

High degree of volume uncertainty in Indian wind market creates significant risks for participants

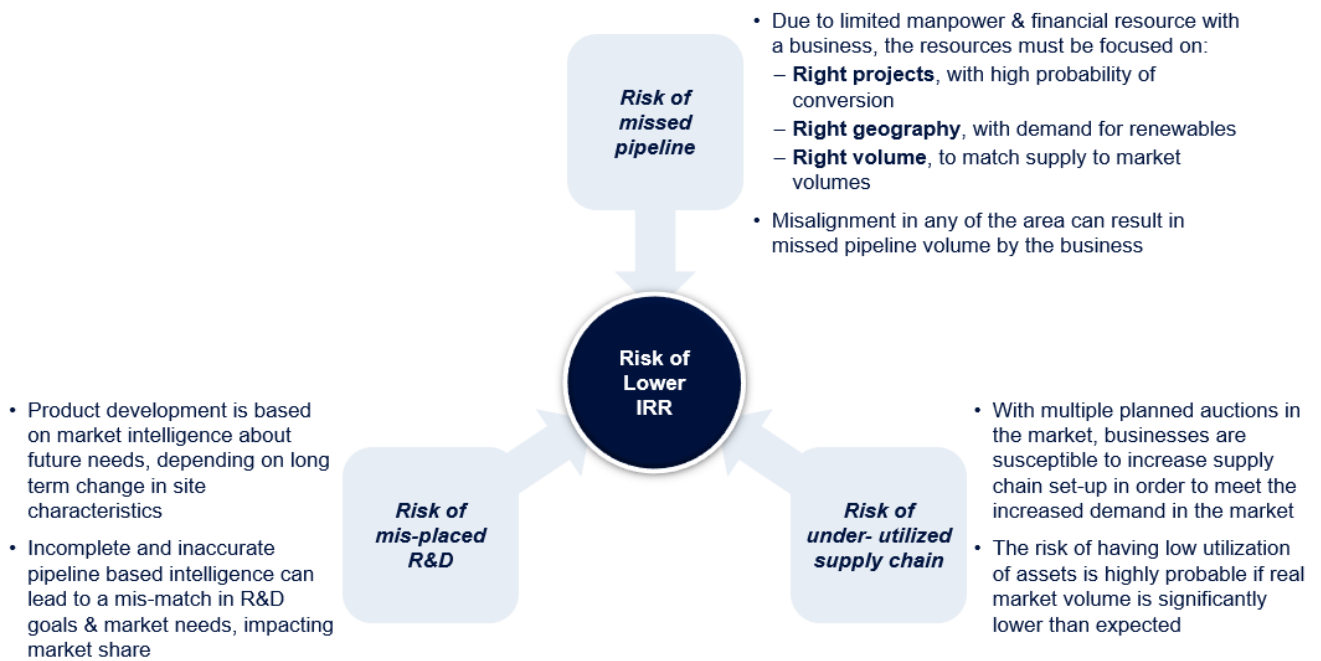
India wind market has fundamentally changed in the last one year, migrating from a subsidy driven market to a competition-based regime. Given the high level of ambiguity on the volumes in market, availability of fact-based and reliable market intelligence can help players plan the right next step.

More than 30 GW of wind is planned for auctions by FY 2020, with FY 2018 already seeing 7.5 GW of auctions. Additionally, Government has come up with a National Electricity Plan with target of 275 GW of installed renewable capacity in FY 2027. The volume expected in the market is huge, however, navigating this volume remains complicated due to number of uncertainties and moving parts, such as:

- DISCOM financial health, demand for power and particularly demand for renewable power
- Change of incentive model, winning criteria- from land access to grid connectivity
- Change in business model, EPC vs. turnkey
- Declining prices of renewables and increasing competitiveness with fossils
- Change in regulation across generation, transmission, distribution, balancing
- And lastly, from supplier side, change in technology and supply chain

Such degree of ambiguity creates pertinent risks for the supply chain players, which can significantly lower IRR.

Risks for wind businesses in India



The risks mentioned in the illustration require proactive market planning based on deep understanding of the linkages between various parts of the market. The market intelligence for India need to be as dynamic as the market and would need to factor-in multiple parameters which can impact wind deployment in India. Each of the parameter needs to be quantified and worked into an equation to understand impact on volumes. Not only does the approach produce more accurate and transparent numbers but can also factor in any change in the dynamics we discussed earlier.

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