



NATIONAL SOLAR ENERGY FEDERATION OF INDIA

Regd. No. 362 / IV of 8 May, 2013

भारतीय सौर ऊर्जा महासंघ

पंजीकरण नं 362 / IV - 8 मई, 2013

**Ref: NSEFI/GoUP/21-22/2
15.05.2021**

**Pranav R Mehta
Chairman**

**To,
Shri Yogi Adityanath
Hon'ble Chief Minister
Government of Uttar Pradesh**

**Subject: Uncertainty in auctioned solar projects in Uttar Pradesh – Request
your kind and urgent intervention.**

Reference: RfP No. 05/UPNEDA/Grid Connect/RfP/2019 published on dt. 17.09.2019

Dear Shri Yogi Adityanath ji,

Greetings from National Solar Energy Federation of India. NSEFI is an umbrella organization for solar energy stakeholders in India representing companies active along the whole photovoltaic value chain: project developers, manufacturers, engineering companies, financing institutions, and other stakeholders. NSEFI was founded in 2013 by solar energy industry leaders with the vision to promote solar energy.

At the outset we would like to congratulate you for your leadership in leading Uttar Pradesh in becoming one of the most industrious states in India. We would also like to commend the government of Uttar Pradesh for their efforts to boost the economy of the state by welcoming FDI and it is with your support that impact on the renewable industry was limited during the COVID-19 pandemic. As an association representing solar companies in India, many of our members have built and are in process of building small, medium and large-scale solar

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plants in the state of Uttar Pradesh to help the state reach it's target of 10,700 MW.

We are writing this letter to bring to your kind attention the challenges being faced by our members (solar developers) in the state of Uttar Pradesh. Some of members participated in the UPNEDA Phase-4 e-reverse auction bid conducted on 11 February 2020 and secured capacities to install solar projects in the state. While in the subject Request for Proposal (RfP) referred as Ref. no. (1) above, wherein, inter alia it was specified that **LOI was expected to be issued within 94 days of the e-reverse result, however until date our member have been struggling to receive the Letter of Intent (LOI) for a period of more than 12 Month since the auction date** and our members have been asked to extend the validity of bid Earnest Money Deposit – Bank Guarantee (BG) thrice.

Since the completion of the reverse auction process, our members have been keenly waiting for the issuance of LOI from UPNEDA and Power Purchase Agreement (PPA) execution with Uttar Pradesh DISCOM so they could start the construction of their projects in full swing. Our members have been approaching UPERC, UPPCL, UPNEDA to raise this issue and requesting for the early issuance of the Lol but never received concrete response.

Significant impact on the developers:

- *Since the completion of auction, an abrupt instability in the prices of the raw materials essential for the construction of the projects is observed.*
- *There has been an abrupt increase in the prices of PV modules which are the main machinery of any solar power plant accounting up to 60% of the Capital Expenditure (CAPEX) and with excessive increase in the prices of steel and non-ferrous material required for the module mounting structures (MMS) making up 8% of the CAPEX costs.*
- *The abrupt prices of modules coupled with the scarcity of raw materials combined with price volatility is expected to erode the thin margins of project perceived during the time when tariff that was quoted in Feb 2020, causing revenue losses*
- *Capital costs will also increase due to delayed LOI issuance and PPA*

execution for these cash strapped developers during this pandemic time.

Grave threat to future investments and FDI in UP:

- At the backdrop of this delay in issuing LOIs, in some of the tenders that were conducted consequently **a reduced participation of international private players was observed**. These tenders were undersubscribed and the capacity was only secured by the PSUs. Additionally there was no significant drop in the tariff discovered from previous bids too (which was not the case in tenders conducted across the country).
- With delayed issuance of Lol and lack in ease of doing business in the state, private players who earlier had big plans to invest in the state are refraining from bidding in projects, considering the challenges being faced with respect to difficulty in statute clearances are already planning to move to other states, reducing government's revenue from GST.
- As you are well aware that the reverse auctions are considered a secured instrument by investors planning to invest in our country. Uncertainty and delays in these reverse auctions will raise new challenges to our members for bringing investments into the state.
- This delay is also intertwined with the risk of increasing regulatory uncertainty, which is prompting some of our members to take their investments away from the state of Uttar Pradesh. Some international investors are now forced to revisit their investment proposals to take into account such unforeseen risks involved in moving forward with their future plans.
- **This will pose a grave threat to the current and future investments in the state and will also leave Uttar Pradesh without the benefits low electricity tariffs from these investors.**



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Huge employment opportunities at Stake: Solar power projects support the state economics and bring in huge employment opportunities while giving clean electricity to the citizens. States like Karnataka and Tamil Nadu have been at the forefront of developing solar projects with large quantities and generated employment opportunities in their states which is very essential, especially during these covid times. The Uttar Pradesh DISCOMs are miles behind from achieving their RPO and RE installation targets and these delays and uncertainties are just making it tougher for the state to achieve its targets.

In this regard, on behalf of our members we would kindly request you to look into this issue of no-issuance of LOIs urgently and we request your kind and immediate intervention in ensuring that the LOIs and PPAs are signed at the earliest.

NSEFI and our members believe in your leadership, the potential of Uttar Pradesh and the development trajectory that will be possible with deployment of solar in the state and are willing to extend every possible support to make Uttar Pradesh India's Sunrise state.

Assuring your our best regards



Pranav R Mehta

Chairman, National Solar Energy Federation of India

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