of their total consumption of electricity. Already, the pace of new bids has slowed due to legacy renewable projects which are yet to

find buyers.

"In case successful bidders are allowed to relinquish their projects, the government would then see how that project can be remodelled, maybe with battery storage or turn it into a hybrid project with wind and batteries to make the power more reliable and attract buyers," said Vikram V., vice-president & co-group head, corporate ratings, Icra Ltd.

Most projects for which sale and purchase agreements have not been signed are standard solar projects, which come with concerns of intermittency and grid stability. Due to grid stability concerns, the government is promoting more projects integrated with battery energy storage systems. Queries sent to the new and renewable energy ministry were not answered till press

time.

A renewable energy developer said on the condition of anonymity said that the move, if implemented, is likely to bring some relief to developers as they would look at more of firm and dispatchable

renewable energy (FDRE) and hybrid projects. FDRE projects are renewable energy projects integrated with battery energy storage systems, which provide stable and reliable power supply. The delay in signing PPAs comes at a time when the Centre has set a target for installing 50GW of green power every year till 2027-28. On 15

August 2024, Prime Minister Narendra Modi reiterated India's goal to achieve 500GW of non-fossil-based energy capacity by 2030.

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THE WAY TO LEAVE

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