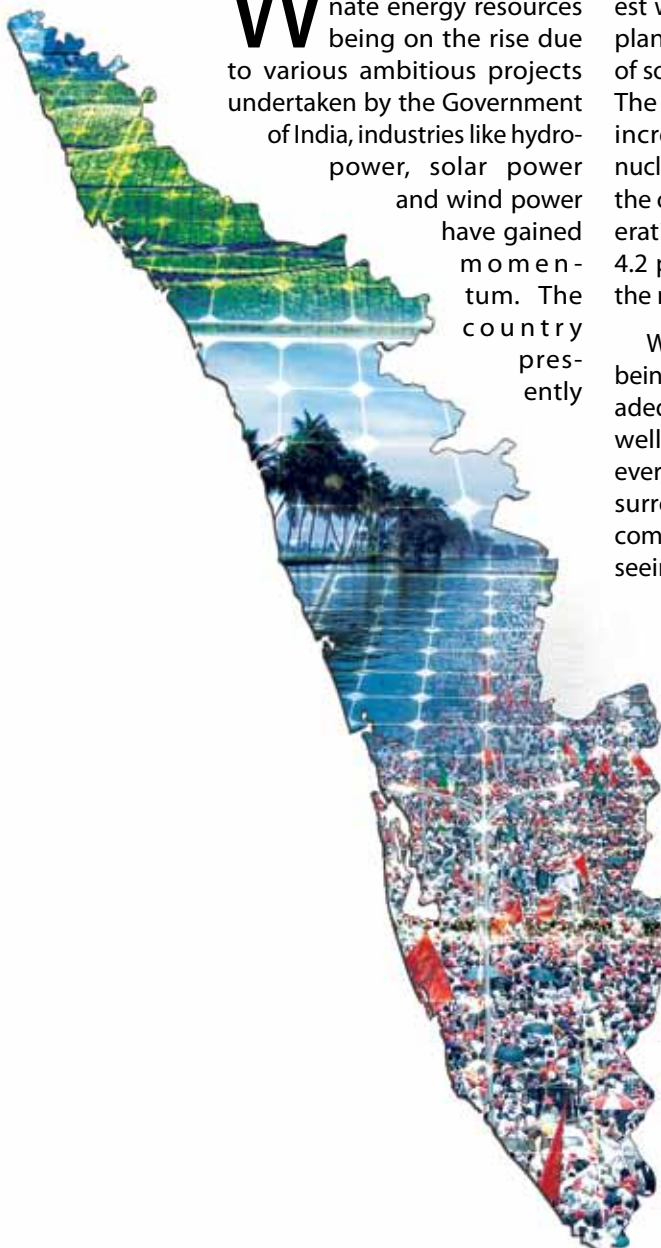


# Kerala Solar Scam

## And its Impact on the Renewable Industry

Authored By -George Mathew  
and Sambuddha Sengupta



**W**ith the demand for alternate energy resources being on the rise due to various ambitious projects undertaken by the Government of India, industries like hydro-power, solar power and wind power have gained momentum. The country presently

possesses the world's fifth largest wind power market and has plans of adding around 20 GW of solar power capacity by 2022. The government also plans to increase the contribution of nuclear power, which would help the overall electrical power generation capacity to go up from 4.2 percent to 9 percent within the next 25 years.

With the onus on solar energy being so high, it is important that adequate steps are taken for the well-being of the sector. However, with the recent controversy surrounding a fraudulent solar company in Kerala, the sector is seeing red.

by the ministry and the Agency for Non-conventional Energy and Rural Technology (ANERT). So, the cost of a 1KW solar power project would be between INR 78,000 and INR 97,000 after subsidies.

### The Kerala factor

In the state of Kerala, the craze with solar power increased once the state government announced its plans of installing 10,000 rooftop solar power units within the year 2013. The entire project targeted the production of 10 Megawatt (MW) of power in the state. Furthermore, the power generated during the day was meant to be reused by house owners according to their need with the help of batteries.

### The pros and cons of a solar project

A home-based solar project capable of generating 1KW of power costs approximately INR 1.70 lakh without subsidies.

The approximate subsidies could be rounded off to about INR 92,262, of which the Central Ministry contributes about INR 53,262 and the State Government another INR 39,000. However, this is applicable only to projects empanelled

The ANERT report stated that the solar projects needed 12 square meter of space to set up the panels and more than 100 units of power could be generated per month with the help of this. The basic idea was to reduce the consumption of one crore units of power from the Kerala State Electricity Board network per year by setting up solar power rooftop projects. These plants would also have the ability of replacing invertors, which consumes up to one to two units of power every day.



Under the patronage of

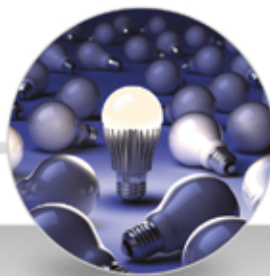
H. H. Sheikh Maktoum bin Mohammed bin Rashid Al Maktoum, Dubai Deputy Ruler



**MIDDLE EAST**  
ELECTRICITY

11 -13 February 2014

Dubai International Exhibition Centre, UAE



# Doing Global Business the **POWER** of Good



Expose your brand to 19,000 international buyers  
at the world's leading power event

Book your stand now

Co-located With



Strategic Partner



Supported By



[www.middleeastelectricity.com](http://www.middleeastelectricity.com)

A total of 15 companies were selected for the implementation of the project initially. But the huge window of opportunity thus created encouraged various private players to enter into the market, making the solar power industry competitive. The state government had also been planning to pass a law making installation of solar power systems mandatory for all the houses in Kerala with floor areas above 2,500 square foot. According to estimates, the number of such houses could have been somewhere around 15 lakh. With the average capacity solar power system costing around INR 200,000, the volume of money involved was huge and therefore the risk factor was huge.

## The scam

The story about the scam, as it unfolded, makes an interesting read. A city-based fraud company used the charm of two women to establish high-profile political contacts with links even spread to the Chief Minister's office. Once the contacts were established, the company used these names to rope in consumers and duping them by offering to install solar power units for their homes. The amounts laundered climbed up to as much as crores of rupees. What made the scandal even bigger was the fact that the women involved in this plan were in touch with the Kerala Chief Minister's secretary.

The extent of involvement was such that on one such occasion, the fraud lady took a potential victim – whom she later defrauded INR 40 lakh – to the Chief Minister's office, where the secretary assured him that the solar energy scheme had the support of the government. They even produced letters issued by the Chief Minister, impressing the victims with telephonic conversations and direct meetings with influential aides of the Chief Minister including his secretary. They even arranged for interviews with Oommen Chandy, Chief Minister of Kerala.

The current estimate of the total amount laundered in this scam is at least INR 10 crore. Even though the scam is not that big in terms of the total amount of

money involved, but it is big in terms of the implicit collusion of government authorities. The net result – a small private firm was able to take advantage of retail investors investing in a growing industry. The significance of this scam is even greater because of the increasing popularity of the non-conventional energy in the context of the soaring power needs of Kerala. It could also be seen as merely a prelude to a larger scam which did not happen due to timely intervention. Had the actual perpetrators gone ahead implementing their plan to its full capability, the implications could have been large.

## People arrested

The contact with the Chief Minister's office was only proved after the main accused was arrested on June 3, 2013. It was revealed that three of them were in close contact with the main accused. While one was arrested, the other was suspended and the third simply vanished.

## The effects

Even though the sum laundered, according to the claims made, was at least INR 10 crore, the damage done to the fast growing industry is immense.

Industry insiders point out that solar energy had recently emerged as a sunshine industry due to the high level of public awareness about green energy and government support. However, in wake of the recent scams a certain stigma has been associated with it. Some companies even had difficulties finding office space with building owners suspecting foul play.

Kerala's draft solar energy policy is meant to generate 500 MW of solar energy by the year 2017. Moreover, last year's monsoon failure, increasing power tariffs and this summer's long power cuts have given a huge boost to solar energy demands.

In February 2013, the Union Minister of Non-conventional Renewable Energy Farooq Abdullah announced the launch of a programme to set up 10,000 MW of roof-top units under the National

Solar Mission Plan. Although increasing the level of acceptance among people regarding the adoption of a new concept can be difficult, the response in this case had been overwhelming.

However, experts feel that revelation of the scam has essentially killed the prospects. It is also because of the scam that multinational companies are adopting the strategy of wait-and-watch before foraying into the market. Some of them are even shying away.

An industry insider says that solar business in Kerala has been deeply hit by this scam. The story has been more sensationalized with the involvement of media and the association of well-known names within the state.

Renowned multinationals like ISUMI, authorized by ANERT for solar installations, are also facing the pressure. Ever since the revelations, its sales enquiries have gone down by more than 80 percent.

Reports suggest that ANERT received around 200 calls on a single day from anxious consumers, most of them enquiring about the credibility of the agencies that are working on solar power installations.

The scam has also taken its toll on the registration process. Whereas during the first three months of the initiation of the project about 10,000 people had registered, there has been huge withdrawal since the exposure of the scam. Most people are withdrawing their application stating that the agencies in charge of the installation are private. Many have even withdrawn after the projects were finalized.

What is a little surprising is the fact that the state government does not have a clear picture about the number of private players operating in the sector and the possible quantum of power that can be produced or saved by using solar power. No present data is available with the state government and ANERT about the number of private players and their projects.

A few renewable energy experts feel







Renewable Energy India Expo  
12-14 September 2013  
India Expo Center, Greater Noida, India

Organised by



## ***Promoting a Democratic Industry Forum***



**Solar PV | Solar Thermal | Wind | Bio | Geothermal | Small Hydro | Energy Efficiency**



**Rajneesh Khattar | Project Director | M: +91 98717 26762 | E: [rajneesh.khattar@ubm.com](mailto:rajneesh.khattar@ubm.com)**

———— [www.renewableenergyindiaexpo.com](http://www.renewableenergyindiaexpo.com) ————

that the subsidy regime implemented on the solar panel installation has been one of the primary reasons behind this scam. According to them, such subsidy schemes help to create fertile ground for scams. They suggest the introduction of feed-in tariff to replace such schemes. It refers to the payments made to ordinary energy users for renewable energy generated by them. The tariff could be divided in two parts by the power factor regulator- one payable to the producer by the utility while the other by the government, either Centre or state.

## Steps taken to counter the damage

In wake of the solar scam, the Kerala Renewable Energy Entrepreneurs and Promoters Association (KREEPA) demanded a few steps to be taken by the government to ensure that such unwarranted incidents did not mar the growth of the solar power sector. One such step proposed was the strengthening of ANERT. According to them, the state's nodal agency for renewable power should have sufficient power and structural stability of dealing with the promotion of renewable energy within the state. Experts feel that the activities of ANERT, in spite of all the expert technical staff involved, continues to remain under-utilized. There are also plans of starting an awareness campaign in order to reach out to more consumers.

Senior industry officials say that the official website of ANERT keeps a list of the empanelled agencies updated on its website. They would also be uploading the names of the disqualified agencies in order to develop clarity among consumers. Three agencies were recently barred from participating in the process. Even though they will be allowed to complete the ongoing project, they will be barred from taking up new ones. ANERT also plans to strengthen its inspection committees that are running short of manpower. The committee presently headed by the Joint Technical Director of the agency plans to take more engineering graduates on contract basis. The Technical Inspection Committee will be checking each and every component of the solar project to ensure that they

match the prescribed technical specifications. Some district engineers will be randomly checking 10 percent of the projects inspected by the committee.

The committee has been focusing only on projects set up by the government. Site inspections have been completed as part of the primary assessment. Interestingly, only one agency from the state has been placed in the panel consisting of 25 firms selected for the Kerala project.

According to Aryadan Muhammed, Minister for Power, Government of Kerala, the state government is working on a proposal to introduce some restrictions on the sector. Presently there are no such guidelines governing the firms operating in the market and this situation needs to change at the earliest.

The Kerala government is also set to launch an awareness programme for the people who are interested in installing solar panels.

## What the future holds

Industries in charge of producing solar power within the state and facing issues related to the credibility crisis have asked the government to implement the solar policy as soon as possible. States like Gujarat, Rajasthan, Maharashtra, Karnataka, Jharkhand and Tamil Nadu have already implemented the solar policy, which will help to get a check on the rampant illegality. As far as Kerala is concerned, a draft has been framed but nothing has so far been materialized due to the revelation of the controversy.

The demand is also to have KREEPA as a consultant for the agencies with arbitrary powers in dispute cases with clients. KREEPA is aiming to make the state a model for others in terms of the use of renewable energy. For this, it has organized a meeting to discuss the solar scam fallout on the industry and to formulate a natural way out for the INR 200-crore market.

ANERT, which is the state government's agency for the support and implementation of schemes and projects in the non-conventional energy sector, has

not been properly empowered in this regard. The aim is to thoroughly scrutinize the new members as the state and its agencies try to add more credibility to KREEPA. The last state budget had proposed a 50 percent reduction in the residential tax for buildings with solar energy producing ability. One rupee power tariff reduction has also been proposed for every single unit of power produced using solar equipment. However, the plans have been put on hold and no further discussions have happened since then.

## Looking beyond

The scam could well be seen as yet another addition to the list of scams that have hit India. The damage done to the industry has been enormous. However, it is time that people realize that not all companies are fraud and there are many companies trying to do business genuinely. They have to understand that renewable energy is the future of India. While states like Tamil Nadu and Gujarat have been breaking boundaries in terms of setting standards for the use of renewable energy, Kerala has been dragged far behind. The dilemma of escaping the solar noose has been pushing them behind.

However, in order to come out of such a precarious situation, agencies like ANERT need to take some serious initiatives that would help regain customer confidence and ensure transparent dealings in solar panel installation ■



**Sambuddha Sen-gupta** Works with Netscribes, specialises in content development & planning



**George Mathew** is a Research Analyst with Netscribes