

# Green signal for green power

With thermal power projects facing environmental hurdles and coal-linkage issues, banks are increasingly warming up to project proposals from the non-conventional (solar and wind) energy sector.

What is prompting banks to take a good look at non-conventional 'green' energy projects, especially solar-based power projects, is that States such as Gujarat and Rajasthan are actively backing them.

An additional comfort factor for the lenders is that despite the relatively higher cost of solar power vis-à-vis conventional power, NTPC Vidyut Vyapar Nigam Ltd (NVVN), a wholly-owned subsidiary of power major NTPC, is willing to enter into power purchase agreements with solar power generation project developers to encourage clean power generation in the country.

Unlike earlier, when they used to receive project proposals for captive use (catering to the needs of a particular industry/consumer or group of industries/consumers for their own use), banks are now receiving projects of commercial scale (25-100 MW), say bankers. While the per unit cost of thermal power generation is Rs 2.50-3.00, for solar power it is Rs 12-15.

## **Payment security**

IL&FS and IDFC are actively syndicating loan proposals on behalf of solar and wind power generation project developers, said a senior public sector bank official.

“We are currently processing loan applications from three to four non-conventional power generation developers. What lends us confidence is that these developers, whose plants are connected to the grid, can bank on NVVN's payment security mechanism,” explained the official.

Lenders are now less inclined to bankroll conventional power projects as environmental clearances are hard to come by; in many cases, backward linkages to coal mines have run afoul of forest regulations; and imported coal has become dearer.

Moreover, with many State transmission and distribution utilities running up huge aggregate technical and commercial (AT&C) losses due to theft, non-billing,

incorrect billing, inefficiency in collection, and transmission and distribution losses, there is a question mark on their ability to pay the power producers

### **Capital subsidy**

According to Mr S. Rajendran, General Manager, Union Bank of India, depending on their credit rating, developers of non-conventional power generation projects are charged 13.5-15 per cent interest. The benefits that solar power generation project developers enjoy are that they have a payment security mechanism and some State governments are also giving them capital subsidy.

The Ministry of New and Renewable Energy, as part of the Jawaharlal Nehru National Solar Mission (JNNSM), is envisaging that 4,000 MW of grid-connected solar power projects will be set up in the next five years with a funding of about Rs 35,000 crore from commercial banks and financial institutions (Businessline 6-1-12).