

India Solar Power Market 2017 Share, Trend, Segmentation And Forecast To 2022

Solar Power -Market Demand, Growth, Opportunities and Analysis Of Top Key Player Forecast To 2022

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Description

Progressive Policy and Regulatory Scenario

The solar power sector in India has seen a transformational change with progressive policy-level changes and near-effective implementation of directives. Since 2010, when the Jawaharlal Nehru National Solar Mission (JNNSM) was launched, policymakers and regulators have been actively customising the policy and institutional framework to promote growth and address challenges, while taking cognizance of the emerging trends and opportunities in the space. A number of fiscal incentives have been provided to the sector, policies and regulations have been clearly devised and standard practices have been set. But more importantly, multiple steps have been taken to resolve the fundamental issues that may have hindered healthy growth of solar power capacity in India.

Implementation of UDAY programme to resolve the most fundamental problem of power sector – dismal discom credit profiles due to high debt, heavy losses and poor operational efficiencies that affects every aspect of the Indian power sector. The progress so far has been extremely positive. As of May 2017, 27 states had joined the programme. As of April 14, 2017, around 16 states had issued Rs 2.32 trillion worth of bonds, which was 85.39 per cent of the planned issuances of Rs 2.72 trillion. The AT&C losses have come down to an average of 22.59 per cent, while the gap between the average cost of supply and revenue realised has been reduced by Re 0.12 to Re 0.50 per kWh through cost realisation programmes, and tariff hikes.

Phasing out incentives to bring solar at par with conventional sources of energy: Many incentives and subsidies (such as viability gap funding, rooftop solar subsidies for business consumers and a 10-year tax holiday) that were given to the sector historically are being phased out as the sector moves towards self-sustenance. Some benefits like accelerated depreciation (which was reduced by 50 per cent from April 2017) and free interstate transmission are likely to be phased out slowly. At the same time, it is important to remember that coal and other sources of power receive benefits as well.

Green Energy Corridor project for smooth integration of renewables: The Green Energy Corridor initiative to facilitate the transfer of power from the high renewable energy installation states to other parts of the country is the most crucial part to the sector's future growth story, although the progress of its development has not been impressive so far. Solar project developers across the country are struggling with evacuation and transmission issues which account for huge losses and contribute to increased project costs. Once complete, the green energy corridor is expected to boost the inter-state sale of renewable energy, and coupled with the waiver of Inter State Transmission System charges, renewable energy costs are forecast to come down enough to help states fulfill their renewable purchase obligations and meet energy demand. Under the project, renewable energy management centres are being set up to predict renewable power generation and demand.

Falling Solar Tariffs Impact Market Dynamics

At a time when the addition of coal-fuelled power generation capacity is at a standstill in India and globally, the country is witnessing a free fall in solar power prices. The newest low is the tariff of Rs 2.44 per kWh achieved in the auction for 500 MW of capacity at the Bhadla Solar Park in Rajasthan. The two big factors that are driving tariffs down, besides the government push to achieve the 100 GW by 2022 target, are the hyper competition among developers and a steep fall in global equipment prices. Several global majors like Japan's SoftBank, France's Engie, Italy's Enel, Canadian Solar and Singapore's Sembcorp have entered the Indian solar market while others such as Norway's Statoil ASA, France's Total SA and Royal Dutch Shell Plc are looking at India as a promising investment opportunity. And a number of domestic firms such as ReNew Power and ACME have got access to low-cost funds, thereby adding to the competitive pressures. The declining tariff trend is changing the market dynamics in many ways.

Some emerging trends are highlighted as follows:

- Delayed solar tenders: The central and state governments are reconsidering their procurement policies, leading to the postponement of some tenders. Meanwhile, some discoms, having completed auctions with higher tariffs (notably in Jharkhand and Odisha), are now having second thoughts about signing PPAs.
- Thermal power procurement by discoms: While the government will eventually resolve the issue of delays, the bigger problem pertains to the impact of low tariffs on the overall electricity market. The average rate of power generated by the coal-fired projects of India's largest generation utility, NTPC, is Rs 3.20 per unit, which is higher than the tariffs determined in the Bhadla, Rewa and Kadapa solar park auctions. If solar power continues to grow sustainably (that is, storage solutions become viable in a few years to address the intermittency challenge), the power sector could be looking at long-term deflation, which would be revolutionary.

- Modest yields on solar projects: Lower tariffs imply that project viability and returns will be adversely impacted. The fact that investors are comfortable with the low returns at these tariff levels implies a growing focus on low-risk projects and patient capital, which brings modest yields over time. The only counterpoint here is that module prices declined by 30 per cent during the past year and developers seem to be counting heavily on another fall of about 23 cent per watt-peak in the next 10 months. Although module industry dynamics remain benign, it seems a very bold call to price bids assuming the base case scenario.

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