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No threat of power cuts in TN this summer

The Hindu : March 29, 2016

Huge demand met through power purchase agreements

Tamil Nadu residents can breathe easy this summer, even if it is hot and humid, as they will not be 'powerless'. A few years ago, the State witnessed power cuts of more than five hours a day.

Even when the demand breached 14,500 megawatt on February 24 this year, the Tamil Nadu Generation and Distribution Corporation (Tangedco) was able to streamline supply without resorting to power cuts.

Power managers pointed out the reason for the 'turnaround' was the capacity addition through power purchase agreements, both long term and short term, for around 3,800 MW. A senior Tangedco official, comparing consumption between 2011 and 2016, said despite the huge increase in consumption of 30 per cent, from 220-240 million units (MU) to 320 MU (highest consumption of 327.015 MU on March 22 this year), the power utility was able to meet the demand because of capacity addition through power purchase pacts.

The official said the total installed power capacity, including renewable (wind and solar) and hydro in the State, was around 30,000 MW. Though the renewable energy component, at around 12,000 MW, could be termed as infirm and seasonal, and not counted in the total, Tangedco would be still be able to get a maximum output of 15,500 MW, the official added.

The official added that power production would touch 17,000 MW once the wind season begins.

At present, the power utility has a 'cushion' of around 2,000 MW in the State, he added.

UDAY scheme not people-friendly: Tamil Nadu power minister

Business Standard: March 29, 2016

Tamil Nadu Electricity Minister Natham R. Viswanathan on Tuesday came down heavily on union Power Minister Piyush Goyal and the Ujwal DISCOM Assurance Yojana (UDAY) scheme, which he said was "not people-friendly".

Reacting to Goyal's statement at a recent meeting in New Delhi that he was not able to meet Tamil Nadu Chief Minister J.Jayalithaa despite several attempts, he said: "Goyal forgetting himself and forgoing his respectable position had levelled a false charge that he was not able to meet the chief minister. He also said Tamil Nadu has not signed the MoU with the central government for implementing UDAY in the state."

Viswanathan said that the UDAY scheme would not benefit neither the state nor its people but only the private power producers and the banks.

He said Jayalithaa always believes that schemes are for the people and not people for the schemes.

Viswanathan said Jayalithaa had written to Prime Minister Narendra Modi on October 23, 2015 on how UDAY can be redesigned to benefit all the stakeholders but there was no reply from either him or Goyal.



He said that as per the scheme, the power tariff has to be revised upwards, based on the fuel price, every three months which is not people-friendly.

He said the central government should have reduced the coal prices if it really wanted to help the people, power distribution companies and the state governments instead of hiking it.

He charged the UDAY as a scheme with a short term view.

'Clearance hurdles hold up M&A in Power sector'

The Economic Times: March 28, 2016

Recovery in the Indian thermal power sector is slow and a decline in hydropower capacity addition is hurting energy security of the country, Tata Power chief executive officer Anil Sardana says. In an interview with ET's Rachita Prasad and R Sriram, he said several power companies are desperate to sell assets as they have equity locked in projects. While Tata Power recently called off a deal to acquire a power company, Sardana said more than valuation mismatch, lack of approvals from different stakeholders and government agencies are major hindrances to M&A activity in the sector. Excerpts:

What is happening in the hydro-power sector? Are things moving?

This country has seen depletion of hydropower portfolio. From 30% of total energy, its share has reduced to 17% and will fall to 15% next year, which is very low. European countries use gas-based power when renewable generation drops, but India doesn't have gas. It is the best option to compliment renewable energy sources. I wish the government started promoting hydropower again. High cost of capital hurts hydropower projects as states want cheap power only. Today, focus is on renewables sans hydro.

How are things moving on the ground now that the Uday (Ujjwal Discom Assurance Yojna) scheme for reviving ailing power distribution companies is underway?

Uday is a good scheme; it's cleaning up the financials of discoms to make sure that they don't pile up losses again. Uday does financial engineering for the good of discoms but they have to do their part too. They need better commercial management and fiscal discipline so that losses don't accumulate in future. If you dress up someone's balance sheet and P&L and give him more ability to take loans and by virtue of that buy power, it's a positive sign for generators and consumers. However, he has to collect money against sale of that power.

Private discoms are out of the purview of Uday right now but you have accumulated huge regulatory assets. Your comments?

Regulatory asset liquidation could have been done under the Uday scheme, but that's not been done or not being attempted because today the framework is largely talking about fiscal losses.

Are these still learning days for private sector power companies?

The power sector saw tremendous amount of investment in the last 10 years with large contribution by the private sector. Mines that were given to many projects have been cancelled. Their blocks are gone and tariff has not been revised. Then how would they sustain and service debt? A lot of projects that came up don't have power purchase agreements because states didn't invite bids. There is tremendous amount of locked equity among the private fraternity. Unless this is unlocked, incremental equity is going to be a challenge.

Are issue of stuck power projects getting resolved in some way or the other?



I haven't seen examples of that. Even gas pooling is more to bailout bankers because you can't run at 30% PLF and earn money for your own means, you can only earn for the debt to be serviced. Then at 30% PLF, the reported tariff is about Rs 4.60-4.70/unit and I don't see state electricity board having audacity to buy at those rates. They still have vital assets because it's not earning anything worthwhile. But from economics point of view, it's still a standard asset.

What is Tata Power's strategy in this environment?

We have identified four verticals and told our colleagues to keep scouting for opportunities. We will go for opportunities where we get clearances, can mitigate risk and see returns above our threshold. Our Indian team brings stranded project proposals which meet return thresholds and they don't have challenges but you need several condition precedents to be liquidated before a deal can actually close in your favour and we find that those do not get addressed. This is because of issues with several stakeholders connected with projects.

Meanwhile, some other deal happens internationally and we go ahead with that because it's moving faster. Of all of those deals which were announced in India in power sector in the last three years, barring two, no deal has closed. Stakeholders other than buyer and seller have a role to play, which includes lenders, which includes fuel transfers, which includes PPA transfers, and you need approvals from these entities and those approvals don't come. Valuation is not an issue; that gets decided; problem is with the stakeholders.

Regular power supply likely this summer

The Economic Times: March 30, 2016

Consumers can look forward to regular and cheaper power availability this summer despite ensuing elections in five states and less hydroelectricity generation, provided the debt-stricken state distribution companies are able to source electricity.

Industry experts said states will be easily able to meet electricity requirements this summer at low-cost despite ensuing assembly elections, given the power surplus position. Power tariffs generally go up in summer months and during elections due to a spurt in demand. Tamil Nadu purchased power at Rs 12.5 per unit during elections in March 2011.

Four states—West Bengal, Tamil Nadu, Kerala and Assam— and the Union Territory of Puducherry will go to polls in April and May. Power prices in short-term markets have been low at about Rs 2.30 per unit as new power generation and transmission lines have been added. Thermal power plants are generating only 62% of their installed capacity due to lack of demand from distribution companies.

Experts said that peak summer demand, coupled with elections in states, may bring some relief to the power plants by letting them operate at higher capacity. Dependency on thermal power plants is also expected to increase as reservoirs of most hydropower plants dry up by this time every year, they said.

Hydro power generation has been falling over the past two years due to deficient rainfall. Power generation from hydroelectric plants till March 20 was about 17% less than the same period last year.

Hydro power plants generated 12% less in February against the same month last year. Generation fell 5% between April 2015 and February 2016 compared with the corresponding period of previous year. Reservoir position of most hydro plants has depleted and is expected to fall further till monsoon. PwC leader energy Kameswara Rao said states should be able to readily meet power demand this summer as plant load factors (PLFs) of thermal power plants are at 62% and comfortable coal supply offer a sizeable capacity to meet any spurt in demand.



"Purchasing discoms are in a buyers' market as competition from over 21 GW un-contracted thermal capacity and other merchant suppliers has kept rates low. Also, commissioning of transmission capacity has dropped rates in the southern region, which allows discoms to buy more readily," he said. The supply situation is very comfortable with over 100 GW capacity commissioned in the last five years and fuel supply limitations addressed.

In contrast, demand growth has been modest, growing only 5.1% over the last year, Rao said.

Maharashtra for levy on open access power purchase

Business Standard: March 27, 2016

Such a move would arrest the exodus of industry consumers to other states and also protect MahaVitaran's interest

Fearing more exodus of high-paying industry consumers opting for the open access clause, the government of Maharashtra is mulling a levy on such transactions.

The government fears a big hit on finances of the Maharashtra State Electricity Distribution Company, referred to as MahaVitaran.

Open access allows large users of power — typically having a connected load of 1 megawatt and above — to buy cheaper power from the open market. The idea is to allow customers to choose among a large number of competitors instead of being forced to buy from the (usually state-run) electric utility monopoly. The (national) Electricity Act of 2003 had enabled this, though states have resisted its enforcement.

Already, 1,200-1,400 Mw is being drawn under open access in the state, worth Rs 1,200 crore.

Of MahaVitaran's 25 million consumers, 346,900 are from industry and pay the highest highest rate. This payment cross-subsidises Rs 10,000 crore annually for the lower rates charged for agriculture and power looms. Of the state's daily power demand of 16,000 Mw, industry consumers need 6,500-7,000 Mw.

MahaVitaran charges industry consumers Rs 8.23 a unit, compared with Rs 6.8 in Karnataka, Rs 6.35 in Gujarat, Rs 6.6 in Andhra, Rs 6.9 in Madhya Pradesh, Rs 5.75 in Chhattisgarh and Rs 5.10 in Goa. The power purchased through open access is cheaper by at least Rs 1.50 a unit.

Energy Minister Chandrashekhar Bawankule told this newspaper: "The introduction of ED (electricity duty) on open access transactions is under consideration. It will be possible through amendments to the Maharashtra Electricity Duty Act. MahaVitaran's interests will be protected through the move."

Kameswara Rao, partner at Price Waterhouse, said: "Restricting open access is counterproductive, and states must realise they are hurting chances of growing investment, employment, and tax revenues. In contrast, some states are offering unfettered open access to attract industrial investment and economic activity."

Jayant Deo, former member, Maharashtra Electricity Regulatory Commission, said: "The falling sales tax revenue, decreasing employment and falling electricity consumption by industries in Maharashtra for three years are signs of lack of understanding. It is equal to killing the hen that gives a daily egg."

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