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Discom loss to be counted as state fiscal deficit from fiscal 2019

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The move will ensure that states enforce efficiency improvement targets given to state-owned power distributors

Losses incurred by state power utilities will be counted as part of the fiscal deficit of the respective state governments from 2018-19.

The move will ensure that states enforce the efficiency improvement targets given to state-owned power distributors that are being bailed out under the debt recast scheme Ujwal Discom Assurance Yojna, or UDAY, power secretary Pradeep Kumar Pujari said on Tuesday.

“We have given states two years to turn around the distribution companies. After that, the losses incurred by power utilities will be accounted for in the fiscal deficit math of states, which would reduce their legroom for borrowing,” Pujari said at *The Economic Times* 3rd Annual Power Focus Summit.

The secretary said that this provision is part of the tripartite agreements that states sign with the Union power ministry and the distribution companies that are bailed out.

Under the debt recast scheme, states are taking over 75% of the outstanding debt of distributors as of 30 September, 2015. States will issue UDAY bonds, the proceeds of which will be used to retire old debt of the utilities.

These new bonds to be issued by states will have a five-year moratorium on repayment and only the interest payments would be included in the calculation of states' fiscal deficit as a percentage of gross state domestic product (GSDP).

States have a 3% ceiling on fiscal deficit.

However, going forward, distribution companies' debt will not be treated separately from that of the state after the two-year period during which utilities have to cut down inefficiencies and power theft and eliminate the gap between cost of power distributed and the revenue realized, said Pujari.

Power minister Piyush Goyal, who spoke later in the evening at the event, said the central government will keep a close watch on utilities meeting the performance targets.

“The agreements signed with the states specify the timelines and the reduction in losses to be achieved. The central government will monitor the work very religiously and those states that are sincere in serving their people will get full support of the central government, irrespective of political affiliations. I am sure more states including Kerala and Karnataka will join UDAY,” Goyal said.

The centre has also apprised state electricity regulatory commissions about the need for timely increases in power tariffs to assist the efforts of the distributors at making a turnaround.

“The debt restructuring of power distribution companies is a bold move. All remaining issues in the power sector have been addressed in the recently revised power tariff policy. The



crux now lies in the implementation," Banmali Agrawala, president and chief executive officer of GE South Asia, recently said in an interview.

So far, six states—Bihar, Rajasthan, Uttar Pradesh, Chhattisgarh, Jharkhand and Gujarat—have joined the scheme. Andhra Pradesh, Punjab, Haryana and Uttarakhand are also expected to join soon.

CERC issues regulations achieve clean energy target, sound grid operations

Business Standard: February 21, 2016

Advise Centre to ask states to execute energy accounting & implement availability based tariff.

Amid the Centre's push to pursue an ambitious renewable energy (RE) target of 175 GW by 2022, the Central Electricity Regulatory Commission (CERC) has taken a number of initiatives which are aimed to enable reliable and secure operations of large interconnected grid operations.

The CERC has notified regulations with regard to Deviation Settlement Mechanism (DSM) and Grid Code and Ancillary Services Regulations to support variable generation.

India's renewable energy target of 175 GW includes 100 GW from solar, 60 GW from wind, 10 GW from biomass and 5 GW from small hydroelectric projects, power minister Piyush Goyal said

An official from the power ministry, who was present at the Make in India Week conference last week, told *Business Standard*, "CERC has been instrumental in the creation of an enabling market environment through notifying regulations also on open access, inter-state transmission and point of connection tariff. These regulatory interventions will facilitate secure and reliable grid management and effective power market development. CERC also came up with a suo-motu order, charting out the roadmap for operationalization of reserve capacity."

Moreover, the CERC also released the Framework on Forecasting, Scheduling and Imbalance Handling for Variable Renewable Energy Sources (Wind and Solar). The Forum of Regulators (FOR), which is a representative body of central and state electricity regulatory commissions, will prepare model regulations for states on Forecasting, Scheduling and Deviation Settlement for Solar & Wind Generation.

The regulator proposes to amend the DSM Regulations after RE energy states demanded relaxing the deviation settlement norms stating that the deviation limit of 12% or 150 MW is likely to be counter-productive. Some of the states also approached the Centre with a plea that if relaxation in DSM norms is not provided, they would not be able to integrate such large scale RE power into the grid norms up to 2017. The official informed that CERC will relax the deviation settlement norms upto 2017.

Meanwhile, CERC has advised the Centre to issue an advisory to the states to execute detailed energy accounting along with procedures for DSM pool in the state as well as for implementation of availability based tariff (ABT).

The ABT, which is a frequency based pricing mechanism applicable for unscheduled electric power transactions, is concerned with the tariff structure for bulk power and is aimed at bringing about more responsibility and accountability in power generation and consumption through a scheme of incentives and disincentives.

Further, CERC emphasised the need for ring fencing the state load despatch centres (SLDCs) and a special scheme for capacity building of SLDCs



UPERC revokes its order to increase power tariff of unmetered consumers

Times of India : February 18, 2016

The UP Electricity Regulatory Commission (UPERC) on Thursday revoked its order slapping 10 percent increase in electricity tariff on unmetered power consumers till March end.

The electricity regulator, in December last year, had ordered for a 10 percent increase in tariff for consumers who did not get meters installed despite repeated reminders. The commission had insisted on 100% metering in a bid to rationalize the determination of power tariff scheduled to be announced expectedly in March.

Commission decision to revoke its order imposing higher tariff on unmetered power consumers would convincingly deprive the UPPCL of an increased revenue which the corporation seeks to get by bringing in the OTS scheme, essentially without due approval of the regulator.

"The OTS is otherwise a counter productive step that assists the defaulters and punishes the honest consumers," said a senior UPERC official.

State electricity distribution company staff to pay for delay in payment

Times of India: February 23, 2016

The Maharashtra Energy Regulatory Commission (MERC) has ordered the state electricity distribution company (MSEDCL) to recover interest from the salary of erring officers who caused delay in payment of dues to a customer as ordered by the consumers' grievances redressal forum (CGRF).

The MSEDCL will have to recover the dues of Rs 3 lakh from the salary of the officers it identifies and comply with MERC orders within three months.

The MERC in its order in January hit out at Mahadiscom for not complying with the orders of the CGRF. The company has challenged the orders in the high court but had not received any stay on the same.

"If MSEDCL had filed a petition in the Nagpur bench of the Bombay high court and if it was not stayed, then no harm would have been done to MSEDCL had it complied with CGRF directions in the stipulated time pending the filing of the case with the HC or its outcome. On the contrary, MSEDCL had to bear the brunt of Rs 3 lakh for willfull delay in compliance," reads the MERC order.

The order further states that the MSEDCL is directed to fix responsibility for the delay in compliance of the CGRF order, recover the amount of interest that has had to be paid from the salary of the concerned officers and report to the commission of the action taken within three months.

The case related to Shri Sant Gadgebaba Sahakari Sut Girni Ltd, Akola that had requested the Mahadiscom for separate feeder and accepted to bear the cost of Rs 8.32 lakh. The consumer also installed the meter at the cost of Rs 1.04 lakh and paid inspection charges of Rs 18,000 to the company. The line was made operational on April 13, 2013. However, the MSEDCL changed the tariff of the consumer from 'high tension non-continuous' to 'high tension continuous', which resulted in higher energy bills.

The consumer contested the decision of the MSEDCL in the internal grievances redressal Cell (IGRC) but they were not heard. The consumer, then, approached the CGRF, Akola, which on March 13, 2014 decided in favour of the consumer asking the company to return



to the consumer the difference in tariff, meter charges and inspection charges as well to the interest on the amount calculated at the rate of 9%.

The MSEDCL, however, did not comply with the order within stipulated time. In December 2014, it informed the consumer that it had filed a writ petition with the HC.

The consumer, however, challenged the MSEDCL action with the MERC on February 16, 2015 seeking compensation from the MSEDCL and also action against the officers for willful delaying of the refunds. The MSEDCL swung into action and paid all its dues by September 2015 and also reversed the tariff from continuous to non-continuous as sought by the consumer.

"But the MERC noted that there was willful delay in implementing of CGRF orders that have to be complied with in stipulated time frame as a result of which it decided to impose penalty under sections of 142 and 149 of the Electricity Act (EA) 2003 and hence ordered the recovery of interest from the officer(s) responsible," said Siddharth Varma, electricity activist from Nashik.

"We have been requesting the CGRF and the MERC to take action against the officers for non-compliance. We welcome the order and hope now more consumers will come forth to register their complaints with the relevant offices," Varma added.

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The twin problems that India's thermal power sector must overcome

The Economic Times: February 18, 2016

Not only is there a need to rapidly scale up generation capacities but also to drastically lower emission levels

Electricity generation is among the eight core infrastructure sectors of India. Its importance is evident from the "weight" that has been assigned to it. The sector carries a weight of 10.3 while steel comes next at a mere 6.7.

Also, thermal power generation accounts for about 65 percent of the total electricity generated in India. Coal-based plants account for the bulk of the thermal power capacities, followed by gas-based units. That is not surprising, given that India is third-largest producer of coal globally, and yet, is also the fourth-largest importer of coal.

India's need for importing such huge volumes of coal (it imports an estimated 30 percent of its coal needs, which helps meet at least 15 percent of power plant needs) arises, at least in part, from the fact that much of the coal produced in the country is of a relatively inferior grade. Only a small part of India's coal reserves is of the anthracite variety, with the rest being of the bituminous, lignite or peat genres. Even within bituminous, the higher-carbon grades preferred by the power plants, are less commonly produced.

That poses a dilemma for the coal-fired thermal plants-to either use sub-quality coal that leads to lower energy generation or import a sizable tonnage of coal at higher prices to mix and improve the overall output.

India has around 20 coal-fired thermal plants with capacities of 2000 MW or above while the average energy efficiency of these plants is a mere 32.8 percent, according to a study carried out by Center for Science and Environment (CSE) covering a total of 47 coal-fired power plants. CSC rated this efficiency level as among the lowest among the major coal-based thermal power generating countries, while also noting that the average CO2 emission of these plants was 1.08 kg per kWh, which was 14 percent higher than China's. The CSC



study also noted that efficiencies of some of the coal-based power plants were found to be as low as 16 percent.

Low plant efficiency not only leads to burning of more coal in the plants but also adds to the volume of CO₂ produced.

While there has been much concerted effort to increase generation of electricity from renewable energies such as solar and wind, the reality is that these capacities could take years to build. India has set a target to build 100 GW of capacities by 2022 at a cumulative investment of \$100 billion. However, India's grid-connected renewable power capacity, excluding hydel but including solar, is currently estimated at around 37,000 MW.

By comparison, thermal power is the mainstay of electricity generation in India. It stood at over 196 GW in 2015, of which coal-based capacities alone amounted to 171 GW. Also, Make in India program envisages addition of another 175 GW of thermal power capacity by 2022.

Thermal plants being the mainstay of power generation in India, there has been a crying need to raise efficiencies and energy output and also bring down emissions within acceptable limits. With the 2015 Paris agreement of global leaders on climate change, where India too has been a signatory, it has become even more imperative to accelerate a modernization program of power plants in the country. According to industry estimates, some of India's power plants emit up to 120 percent more CO₂ than the average emissions by plants in European countries.

To make matters worse, thermal power plants are also known to be the largest consumers of water among all the industries in India. According to a report by The Energy and Resource Institute (TERI), thermal power plants have historically accounted for 88 percent of water consumed by all industry sectors put together.

With rapid increase in India's thermal power generation capacities in recent years, not only the consumption of water by these plants has gone up but also their expenditure on water-related charges has risen considerably. This is despite the adoption of closed circulation based cooling systems that reduce the consumption of water. Clearly, there is ample of scope to use more advanced plant machinery to further reduce water usage and increase its reuse.

Last but not the least, maintenance costs for thermal plants can be quite high, especially in the case of units that are old. Moreover, legacy components in these plants can be prone to inefficient function and downtime, which adversely impacts the performance of the plants. For example, poor quality of boilers and air pre-heaters could lead to high levels of erosion, corrosion, oxide deposits or leakages.

All these, and many other related factors, are costly drags on the efficiencies of the thermal power plants, and consequently, also add to the environmental and social burdens. As India guns for its next 100 GW thermal power generation capacity-and more-it would need to make a conscious and planned effort to ensure that the growth is sustainable, not only economically but also from social and environmental standpoints.

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