

 **POWER**

12 April 2021

**Expert meeting takeaways – Spot market to take off**

We hosted Arun Kumar, CEO of Kreate Energy, a top 3 player in the Indian power trading market. Mr Kumar has over two decades of experience in the power sector. Key takeaways:

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**Electricity spot market volumes to take off:** Growth in electricity demand, relatively slower generation capacity additions and recent forced plant shutdowns have led to a sharp increase in volumes and prices in the spot market. As more trading products are offered by exchanges (currently just 3 vs. over 50 offered by exchanges in Europe), participation should improve. Restrictions on open access customers through various charges by states also act as an impediment. Supply to the market will increase further when current restrictions on trading renewable energy certificates (REC) are lifted.

**Discom reform announcements positive but implementation key:** Poor financials of power distribution companies are the biggest challenge for the sector. Government policy announcements are positive but implementation holds the key. Efforts should be toward turning larger lossmaking discoms around – if successful, this can be replicated in other regions. Steps such as having a legal member on the State Electricity Regulatory Commissions (SERC) would make it tougher for states to sidestep regulations.

**Solar challenges:** Solar PPA signing has slowed due to challenges faced by many states in managing renewable intermittency (power fluctuations). The increase in duties on solar modules also poses a challenge as this will raise costs even as the quality of Indian modules is yet to reach the levels of imported modules. Meeting renewable portfolio obligations (RPO) has also become a challenge after trading in RECs was barred by the authorities.

**Electricity Act 2021 and other regulatory steps positive:** The government is likely to table the Electricity Act 2021 bill in the next parliament session. This coupled with CERC resuming activities after being stopped by the Supreme Court should help in the resolution of various issues.

**Opportunities in capex-light segments:** Historically, companies investing heavily in the power sector have been unable to perform well. Instead, players that use technology and analytics will benefit from the emerging trends.



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