

Performance of wind assets cools but solar projects avoid gloom

As much as 53 percent of monitored wind assets could not achieve their estimated capacity in the last three years, shows a report by CARE Ratings.

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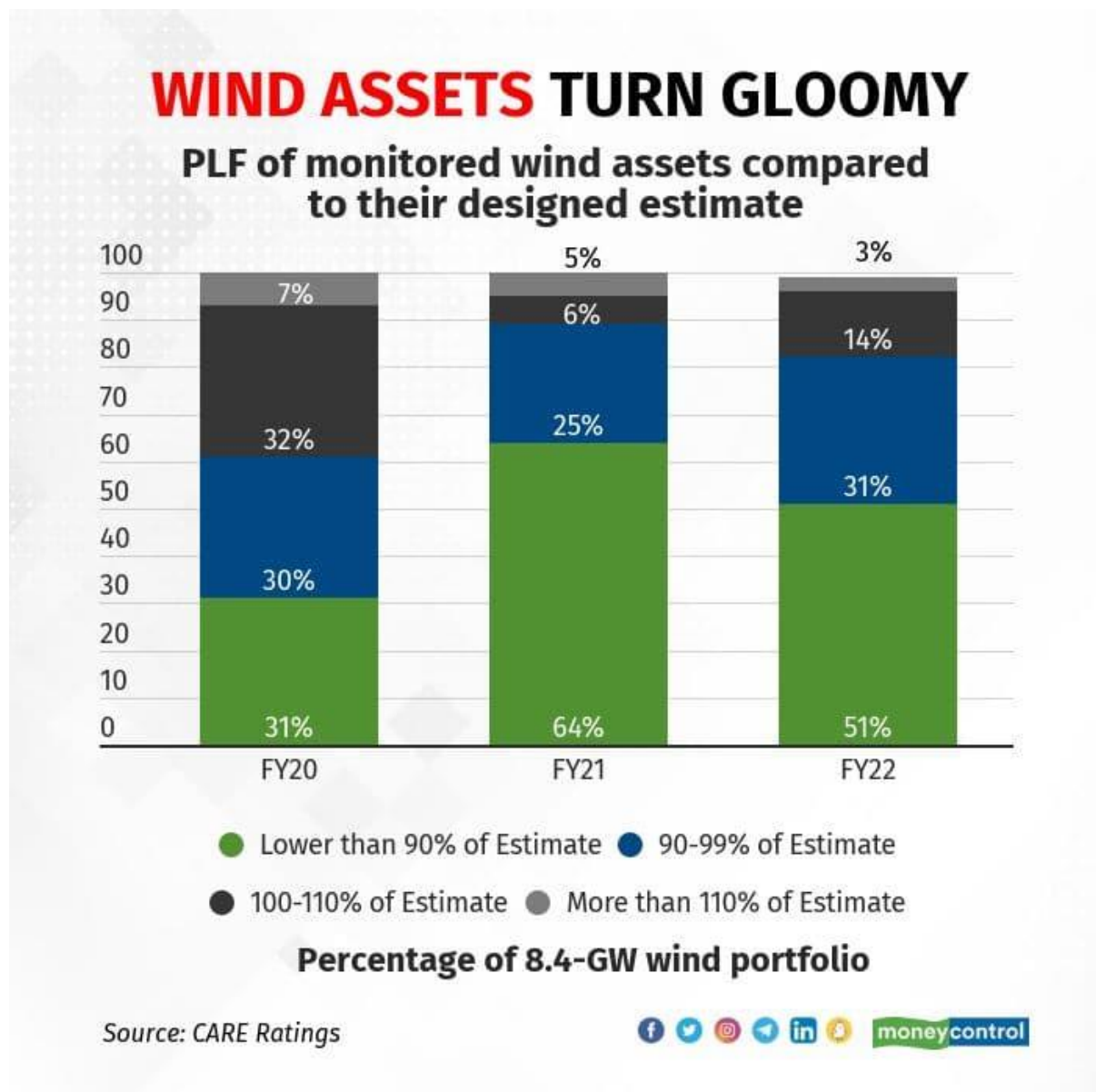
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The performance of wind power projects monitored across the country witnessed a significant decline in their plant load factors (PLF) between FY20 and FY22, according to a report by

CARE Ratings. Solar projects, on the other hand, showed stable performance over the same period.

According to the report, as much as 6.9 GW (82 percent) of the monitored wind assets reported underperformance vis-à-vis their designed capacity estimates in FY22. Meanwhile, the corresponding figure for monitored solar assets was 7.0 GW or 49 percent of the asset portfolio.



Around 53 percent of the 8.4 GW of wind assets could not achieve their designed estimates in any of the three years they were monitored for, underperforming by 4-15 percent.

Although around 31 percent of the 8.3 GW of solar assets operating for the period failed to achieve their full generation capacity in all three years, the extent of their underperformance was below 3 percent.

Lower wind speeds and grid curtailment in some key states was cited as the main reason for the underwhelming showing by wind projects. Andhra Pradesh and Tamil Nadu followed by Maharashtra and Karnataka saw the highest degree of underperformance of wind assets.

“The extent of grid curtailments, especially in the high-wind season, has been considerably high in Andhra Pradesh and Tamil Nadu. In 2021, the Appellate Tribunal for Electricity (APTEL) also passed an order to compensate developers for grid curtailments and issued strict directions against grid curtailments to all states. Whether the same is followed in practice will be a key monitorable going forward,” said the report.

Curtailment refers to the practice of reducing power production to balance energy supply and demand or stress on local grids when there is more electricity produced than they can handle.

Lower machine availability resulting from operating issues for projects using equipment from original equipment manufacturers (OEMs) has been cited as another reason for the underperformance of wind power.

On a positive note, the PLF for wind power projects has seen a recovery in all states, except Karnataka and Tamil Nadu, in FY22, after witnessing a decline a year earlier.

Despite the subdued generation performance, there has been limited adverse ratings movement for the sector.

“The entities in the sector have been supported by availability of adequate liquidity in the form of debt service reserve account (DSRA) and cash balances coupled with healthy financial flexibility and strong parentage,” said Rajashree Murkute, senior director, CARE Ratings.

“Consolidation and refinancing on account of benign interest rate cycles have aided companies in maintaining their credit profile,” she added.

The ratings agency has maintained its stable outlook on the sector due to adequate availability of resources and strong policy support from the government, along with the presence of creditworthy central nodal agencies as intermediary procurers.

However, the report also warns of some headwinds arising from regulatory uncertainty in key states, exposure to a high interest-rate regime and the poor health of most distribution utilities.

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