

Solar tariff falls again to all-time low of Rs 2.44/unit

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Solar tariffs once again matched the record-low rate of Rs 2.44/unit in the latest auction for 3,000 MW capacity. The same tariff was also discovered in the reverse auction for 2,000 MW capacity earlier this month, matching the price that was first found in May 2017 for Rajasthan's Bhadla projects. Solar tariffs had gone up to Rs 2.70/unit, Rs 2.85/unit and Rs 3.48/unit in auctions for projects in Andhra Pradesh, Karnataka and Uttar Pradesh, respectively, in this week itself. The fact that these states receive lower solar radiation than Rajasthan is said to be the reason behind higher tariff.

The latest auction marks the largest solar capacity that was offered for bidding in a single round till date. Greater size of capacities put up for auction help developers manage the risks related to land acquisition and availability of evacuation infrastructure. People close to the development told FE that ACME Solar has emerged as the lowest bidder (L1) with Rs 2.44 per unit for 600 MW capacity, while Azure Power secured 300 MW at Rs 2.64 per unit. Rutherford Solarfarms (Canadian Solar) has bagged 200 MW at Rs 2.70/unit, while Mahoba Solar (Adani Green) has got 300 MW at Rs 2.71/unit. [ReNew Power](#) received 500 MW at Rs 2.71 and SoftBank received the highest capacity of 1,100 MW at Rs 2.71 per unit.

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Officials spoken to said the difference of Rs0.20/unit between the first and the second bidder is quite huge and is likely to result in higher costs equivalent of Rs 30-35 lakh per MW for the lowest bidder, compared to the next bidder. The difference between ACME and SoftBank's bid prices is Rs 0.27 per unit.

ACME has emerged L1 bidder for the third consecutive time. They quoted Rs 2.44/ unit in the 500 MW Bhadla Phase-III Solar Park Auction held in May 2017 and matched the tariff again in July 2018 during SECI's 2,000 MW ISTS-connected solar auction. Anmol Jaggi, founder and director at Gensol Consultants, said companies have been able to bid low on account of a drop in panel prices between May and July this year. "Prices dropped to 26 cents from 32 cents after China had reduced its solar capacity target to 60% this year, leading to drop in prices in the last couple of months. Prices are likely to remain in the same range for the next six months which will have a positive impact on Indian IPPs going ahead."

"This is first time IPPs are going to make good return on their projects as the timeline for commissioning is 21 months, compared with 18 months earlier. The efficiency of solar panels has also increased substantially, with developers on an average installing 360 watt peak panels in place of 320 watt peak earlier, leading to reduction in cost of land and saving of space," Jaggi said.

Under ISTS (inter-state transmission system), successful bidders will be responsible for development and maintenance of the required transmission infrastructure up to the delivery point. The projects will be developed on the build-own-operate basis. SECI will enter into a 25-year power purchase agreement with bidders of all the projects that are to be developed.

The return on low rates is a result of solar component getting cheaper globally. The assurance from the ministry of new and renewable energy (MNRE) to allow tariffs hikes in case safeguard duties are imposed also seem to have boosted developers' confidence. While a section of the industry raised questions about the sustainability of ultra-low tariffs, Anand Kumar, secretary, MNRE, recently said such scepticism can be confounded by the fact that the Rajasthan's Bhadla unit, where the Rs 2.44/unit was first discovered in May 2017, is set to be inaugurated in August.