

A NEW DAWN. IT IS TIME TO BASK UNDER THE POWER OF THE SUN

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A new dawn. It is time to bask under the power of the sun PREMIUM

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Will the recent policy incentives for rooftop solar trigger an increase in its adoption by consumers?

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Bright idea: Rooftop solar is a win-win solution for your home and the earth | Photo Credit: PERIASAMY M

Imagine the feel-good factor a rooftop solar can bring to your family when your power bill begins to register a sharp fall. In fact, in the years to come, there may come a time when energy from the sun will power all your energy needs. Hold this thought for a moment and then consider going in for your own rooftop solar panels. The Central government's recent decision to up the subsidy for such installations and simplify the application process comes as an added incentive.

The Ministry of New and Renewable Energy (MNRE) enhancing the subsidy for residential solar projects is seen as a positive step by experts. The incentive is designed to reduce the financial burden of installing solar systems and can offset the initial costs, thereby shortening the ROI (return on investment) period.

Says Anurag Garg, CEO, (Solar Modules and Products) Jakson Group, "The recent drop in solar module prices is a positive development for the industry, potentially leading to increased adoption rates. The cost of solar panels and related technologies have seen a downward trajectory, which is a key factor in making rooftop solar more accessible and economically viable for a wide range of consumers."

The rooftop solar sector in India has been experiencing growth, contradicting the earlier perceptions of sluggishness. According to Mercom data, in Q3 2023, India added 431 MW of rooftop solar capacity, an 11.4 per cent increase compared to Q2 2023. This positive trend is largely attributed to the reduction in capital expenditure costs, making solar installations more attractive and feasible.

The revised subsidy scheme offers a central financial assistance (CFA) of ₹18,000 per KW for residential solar rooftop projects between 1-3 KW. This substantially reduces the initial cost barrier for the average consumer. The hike in subsidies — from ₹7,294/KW to ₹9,000/KW for systems between 3 KW and 10 KW — also serves as a substantial boost, particularly for larger installations.

Jay Waghela, CEO, Distributed Solar, Fourth Partner Energy, says, "MNRE has strategically enhanced the subsidies for smaller rooftop units below 10KW while discontinuing with subsidies for rooftop units exceeding 10 KW. This move will help discoms in reducing their revenue gap resulting from subsidised power to residential/agricultural consumers. The key to greater adoption... is digitisation of the process spanning from application for rooftop solar to disbursement of subsidy and timely disbursement of subsidies by the implementing agencies."

Adds Waghela, "After two years of high solar module prices, the prices have started to soften from March 2023 and are now 50 per cent lower from the peak we saw in 2021. There is an increase in the number of enquiries as well as closures from corporate clients in the last six months; even the residential segment is buoyant."

Changing narrative

Imported modules are still cheaper than domestic modules, despite 25 per cent duty being levied on imported modules. The production linked incentive (PLI) scheme is expected to change this, with integrated module units expected to come up in India over the next 2-3 years. Domestic module manufacturers have benefited from the growing demand, mainly from the US, due to the restrictions on module sourcing from China. "In India, rooftop solar projects have historically lacked the level of policy support that large-scale projects have enjoyed. Net metering, a pivotal strategy for stimulating the rooftop market, wasn't widely adopted by discoms. However, there's a shift now, with states like Gujarat and Kerala beginning to auction rooftop solar projects, leading to higher growth in the residential sector. This progress comes after spending considerable time educating consumers, who perceive rooftop solar as expensive and are wary of its complexities," says Raj Prabhu, CEO at Mercom Capital Group.

According to Prabhu expectations are high for solar installations in India in 2024. This optimism, he adds, is based on the market remaining stable and free from unforeseen policy changes that could disrupt this growth trajectory.