Expert Speak

Electric vehicles, smart meters and solar rooftops key focus areas for EESL

Reduced focus on LED lamps I Fan, AC procurement primarily for government buildings

We hosted a conference call with Mr Saurabh Kumar, Managing Director of Energy Efficiency Services Limited (EESL), the nodal government agency for bulk procurement of LED lamps, durables, electric vehicles, and smart meters. Our key takeaways:

Electric vehicles, smart meters and solar rooftops key focus areas over next few years; durables less so, given low offtake by consumers

- Electric vehicles, smart meters, and solar rooftops are the three areas EESL is targeting over the next few years – will involve capex of INR150b, of which INR100b will be for electric vehicles alone.
- EESL has reduced focus on durables (fans, air conditioners, tube lights), which have seen low offtake – low awareness with the end consumer about the benefits of energy-efficient products is a key reason for this.
- Agricultural pumps too have not picked up, since there was a problem with getting the "base date" for energy efficiency calculations. EESL has decided to go slow in this product category.

Reduced focus on LED lamps – prices near-bottom; enough players present in industry

- There are enough participants in the LED lamp market, and prices are down to ~INR38.6/unit. So, EESL will reduce focus in this segment.
- EESL procured ~130m bulbs in FY17, while the industry sold 270m directly – thus, 400m lamps were sold in the country during the year. For FY18, EESL has targeted procurement of 150m bulbs, of which it has already bought 60m; it will buy the balance in the next few months.
- Prices in the market are below INR100/lamp for most brands and there is already enough awareness of the product; so, EESL is happy to step back.

Durables (fans, ACs) rolled into 'Buildings Program'; EESL to procure only for central/state government buildings

- Fans, air conditioners (ACs) and tube lights have been rolled into the 'Buildings Program'. EESL is only targeting central and state buildings; it has identified a total of 6,000 such buildings.
- EESL will primarily focus on central and state government buildings for rolling out energy efficient fans, ACs and tube lights. The government has issued a notification to all central and state governments to use only energy-efficient products.
- **Fans:** EESL needs ~2m fans for government buildings. It has already procured ~1m and will procure the balance ~1m shortly.
- **Air conditioners:** EESL needs ~90k ACs for government buildings. It has already procured ~100k; so, it will not be procuring any more ACs in the near future.
- **Retail consumers not buying EESL fans and ACs:** This is primarily due to lack of awareness about the advantages of energy-efficient products and raising awareness is expensive. EESL has decided to implement this program only in government buildings.

Mr Saurabh Kumar
MD, Energy Efficiency Services (EESL)

Mr Saurabh Kumar has been EESL's Managing Director since May 2013. He is an Indian Revenue Service (IRS) Officer of the 1992 batch. An Electrical Engineer from IIT Kanpur, he also has a Master in Public Policy from National Graduate Institute of Policy Studies, Tokyo, Japan. He has worked in various capacities in Income Tax Department, Ministry of Power, and Bureau of Energy Efficiency (BEE). He was Secretary, BEE during 2007-2010.

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Smart meters – started with five states, but intends to cover all states; scope for prices to fall further

- EESL has finalized a tender for 5m meters – 4m for UP and 1m for Haryana for the replacement of existing meters. The intent is to have all 250m households across India on smart meters. Five states have come forward, and EESL will first roll out in UP and Haryana, and then take the project to the other states.
- With volumes going up and reverse auction, EESL expects prices to go down further from the earlier tender, which was won by L&T. L1 gets 50% of the orders; L2 and L3 get the balance at 30% and 20%, respectively at INR2,722/unit plus INR300/unit for the box.
- EESL will be paid based on billing efficiency – target to take billing efficiency from 80% to 100% – and not on collection efficiency.

Electric vehicles (EVs) – target is to replace 0.5m central government vehicles

- The central government has 0.5m vehicles and incurs INR35,000-40,000/month/vehicle for running them. EESL intends to replace these vehicles with electric versions. EESL estimates the payback for electric vehicles (costing INR1.2m including GST for a 130-km charge vehicle) at 6-7 years.
- The electric vehicles procured for the central government will be charged at charging stations in government offices.
- NTPC will be procuring 4,000 units of car charging stations – 3,000 units with 50-ampere plugs that will allow vehicles to run 80-100km after 6-7 hours of charging, and another 1,000 units of DC chargers that take only 40 minutes to charge. NTPC has received bids at INR400k-500k per charger.

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