

ISTS waiver extension by two years: Necessary & timely boost for renewable IPPs

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Ministry of Power on June 21, 2021, announced waiver of Inter-State Transmission (ISTS) charges on transmission of electricity generated from wind and solar projects by another two years.

Under this announcement, solar and wind projects which will be commissioned up to June 30, 2025, no ISTS charges shall be levied. The earlier timeline for ISTS waiver was for the projects to be commissioned up to June 30, 2023.

The key beneficiaries of such a waiver are likely to be:

- Solar and wind energy projects which are delayed due to disruption caused by COVID-19 pandemic and other factors and were expected to be commissioned after June 30, 2023.
- Solar and wind energy projects where construction is yet to begin given delay in Power Purchase Agreements (PPA) /Power Supply Agreements (PSA) signing leading to execution timelines going beyond June 30, 2023.
- Pumped storage hydro and battery energy storage systems projects which were earlier not part of such waiver.

The order also waived off ISTS charges for renewable power that is traded on the power exchanges till June 30, 2023. This will enable increased trading of power from renewable energy sources which has not been the case so far and provide an alternative market to renewable IPPs.

Impact on solar and wind projects

The primary intention of this scheme was to enhance capacity addition in solar and wind energy through providing waivers on ISTS charges so that ambitious target of 175 GW capacity could be met by December 31, 2022. The said extension of waiver shall provide relief to all under implementation solar and wind energy projects and newly bid out projects as there have been delays due to disruption caused by COVID-19 pandemic. Also, the implementation schedules of under construction projects for already bid out capacity have been hampered. This is due to delays in signing of PPAs which in turn are getting delayed due to reluctance by various state discoms on signing back-to-back Power PSAs given the declining trend in tariffs. The said waiver benefit would also be passed on to the ongoing bids provided the projects are completed before June 30, 2025.

CARE Ratings view:

Given the current circumstances, this extension provides a timely boost to the renewable sector. The total capacity which would directly get benefited would be around 20 GW. The 20 GW capacity does not include 12 GW of module manufacturing linked capacity as they already enjoy the benefit of ISTS waiver. Given the extension in waiver provided to all ISTS projects, the advantage to module manufacturing linked capacity would be blunted to an extent. Also, the additional burden of the waiver would have to be borne by Central Transmission Utility (CTU) i.e., Power Grid Corporation of India Limited and the respective state distribution utilities.

Table 1: Aggregate capacity under ISTS Scheme which would get benefited	
Project Type	Capacity (GW)
Bidder out ISTS capacity under implementation	15
RFS Issued for ISTS projects	4
Expected tenders under ISTS route	1
Total solar and wind capacity under ISTS route	20

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