

# AP green energy imbroglio impacts deals, payout schedule

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Large green energy deals in Andhra Pradesh are hanging fire with prospective buyers introducing a condition precedent, saying that significant agreed-upon amount will only be paid once the issue of reopening of power purchase agreements (PPAs) by the state government gets resolved, said two people aware of the development seeking anonymity.

Not only has the move impacted the value of deals, it is also playing out on the payout schedule, with the dispute currently before the Andhra Pradesh High Court.

"Every buyer who comes to us makes this condition that a significant part of the deal value will only be released

once the issue gets resolved. These payout triggers have impacted the sale of our assets," said the chief executive officer of a New Delhi-based clean energy firm. The company has been trying to sell its projects since late 2018.

Green energy developers have been caught in a bind due to the Y.S. Jagan Mohan Reddy-led Andhra Pradesh government's decision to reopen renewable energy contracts signed by the previous N. Chandrababu Naidu government. "One can't blame the buyers as this is an extraordinary situation. It has now become a wait-and-watch strategy," said a chief executive of a Mumbai-based firm.

Andhra Pradesh has around 7.7 gigawatts (GW) of solar and wind projects, and is home to India's second-largest installed capacity of clean



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energy, accounting for around 10% of India's overall capacity, with investments of ₹60,000 crore. The state government is also expediting efforts to float India's largest solar tender for setting up 10 GW capacity to supply electricity to farmers,

which will require an investment of ₹35,000 crore.

Experts said honouring PPAs is non-negotiable in a rules-based regime.

"India's renewable energy sector has been seeing a lot of deal activity, both in terms of

consolidation within the sector and also new players (including overseas players) entering the sector through the inorganic route. Given the size of the renewable energy opportunity in India, a progressive policy regime and a credible contract enforcement structure would go a long way in not only channelling much-needed capital into the sector, but also enable bigger FDI (foreign direct investment)

inflows," said Rajesh Ivaturi, partner, power and utilities, EY India.

India is seeking additional clean energy investment of around \$80 billion by 2022 and, subsequently, around

\$250 billion during 2023-30.

"While the GoI (government of India) is doing well on the former (progressive policies), they need to come up

with stronger measures on the latter to improve confidence among investors," Ivaturi added.

With 5.2 GW of solar and wind energy projects with an estimated debt exposure of over ₹21,000 crore in Andhra Pradesh hanging fire, the central govern-

ment has pitched in to set up an Electricity Contract Enforcement Authority to ensure that conditions in PPAs are followed, through draft amendments to the Electricity Act, 2003.

## LEGAL TANGLE

**THE** state govt had decided to reopen renewable energy contracts signed by the previous regime

**FIRMS** looking to buy projects in AP say any deal will be conditional on HC resolving the issue