

# Financing Wind Power Projects

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# Financing Wind Energy Projects – by IREDA

- \* Rich experience of more than 24 years with innovative project financing.
- \* Played key role in development of the Sector in the Country across all wind regime states.
- \* IREDA, played a key role in market development of Wind projects in the country during 1993-2000, by showcasing success stories to the commercial banks & financial institutions
- \* Availed Lines of Credit from various multilateral agencies for financing RE projects.

# Financing Wind Energy Projects

Five years ago	Presently
Recourse financing	Non recourse financing
Project viability based on IRR and DSCR	Project viability based on DSCR
	Funding of DSRM
Sole financing	Sole financing / Co-financing
Fixed repayment	Fixed / Structured repayments
Repayment period – 10 years	Upto 12 years
	IREDA assesses the project based on P-75 with sensitivity analysis

# Financing Wind Energy Projects

Five years ago	Presently
Upfront additional interest for creation of mortgage of Project (revenue) land time	Time is provided for creation of mortgage of Project (revenue) land with no upfront additional interest till the time provided
PPA to be submitted before release of disbursement	PPA to be submitted before release of last and final disbursement
	Funding Large Capacity IPPs in Co-financing / Consortium
	Funding Projects with REC mechanism
	Funding evacuation and transmission facility for wind energy projects
	Securitisation of renewables

# Financing, Lenders Perspective

- \* Source of Equity
- \* Promoters background of Project Implementation
- \* Wind Resource Assessment – Independent Third party assessment
- \* Land Clearance
- \* Evacuation Approval and related infrastructure
- \* Mode of Sale of Power
- \* Track Record of EPC Contractor
- \* Track record of off taker
  - DISCOM – in case of sale of power to DISCOM
  - Third party - Financial health of third party

# Financing, Lenders Perspective

Mode of financing	Lenders' concern
Sale of power at preferential tariff to DISCOM	➤ Timely payment from DISCOM and financial health of DISCOM
Sale of power at APPC tariff to DISCOM + REC	<ul style="list-style-type: none"><li>➤ APPC Tariff fixed or revised every year</li><li>➤ No visibility beyond 2017</li><li>➤ If RPO obligations is not enforced, demand for REC will substantially reduce</li></ul>
Sale of power under group captive/ third party	<ul style="list-style-type: none"><li>➤ Assessment of financial health of Third party/ group captive consumer</li><li>➤ Robustness of PPAs</li><li>➤ State Policies on Wheeling and Banking</li></ul>

# Present challenges in financing wind projects

- \* Low return on equity discouraging developers/ PE funds from investing in wind projects
- \* Present preferential tariff in many states are not sufficient to meet debt obligations even with structured repayment and longer repayment period
- \* Payment delays from DISCOMs
- \* Need for rationalisation of price for wind sector
- \* Mismatch in energy estimation and actual generation in large IPPs may expose lenders to repayment risk
- \* A visibility in REC price beyond 2017 will help lenders / FIs to finance projects under REC route and will also attract PE Funds in the sector



**Thank you  
for your kind attention**

**IREDA, New Delhi**