



Workshop on

Offtake Risks for Renewable Energy

Discom Finances, PPAs, Renegotiation, Curtailment and Power Demand

January 17, 2018, Shangri-La's - Eros Hotel, New Delhi

Organisers:

RenewableWatch **POWERLINE**

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OFFTAKE RISKS FOR RENEWABLE ENERGY

Background and Mission

- Tariff and counterparty risks directly impact the viability of renewable energy projects. These risks have amplified post the recent solar and wind project auctions, in which significantly lower tariffs were discovered as compared to the feed-in tariffs (FiTs) in various states. The new low for solar power is Rs 2.44 per kWh while that for wind power is Rs 2.64 per kWh.
- The biggest concern is the discoms' approach towards renewable energy offtake. Until recently, it was limited to their payment behaviour, grid curtailment and merit order despatch. But now, with the discovery of low prices in each subsequent auction, and often under the pretext of public interest, the discoms have started renegotiating the terms of the power purchase agreements (PPAs) including tariffs. Take for instance, the case of the two power utilities of Andhra Pradesh, which refused to sign PPAs for the 250 MW project tendered by NTPC at a tariff of Rs 3.15 per kWh, claiming that they have contracted enough solar power to meet their requirement.
- Some states like Jharkhand and Uttar Pradesh have been able to secure lower tariffs by renegotiating the PPA terms. Jharkhand had refused to sign PPAs for 1.2 GW of capacity for two years because the tariffs discovered at its auction were higher compared to those in other states. Uttar Pradesh told over a dozen project developers to reduce tariffs by as much as 18 per cent just before they were ready to commission the projects. Discoms in Karnataka and Tamil Nadu have also made similar attempts.
- These developments have created a certain degree of uncertainty, which should be avoided at this juncture as project installations have just started gathering pace and a tall target of achieving 175 GW by 2022 is to be met.
- Over the years, the PPAs signed for renewable energy projects have failed to address the issue pertaining to grid curtailment and they also lack a mechanism to compensate for the energy loss. Further, the poor financial performance of discoms has led to frequent delays in payment, impacting the interest-servicing capability of renewable projects.
- The government, on its part, is working towards addressing these concerns. The Ujwal Discom Assurance Yojana (UDAY) has helped in restoring the financial health of discoms to a certain extent. The Solar Energy Corporation of India has announced a payment security fund to ensure that developers receive timely payments even if utilities default on their payments, while the Ministry of Power has proposed a compensation mechanism for renewable energy projects against grid curtailments. More recently, the Ministry of New and Renewable Energy has issued a notification to impose stringent penalties on states and project developers if they unilaterally renegotiate or cancel PPAs.
- Meanwhile, open access has been conceived as an important tool to give developers the option to sell power to offtakers of their choice and not just be restricted to PPAs with discoms. Industrial and commercial consumers often procure power through open access by signing third-party PPAs. However, multiple regulatory risks have burdened this model of power procurement as well. Additional surcharges levied on open access customers, even as renewable tariffs have fallen considerably, have only worked against the expansion of this market.
- The mission of this conference is to examine the financial health of discoms, discuss the risks and challenges pertaining to power offtake by discoms, study the alternatives and propose solutions. The conference will also highlight the key features and the various legal nuances of solar and wind PPAs, execution challenges and the way forward for the enforcement of PPAs.

Target Audience

- The conference will also be useful for:
 - Solar and wind power developers
 - Hydro/small hydo producers
 - Power discoms
 - Regulatory institutions
 - Renewable energy development agencies
 - Equipment manufacturers
 - Legal firms
 - Rating agencies
 - Financial institutions
 - Consultants and advisory firms
 - Industry analysts
 - Etc.

AGENDA/STRUCTURE

CURRENT STATE OF DISCOM FINANCES

- ❖ What has been the performance of discoms on cost coverage, tariffs and profitability at an aggregate level?
- ❖ What has been the impact of the UDAY scheme on their operational and financial performance so far?
- ❖ How has the credit rating of discoms evolved? What is the near- and long-term outlook?

IMPACT OF BUYING RENEWABLE ENERGY ON DISCOM FINANCES

- ❖ What is the actual cost of purchasing renewable energy for discoms? How has it changed over time?
- ❖ What are the hidden elements of the cost that do not get reflected in the tariff?
- ❖ How does this cost compare with that of thermal power? What is the future outlook?

ADDRESSING DISCOM OFFTAKE AND PPA RISKS UNDER THE NEW COMPETITIVE BIDDING GUIDELINES

- ❖ What are the key features of the new competitive bidding guidelines for wind and solar power projects?
- ❖ How do these address the discom offtake risks and ensure the enforcement of PPAs?
- ❖ What are the features that may be added to these norms to safeguard developer and discom interests?

PPA STRUCTURES: KEY RISKS AND CONSIDERATIONS FOR RENEWABLE ENERGY PROJECTS

- ❖ What are the key risks/legal considerations in the PPAs signed by discoms (delays, termination, penalties, etc.)?
- ❖ What has been the experience so far with PPAs signed by discoms across states?
- ❖ How can the risks be properly mitigated?

EXPERIENCE WITH OLDER PPAs

- ❖ How many of the old PPAs with higher tariffs have been challenged by discoms?
- ❖ What has been the outcome?
- ❖ What are the lessons and what steps can be taken to address the issues going forward?

POWER DEMAND AND SUPPLY OUTLOOK

- ❖ What is the actual power supply and demand situation across states? What is the emerging energy mix?
- ❖ What is the impact of the power surplus situation on renewable energy procurement?
- ❖ What is the near- and long-term outlook for power demand and supply?

ALTERNATIVE POWER SALE OPTIONS: THIRD-PARTY PPAs, OPEN ACCESS AND OPEN MARKET SALE

- ❖ What have been the key trends in third-party PPAs and open market sale of renewable energy?
- ❖ How do these compare with discom-based PPAs? What is the outlook for these alternatives?
- ❖ What is the current status of open access for renewable energy across states? What are the key issues?

REGULATORS' PERSPECTIVE

- ❖ What is the perspective of regulators on the current state of the renewable energy sector?
- ❖ What are the steps being taken for addressing the issues pertaining to grid curtailment and PPA enforcement?
- ❖ What is the outlook for the segment? What will be the key focus areas?

INDUSTRY PERSPECTIVE: RENEGOTIATION OF PPA TERMS AND CONDITIONS

- ❖ What is the industry's perspective on the recent instances of discoms asking for PPA and tariff renegotiations?
- ❖ What has been the industry's experience of dealing with discoms for timely payments, grid curtailment, etc.?
- ❖ What steps need to be taken to address these issues?

GRID CURTAILMENT

- ❖ What are the key reasons for grid curtailment for renewable energy projects?
- ❖ What is the likely impact of withdrawing the "must run" status for renewable energy projects?
- ❖ How can the issue of grid curtailment be addressed? What is the status of implementation of scheduling norms?

MERIT ORDER DESPATCH

- ❖ What has been the impact of the decline in solar and wind tariffs on the merit order despatch of renewables?
- ❖ What steps need to be taken to increase transparency in merit order operations and promotion of renewables?
- ❖ What are the key issues pertaining to merit despatch and what is the way forward?

Organisers

The conference is being organised by **India Infrastructure Publishing**, the leading provider of information on the infrastructure sectors. The company publishes **Power Line** (India's premier power magazine) and **Renewable Watch** (covers the entire spectrum of renewable energy). It also publishes a series of reports on the energy sector including **Power Distribution in India**, **Open-Access for Renewables**, **Solar Power in India** and **Wind Power in India**. The company also publishes the **Power Line Directory and Yearbook**, **Solar Directory and Yearbook** and **Wind Directory and Yearbook**.

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Four delegates	68,000	12,240	80,240	1,337	85,000	15,300	100,300	1,672

- There is a special low fee of Rs 10,000 per participant for the state-owned power distribution companies. GST @18 per cent is applicable on the registration fee.
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- Conference fee includes lunch, tea/coffee and conference material.

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