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CMD Interview with Kxchange





Interview

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What is REC's current exposure and future plans regarding renewable energy financing, and how does the organization intend to expand its portfolio in this space?

REC has been a key player in India's electrification journey, leading initiatives like DDUGJY and SAUBHAGYA for last-mile connectivity to every Indian. As a nodal agency for RDSS, REC contributes to improve health of DISCOMS and to ensure quality, reliable power supply nationwide. With the country moving towards a cleaner and green future, REC has positioned itself as a leader in driving India's energy transition:

- » REC has a renewables loan portfolio of 38971 crore by FY 2023-24 end, which is about 8% of total loan book.
- » In line with the country's energy transition goals, REC as a leading financier in India's power sector targets improve its green finance loan portfolio to 30% of total loan (i.e. about Rs. 3 lakh Crore) by the FY 2030 from current level.
- » REC has sanctioned ~Rs. 1,36,516 Cr. renewables projects during the FY 23-24. REC's renewable energy sanction has seen an astonishing 533% Y-o-Y growth, while overall sanction has grown by 34% Y-o-Y. Over the next few years, REC aims to maintain its push towards renewables sector. The

sanction growth shall be reflected in company's loan book in the coming years.

- » REC has hosted Green Finance Summit in July'23 on the side lines of India's G20 presidency and signed MoUs worth Rs. 2.85 lakh Cr with various developers of green projects. The commitment made is likely to bring significant financing opportunities.
- » REC is financing the entire renewables vertical which includes Solar & its Module manufacturing, Wind & wind turbine, Hybrid, PSP, Green H2/Ammonia, E-mobility, etc.

REC has recently been appointed as the National Program Implementing Agency for the "PM Surya Ghar: Muft Bijli Yojana," a scheme launched by the Hon'ble Prime Minister in Feb' 2024. The scheme aims to install rooftop solar systems on 1 crore households, targeting a total capacity of 30GW with an allocated budget of Rs. 75,021 crore. This scheme is anticipated to play a pivotal role in the nation's energy transition while aiding households in reducing their electricity bills.

With the increasing focus on domestic manufacturing of solar cells/modules, how does REC view the financing opportunities in this sector, and what role does the organization aim to play in supporting such initiatives?



Government of India has initiated the Production Linked Incentive (PLI) Scheme with a budget outlay about Rs. 24,000 Cr to boost the domestic manufacturing of High Efficiency Solar PV Modules at GW scale. REC has strategically positioned itself to capitalize on the growing focus of GoI on domestic manufacturing of solar cells and modules. As the sector gains momentum, REC views the financing opportunities in this area as substantial and multifaceted. During FY 23-24, REC sanctioned projects amounting Rs. 21,565 crores for domestic manufacturing of solar modules. These projects includes financing for new Solar PV modules manufacturing facility, upgrading existing facilities and also financing for Integrated Ingot-Wafer Cell Module Manufacturing.

What is your outlook for the power sector in India, and how does REC envision its role in driving sustainable growth and development within the sector?

The power sector witnessed a remarkable surge in 2023-24, with all around performances from all the stakeholders involved. The total power generation reached 1738 BU, marking a 7% Y-o-Y growth. Total installed capacity stood at 442 GW by FY end with 243 GW of thermal 8 GW nuclear and 191 GW renewables capacity. The Peak electricity demand met continued to increase consistently over the years and reached all

time high of 240 GW in Sept'2023. CEA further projected peak demand to reach 256.5 GW during the FY 2024-25.

To achieve the target of 500 GW of installed power capacity from non-fossil fuel sources by 2030, an additional 296 GW of renewable energy capacity and 7 GW of nuclear capacity is expected in line with CEA optimal mix report. Even though the majority of new generation capacity is expected to come from renewable sources, to meet the demand surge and support country's economic growth in near terms adequate coal capacity addition will also be essential. This anticipated growth in country's electricity generation segment is poised to catalyse substantial investment. The required augmentation and expansions in existing transmission and distribution infrastructure will also attract significant investment. REC as a leading financier in the country will play its part to drive the sectors growth and development momentum by financing the entire power sector value chain viz. generation, transmission & distribution and most importantly the renewable energy sector.

What are some of the unresolved challenges or issues that REC perceives in the power sector, and how is the organization addressing these challenges to ensure the sector's sustainable growth?

Power distribution is the final and most crucial link in the electricity supply value chain which is directly connected to the consumers. Over the years, distribution sector has faced various challenges like unreliable power supply, high AT&C losses, old and overloaded network, low cost recovery, low consumer satisfaction, etc. resulting poor financial health of Discoms. Recently in last few year, the distribution sector has received greater attention and various reforms measures/ Rules have been notified by Ministry of Power, GoI for improving financial viability of distribution utilities and equipping them to provide 24x7 reliable & quality power to consumer.

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Government initiatives, including DDUJGY, SAUBHAGYA & RDSS have resulted in transforming the sector. AT&C losses are coming down, ACS-ARR gap are being reduced, DISCOMs are gradually clearing overdue payments to generation companies, and all are indicating major improvements. REC as a nodal agency for DDUJGY, SAUBHAGYA and nodal agency for few states for RDSS, has contributed majorly shifting this tides of changes.

India's renewable energy sector has struggled with a heavy reliance on imported components, including solar cells, modules,

wind turbines, and inverters. To address this, the government has introduced the Production Linked Incentive (PLI) Scheme, allocating a budget of Rs. 24,000 crore to boost domestic manufacturing of high-efficiency solar PV modules. REC is contributing to this initiative by offering financial support for the domestic production of solar PV cells and wind turbines.

What are the emerging trends and developments in renewable energy open access, and how are they shaping the transition towards a greener energy landscape?

Indian Government has a major step by adopting the Green Energy Open Access Rules, 2022 for promoting generation, purchase and consumption of green energy including the energy from waste-to-energy plants through open access. MoP has notified Grid Controller of India Limited as Central Nodal Agency to operate Green Open Access Registry portal. The Green Open Access is allowed to any consumer and the limit of Open Access Transaction has been reduced from 1 MW to 100 kW for green energy, to enable small consumers also to purchase renewable power through open access. Under these rules, consumers can engage in open access by setting up their own RE plant, entering into a power purchase agreement (PPA), procuring green energy from power markets, purchasing from DISCOMs. These Rules have streamlined the overall approval process for granting open access. To enhance the RE adoption, GoI has set Renewable Purchase Obligation targets for DISCOMs and progressively increasing these targets from 29.91% in FY 25 to 43.33% by FY 2030. Consumers to be given Green Certificates if they consume green power. This rules is expected to bring down the power cost significantly and also expected to contribute to the country's energy transition goals.