



SOLAR POWER DEVELOPERS ASSOCIATION

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SPDA/2021/PG/261

January 20, 2021

To,

Shri Indu Shekhar Chaturvedi

Secretary

Ministry of New and Renewable Energy

Government of India

CGO Complex, New Delhi

Sub: Request for reduction of Equity Lock-in period below one (1) year in Proposed Unified Bidding Guidelines for Renewable Energy

Dear Sir,

At the outset, SPDA complements the proactive efforts made by MNRE to counter the slowdown in the renewable energy sector due to COVID-19. The results are visible as the industry is witnessing a fast recovery with capacity addition picking up the pace again. More recently, MNRE undertook to draft the Unified Bidding Guidelines through a collaborative consultation process, which is remarkable and shows MNRE's collective approach towards developing the sector. SPDA, on behalf of its members, expresses its gratitude to the Govt. for making it part of the UBG Committee.

It may be noted that India is undergoing a massive energy transition, and capacity addition happening in the RE sector is unprecedented. The equity requirement corresponding to RE capacity addition targets is significantly high. Many project developers who can execute the project are constrained to bid for additional capacities to non-availability of equity capital.

It may kindly be noted renewable energy projects are attracting a distinct class of investors based on their risk appetite. First type are more aggressive ones like PE funds who invest in projects before bidding and take higher risk exposure. The other class are more conservative and have lesser risk appetite and invest only after considerable risks are mitigated which mean completion of major milestones like FC, COD etc. If large FI/ PFs are allowed to invest more than 51% equity in projects of their choice irrespective of stage of project progress, there should be no regulatory/ policy hurdles to it.

Accordingly, the latter like Foreign Pension funds and Sovereign wealth funds, etc., are willing to invest in equity through innovative financial structures like InViTs introduced by the Govt. of India. Renewable Energy project developers can divest their equity through these structures, enabling them to use unlocked equity capital in newer projects.

Since there is a limit to which equity can be diluted (depends upon the developer's credit rating), the risk of the developer abandoning the project completely is also mitigated.



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However, there is a regulatory hurdle to avail benefits of InViTs structure. As per Clause 13 of the Amendments to the Guidelines for Tariff Based Competitive Bidding for Procurement of Power from Grid Connected Solar PV Projects dated 25th Sep 2020 issued by MNRE, the SPV / project company is executing the PPA cannot dilute its equity below 51% before one year from COD of the projects.

India has to achieve 450 GW of RE capacity by 2030 that requires an additional US \$ 180-200 Billion of which equity requirement alone shall be US \$ 40-50 Billion. Considering the massive equity requirement, we believe that developers should be allowed to dilute equity to a minimum of 26% before one year from CoD to enable them to leverage their execution capability over a more extensive portfolio of projects. The dilution to a minimum of 26% shall ensure that the project developer can bid for large capacity and ensure that the project developer continues to have skin in the game to ensure the project is executed efficiently. A list of already concluded equity swap deal in the sector has provided at Annexure -I.

The issue was discussed in UBG meetings also. However, in absence of consensus, committee could not conclude on the matter.

Hence, we request MNRE to consider the business need and following the 'Ease of Doing Business' policy and incorporate the necessary changes in the present guidelines.

We look forward to your kind support in the matter.

Thanking you

Yours Sincerely

Praveen Golash
Joint Secretary, SPDA

Copy to:

To,
Shri Amitesh Sinha
Joint Secretary
Ministry of New and Renewable Energy
New Delhi 110001

Enclosure: Annexure - I