



Indian Renewable Energy Sector

Superior tariff competitiveness and focus on sustainability drive capacity addition in C&I segment

APRIL 2024



1 Highlights



2 Demand Drivers & RE Capacity in C&I Market



3 Outlook on Grid Tariffs



4 Regulatory Landscape



5 Viability Assessment for Open Access-based RE Projects



6 Rating Trends





Highlights



Click to see full report

RE capacity requirement from the C&I segment is estimated to be large at over 90 GW, considering 20% of the power demand is to be met through RE by 2030.

RE IPPs would be able to offer discount in the range of 28% to 40% against the grid tariffs in key states under the captive mode.



- The demand prospects for renewable energy (RE) capacity in the commercial & industrial (C&I) segment remain strong, given the superior tariff competitiveness, growing sustainability initiatives by C&I players to meet their energy requirements through renewables, the relatively high grid tariffs and the Government's policy focus on moving towards net zero by 2070. Several large and prominent entities in the C&I segment have announced clean energy targets to reduce dependence on fossil fuels.



- The C&I segment accounts for about 40-45% share in all-India energy demand. Even assuming 20% of this demand is to be met through renewables, the RE capacity requirement is estimated to remain significant at over 90 GW. While the discoms are offering green tariffs to the C&I customers, the tariffs remain higher than the regular grid tariff and uncompetitive against the tariffs offered by RE IPPs through open access.



- The regulatory risk remains inherent for open access-based RE projects, due to dependency on open access approvals, charges and banking requirements. The open access and banking charges/norms vary widely across the states. The Ministry of Power notified the Green Open Access rules in June 2022 to bring a common methodology for open access charges and to set up a central nodal agency for a single window open access system. These norms are gradually being adopted by the state regulators.



- The tariffs charged by discoms to industrial consumers vary between Rs. 6-8/unit across the states for FY2024. Considering the prevailing open access charges and these grid tariffs, the rates offered by RE IPPs through open access under the captive mode remain attractive for the C&I customers with discount against grid tariffs varying from 28% to 40%, considering the solar tariff of Rs. 3.5 per unit. This has enabled a significant scale-up in RE capacity in the C&I segment over the past few years.



- ICRA's rated portfolio in the open access C&I segment constitutes aggregate generation capacity of 2.6 GW, with majority of the projects through the group captive mode. The credit profile of the IPPs in the C&I market is supported by a mix of strong promoter backing, availability of PPAs with creditworthy C&I customers, an established operational track record and adequate liquidity buffer. The credit ratio in this segment has seen a favourable trend, with minimal downgrades. Rating upgrades have been led by improved parent credit profile, demonstration of generation performance and favourable debt refinancing.



ICRA

Analytical Contact Details

| Name | Designation | Email | Contact Number |
|-------------------|------------------------------------|--|-----------------|
| Girishkumar Kadam | Senior Vice-President & Group Head | girishkumar@icraindia.com | 022 – 6114 3441 |
| Vikram V | Vice-President & Co-Group Head | vikram.v@icraindia.com | 040 – 6939 6410 |
| Dhruv Consul | Senior Analyst | dhruv.consul@icraindia.com | 0124 – 4545 347 |





ICRA

Business Development/Media Contact Details

| Name | Designation | Email | Contact Number |
|-----------------|--|--|----------------|
| L Shivakumar | Chief Business Officer | shivakumar@icraindia.com | 022-61693304 |
| Neha Agarwal | Head – Research Sales | neha.agarwal@icraindia.com | 022-61693338 |
| Rohit Gupta | Head Business Development – Infrastructure Sector | rohitg@icraindia.com | 0124-4545340 |
| Vivek Bhalla | Head Business Development – Financial Sector | vivek.bhalla@icraindia.com | 022-61693372 |
| Vinita Baid | Head Business Development – Corporate Sector - West & East | vinita.baid@icraindia.com | 033-71501131 |
| Shivam Bhatia | Head Business Development – Corporate Sector - North & South | shivam.bhatia@icraindia.com | 0124-4545803 |
| Naznin Prodhani | Head – Group Corporate Communications & Media Relations | communications@icraindia.com | 0124-4545860 |





© Copyright, 2024 ICRA Limited. All Rights Reserved.

All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable. Although reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies, while publishing or otherwise disseminating other reports may have presented data, analyses and/or opinions that may be inconsistent with the data, analyses and/or opinions in this publication. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.



ICRA

Thank You!