

Ishaan's edit

SEB's hurting renewable power by renegeing on contracts

Rapidly falling prices of renewable power, under normal circumstances, should help the government achieve its 2022 target of 175GW on such electricity from both wind and solar sources —by then, hopefully, improvements in storage technology will also make these sources more dependable than they are right now. For now, though, the falling prices are hurting renewable energy producers with a series of state electricity boards now wanting to renegotiate contracts with them to re-price electricity due to falling prices—in other words, there is a very real danger that SEBs will renege on contracts with renewable energy suppliers each time prices fall.

In the case of Andhra Pradesh, FE reported, while PPAs had been signed in 2015 at rates between Rs 4.76 and Rs 4.84 per unit, the Andhra discom now wants these rates to be renegotiated to meet the latest bids of Rs 3.46 per unit. Worse, while the central government had announced a series of incentives for renewable power generators, the AP discoms have written to the regulator to ask for these incentives to be passed on to them. In Rajasthan, more than half a dozen renewable power suppliers have filed 19 petitions alleging the SEBs frequently back down their renewable energy demands. And in Karnataka, similarly, the state-owned discom has cancelled 76MW of PPAs and the regulatory commission has said that the state has enough PPAs to meet its renewable purchase obligations.

Since the essence of PPAs is to provide surety to both buyers and sellers, it is not clear how states are being allowed to unilaterally cancel agreements, or what action either the state or the central electricity regulator plans to take. To be sure, renegotiation of PPAs can't be one-sided, so if private projects— [Tata](#) , Adani to name recent examples—can ask for re-looking contract terms in response to Indonesia hiking the minimum export prices of coal, SEBs should also be allowed to do the same. The grounds for doing so, however, have to be quite strong, almost akin to force majeure events of the type Tata/Adani alleged had taken place. An SEB being too cash-strapped to pay higher rates is certainly a serious event—though not a force majeure—but if this was the reason for scrapping PPAs, this should apply to all such agreements, not just those with renewable power suppliers. Also, when renegotiation is called for, this has to be done under the supervision/guidance of the regulator, with the energy supplier having the right to approach courts if this is not acceptable. Given the enormity of the problem, and the fact that it is happening in more than one geography, the central government needs to examine the

matter—else, its ambitious renewables plan is in danger of falling through.