

# Interview: Mytrah Energy's Bob Smith

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India's ambitious renewables goals makes the country's electricity market the "most exciting in the world," Mytrah Energy executive vice-president Bob Smith tells *IJGlobal*.

India's GDP has been growing at an annual rate of over 7% for the past three years and is forecast to continue to expand at the same rate in the years ahead. To keep up, electricity generation has been rising by an average of more than 6% a year since 2014, according to Power Ministry figures.

"India is fundamentally short of power, which creates a strong demand for power of all types," points out Smith.

The country will need 138GW of new power capacity over the next five years, with renewables representing 115GW of the new capacity, according to the [Central Electricity Authority's five-year power plan](#) for 2017 to 2022.

To meet that target, Prime Minister Narendra Modi doubled in February 2017 India's [solar capacity target to 40GW by 2020](#).

"Demand is huge on the back of strong economic growth and India is paving a new way to build up scale. The government targets for renewables are aggressive, which is very helpful for the industry," says Smith.

Mytrah Energy will be playing its part, according to Smith. "We are aiming to expand capacity from 1,119MW today to 1,700MW by mid-2018."

## The race to record low tariffs

Modi's federal government has promoted reverse auctions at both the national and state level to sustain the momentum and, as a result, tariffs have been falling to record lows. In May, tariffs fell to the lowest yet, to Rs2.44 (\$0.038) per kWh at the Solar Energy Corporation of India's 500MW Bhadla reverse auction for a park in Rajasthan being developed by Infrastructure Leasing and Financial Services.

Several factors are behind what appears to be a race to the bottom. "The conditions around auctions can vary, which has a big impact on the tariffs which are bid. For example, land can sometime be provided, which reduces the risk and hence the required returns, driving down tariffs. We only bid into situations where we feel we can get a return in line with our existing business," says Smith.

Some hurdles also remain. One major obstacle is that state electricity distribution companies (discoms) have taken to attempting to renegotiate outstanding power purchase agreements, although Smith is of the opinion that there is less than meets the eye.

"Noisy attempts at tariff renegotiations by the discoms are just a market dynamic. There has not been and will not be significant retroactive change in tariffs," he says.

Another concern has been late payments by the discoms, although the backlog appears to be clearing. "The discoms do delay payments but they never default, and they eventually settle, with interest. The banks and investors are over estimating the risk that discoms present," according to Smith.

## Potential ahead

India is set to add solar capacity of 8.8GW in the year ending March 2018, and plenty of opportunity lies ahead for potential foreign entrants, Smith says. One is the heavy debt burden of many Indian developers, which has left them scrambling to raise fresh capital.

"For a foreign developer to enter the market now, it would have to have a substantial advantage over the incumbents. Access to capital could be one such advantage," says Smith.

Entering the Indian market via acquisitions may be less attractive, however. "The M&A valuations in the sector are very high right now, relative

to the cost of building new assets ourselves,” according to Smith.

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