RE capacity expected to grow 33% to 20 GW in FY24

Our Bureau
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India's renewable energy capacity addition is expected to grow by more than 33 per cent y-o-y to 20 gigawatts (GW) in FY24 ending March 2024, aided by a reduction in prices of solar photovoltaic (PV) cells and modules, in abeyance of the ALMM order, among other factors.

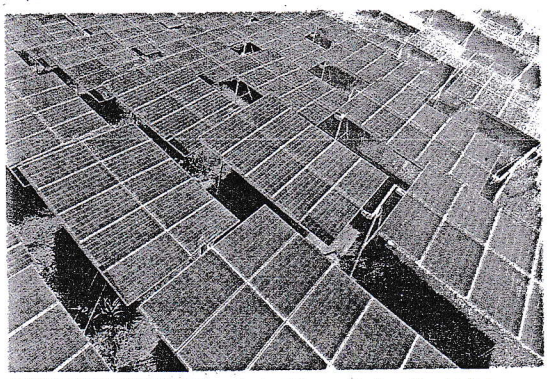
Ratings agency ICRA expects India's installed renewable energy (RE) capacity to increase to about 170 GW by March 2025, from 132 GW as of October 2023. Capacity addition thereafter is likely to be supported by a significant improvement in tendering activity in FY24, with over 16 GW of projects bid so far and bids for another 17 GW underway by the Central nodal agencies.

Vikram V, VP and Sector Head, Corporate Ratings, ICRA, said: "The sharp decline in solar PV cell and module prices, abeyance of the Approved List of Models and Manufacturers (ALMM) order till March 2024, and the timeline extension approved for solar and hybrid projects, is expected to lead to an improvement in RE capacity addition to 20 GW in FY24 from 15 GW in FY23."

PROJECT PIPELINE

This, along with the growing project pipeline, is likely to support the scale-up in capacity addition to 25 GW in FY25, driven mainly by the solar power segment. However, challenges remain with respect to delays in land acquisition and transmission connectivity, which could hamper capacity addition prospects, he added.

Vikram said the sharp decline in solar PV cell and module prices by 65 per cent and 50 per cent, respectively, over the past 12 months has led to a healthy improvement in debt coverage metrics for the upcoming solar power projects.



CAPACITY SURGE. The rise in RE capacity is estimated to increase the share of RE-plus large hydro in all-India electricity generation from 23 per cent in FY23 to around 40 per cent in FY30

Reduction in prices of solar photovoltaic cells and modules drive capacity addition

"Benefitting from this, for a solar power project with a bid tariff of ₹2.5 per unit and sourcing modules from domestic OEMs using imported PV cells, the average DSCR has improved by over 35 bps. While this is positive in the near term, developers would remain exposed to movement in imported solar PV cell and wafer prices, till the development of fully integrated module manufacturing units in India," he said.

At 25 GW, renewable energy sector reaches only 26 per cent of target set for FY24

RISING SHARE

The rise in RE capacity over the next six years is estimated to increase the share of RE-plus large hydro in all-India electricity generation from 23 per cent in FY23 to around 40 per cent in FY30, ICRA said.

Given the intermittency associated with RE generation, the availability of Round-The-Clock (RTC) supply from RE sources remains important. This can be made possible through the use of wind and solar power projects, complemented with energy storage systems, it added.

"The tariffs discovered in the RE-RTC tenders remain competitive as against conventional sources, with recent bid tariffs in the range of ₹4-4.5 per unit, well below the ₹5.2 per unit discovered in the recent medium-term bid for supply from coal-based projects," Vikram said.

The share of RE-based RTC projects is expected to rise in the upcoming bids as seen from the tenders issued by the Solar Energy Corporation of India (SECI) in the current fiscal.

Returns for the winning developer under RTC bids remain linked to the cost of storage, apart from the cost associated with wind and solar components. Further, based on the prevailing capital cost of battery energy storage systems (BESS) and pumped hydro storage projects (PSP), the viability of RTC projects remains relatively better with the use of PSP capacity, he said.