Challenges & The Way Forward to Improve Energy Access in India

Roundtable on Solar Energy Policy
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JNNSM – Issues with Approach

• Stated intention of priority to the poor not reflected in the amount of subsidy committed (< 7%) – Prayas EPW Article (Mar 2010)

• Overall target of 20 million systems by 2022
  – No clear plan on how this will be achieved & no targets specified for each phase

• Multiple channels for subsidy flow
  – Use of banking network based on experiences in Karnataka and UP
  – Not clear on the intermediary role/value add of NABARD
  – No incentives for bank engagement
JNNSM – Issues with Approach

• Flexible scheme – instruments which can be tailored
  – Unreasonable benchmark price - did not account for the transaction cost of serving the needs of a remote location
  – Specific system configurations meant a shift towards standardization as opposed to customization

• Accreditation process for partners
  – Standard frameworks for accreditation, which rated long term players in this space lower than new, but financial stronger players
  – Start-ups were at a disadvantage although the policy refers to measures to encourage and support such start-ups

• Additional incentive instruments – RE Voucher/Stamps, etc??
JNNSM – Implementation Issues

• Unreasonable benchmark price posed problems
  – Either supply poorer quality systems within notified price, OR
  – Banks needed to offer 2 loans for systems above notified price, one at subsidized interest rates for the amount as per the notified price and the balance at regular interest rates

• 20% margin money high in some cases

• Significant delays in release of subsidy from NABARD
JNNSM – Impact

• Initial confusion on implementation issues led to a dip in a well functioning market like Karnataka
• Banks unwilling to process 2 or more loans for the same system due to transaction costs
• Proposed 10% drop in benchmark price in April 2011 postponed due to poor uptake?
• Despite the switch to a pure capital subsidy and release of subsidy in advance from NABARD, banks still appear reluctant
• Business as usual in states where activity existed prior to NSM and challenges to generate bank interest continue in new states
• AR 2012 indicates 26,264 SHLS, 18,583 SL and 32,826 lanterns added; 90% SLHS & 70% SL working
JNNNSM – Impact
JNNSM – Way Forward

• Develop a detailed road map and specify phase wise targets for home lighting systems as well
  – REWG & AC to help develop the roadmap
  – Work to create an appropriate environment on the supply side - Incubation
• Define NABARD’s role, build implementation capacity and develop clear guidelines for subsidy release
• Incentive to banks where such lending is considered under priority sector
  – REWG & AC have provided inputs in this regard to the Nair Comm.
• Need for strong monitoring & evaluation structures
• Pay attention to the R & D needs for this space as well
Thank you!

Hari Natarajan
hnatraj13@gmail.com