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Wind energy also contributes to electricity needs

The Hindu: June 27, 2016

Thoothukudi has become the focus area to establish windmills

Now, wind energy has also started contributing to electricity needs. Wind energy has increased during the current monsoon season.

Tirunelveli region, comprising Tirunelveli, Thoothukudi, Kanniyakumari and Ramanathapuram, generated 1,585 MW of wind power on Sunday, and 1,569 MW on Friday.

With the presence of 23 wind power substations and 41 substations of the distribution system under this region, 6,299 windmills with a capacity of 4008.45 MW were being made operational, sources told*The Hindu* here on Sunday.

Tamil Nadu stood first in the country in terms of wind power generation with an average record of 7,000 MW annually.

Normally, the seasonal winds would start blowing in May and would continue even till September. Even during December, 1000 MW of wind power was generated.

Under the non-conventional energy sources in this region, Tirunelveli district would normally contribute much in terms of generation through 5,497 windmills with its capacity of 3,641.500 MW.

Thoothukudi district had the presence of 348 windmills designed with a capacity to produce 245.985 MW, the sources said.

Wind energy was largely derived between Aralvaimozhi and Aryankavu along the Western Ghats.

Focus on Thoothukudi

Since Tirunelveli district was saturated with more windmill farms, neighbouring Thoothukudi district had become the focus area to establish windmills.

A new wind power substation would be set up at Thennampatti near Kadambur and 50 acres had also been acquired for the purpose.

A 400 kilo-volt substation at Kannarpatti was almost complete and is expected to be commissioned by August.

At Kayathar, a 400 kilovolt substation was set up two years ago, sources added.

Power tariff for textiles, ferroalloys units cut

The Hindu : June 28, 2016

KCR takes the decision to provide relief to the two ailing industrial sectors to help them overcome the crisis and to provide relief to workers

In a big relief to the two industrial sectors passing through a phase of crisis, textiles, including spinning mills, and ferroalloys, the Telangana government reduced the tariff cleared by the Electricity Regulatory Commission on June 23 by Rs. 2 and Rs. 1.50 per Kwh, respectively, for one year. The decision was taken by Chief Minister K. Chandrasekhar Rao at a review meeting on industries in which Chief Secretary Rajiv Sharma and Additional Secretary in the Chief Minister's Office A. Santi Kumari were present.

He stated that the government would review the decision after one year or after the tariff for the next financial year, 2017-18, is finalised next year. Officials stated that the Chief Minister has taken the decision to reduce the energy tariff to the two ailing industrial sectors to help them overcome the crisis and to provide relief to the workers engaged in the two sectors from the possibility of reducing workforce or taking even the worse decision of closure of units. About 40,000 workers were employed in spinning and other textile units and another 5,000 in the ferroalloys units in the State.

Earlier tariff

As per the retail supply tariff cleared by the Telangana State Electricity Regulatory Commission (TSERC) on June 23, the tariff for ferroalloys units has been fixed at Rs.5.90, Rs.5.50 and Rs.5 per Kwh of energy for consumption of contracted load in the categories of 11KV, 33 KV and 132KV or above, respectively. It was Rs.5.70, Rs.5.30 and Rs.4.80 per Kwh during 2015-16. The government decision to reduce it by Rs.1.50 per Kwh now would bring down the tariff to Rs.4.40, Rs.4 and Rs.3.50 per Kwh, respectively, effectively taking it below the charges the industries paid last year. Similarly, for the spinning/textile mills, which are facing crisis due to adverse market conditions and skilled labour problems, the tariff finalised recently ranged between Rs.5.65 and Rs.7.60 per Kwh for different contracted load categories and the government decision will reduce it by Rs.2 per Kwh.

Discoms stuck in slow lane on revising power tariffs

The Economic Times: June 26, 2016

Power distribution utilities and electricity regulatory commissions have stayed steadfast with their reputation for sloppiness and more have been late in filing tariff hike petitions and revising electricity prices even as the sector has pinned hopes of discom revival for a push in power demand that could absorb the surplus generation capacity.

The centre's latest assessment of the distribution utilities shows there has been a decline in number of discoms meeting their deadline in filing tariff petitions for the current financial year 2017. Only 12 utilities have filed tariff petitions for FY2017 against 15 in the previous assessment for FY2016 and 21 in FY2015.

Power consumers can rejoice that there would be no raise in power tariffs, but experts believe that irregular price revision results in one time hefty hikes or 'tariff-shocks' in future. Tariff revision orders by electricity regulators have not been issued for six utilities for FY2016, while for five states the revisions have been issued with significant delays.

In the previous fiscal year, tariff orders were not issued for four states, while three states came out with delayed price revision, the power ministry's latest annual rating programme of distribution companies showed. The situation does not compare well with that of FY2014 where all state regulatory commissions except Maharashtra revised power tariffs.

All states saw power tariff hikes for FY2013 when the Appellate Tribunal for Electricity directed all state distribution companies to file tariff revision petitions by April 1 every year.

The order mandated state power regulators to begin the exercise if distribution companies fail to do so. The integrated rating for state power distribution utilities conducted by the Power Finance Corp showed that cost coverage of 26 of the 40 discoms assessed in the rating, remained low due to substantial increase in expenses and noncost reflective tariffs. "The expected improvement in regulatory discipline appears to have not happened. The process of annual filing is not aimed at hiking tariff but to reveal utility's revenue shortfall, how it plans to bridge it, and prevent it from ballooning into unmanageable levels. Utilities and regulators will be guilty of evading responsibility if this discipline is not maintained," PwC leader Kameswara Rao said.

The indiscipline also does not augur well for the Centre's discom debt restructuring scheme - Ujwal Discom Assurance Yojna (Uday). Thirteen states have joined the scheme to restructure Rs 2.16 lakh crore debt, half of the total outstanding discom debt. The average cost coverage improved to 0.85 during the latest rating exercise as compared to 0.80 in the previous such programme. The programme showed that 27 of 40 assessed power distribution entities have shown improvement in their cost coverage ratios.

Of these, 12 discoms have shown improvement of more than 10%. However, of the 13 discoms whose cost coverage worsened, three registered a decline of more than 15%.

Haryana's preference for private power purchase!

Meri News : June 27, 2016

Haryana Discoms' preference for power purchase from private sector under the pretext of cheap available power has forced HPGCL to put its thermal units on forced outage for most part of the year.

The generation cost of thermal units in state sector is equally competitive but are being forced to remain idle for most part of the year on no demand. According to sources the generation cost of Yamuna Nagar Thermal Plant of Rs.3.04 per unit is lowest amongst State sector thermal plants followed by Khedar Thermal Plant generation cost of about Rs.3.16 per unit.

The generation cost of unit no. 7 & 8 of Panipat thermal is about Rs.3.17 per unit. The generation cost of unit 5 & 6 of Panipat thermal is Rs.4.45 per unit. If thermal units are not allowed to generate power on pretext of no demand the fixed charges incurred on these units are added to the cost of generation making it costlier.

How the private sector generator manipulates the power rates to sell their power to Discoms is quite interesting and scandalous. According to sources the HPGCL is suppose to declare their per unit cost from its thermal units on first of every month and with this information private generator immediately reduce the generation cost of one thermal unit by few paisa and Discoms place the order on private generator on the pretext of cheaper power.

The generation cost is manipulated by private generators by reducing coal consumption of one particular unit for the month and the next month if it submits lower quotation for second unit depending on demand.

According to sources the coal consumption of unit supplying power is 770 gm per unit and suddenly it increase to 830 gm per unit next month when unit is not supplying power. The sources maintain that this is going on for the long time.

The power purchase from private sector is increasing every year most of times over and above the power purchase sanctioned by Haryana Electricity Regulatory Commission (HERC). Last year HERC approved purchase of Rs.8800 crore but actual purchase was of Rs.9664 crore. Discoms have estimated that this year power purchase will be around Rs.11042 crore but practically this will increase by about 10%.

Last year Discoms purchased 1052 MU power from Aravali Jhajhar @Rs.11.54 per unit. 4826 MU from Jhajjar power @Rs.5.23/unit and 9881 MU from Adani 9881 MU @3.24 /unit 9208 MU from HPGCL at Rs.5.38 per unit.

The power purchase from thermal units within Haryana was 7189 MU while from outside State it was 15040 MU. The annual per unit cost from long term power purchase agreements is computed after adding fixed charges being paid in case full committed generation is not taken

What is Plan B for the UDAY scheme, if it fails to resolve the electricity discom mess? By R Gopalakrishnan-Corporate Advisor

The Economic Times: June 18, 2016

In the first part of this column published last week, I had reviewed warning signals in the banking and financial sectors. Here I write about the power sector.

In November last year, the Union cabinet approved an imaginative UDAY scheme (Ujwal DISCOM Assurance Yojana) to resolve the electricity discom mess. It has an operational improvement part, and a financial engineering part. All citizens must accept UDAY as a scheme worth a try, and they must pray to the Lord that sense will prevail among elected state governments. I have no quarrel with the UDAY scheme in this respect of pushing state discoms to improve operational efficiency.

The Power Mess

The crisis in the power sector is the product of years of muddling and obfuscating by successive governments, both at the state and the Centre. To cut through the muddle, an important sine qua non is that the Centre has to find a way to work collaboratively with states — as is true for agriculture, GST and many other next-generation reforms. The fractious politics of state-Centre relations is not helpful in focused and speedy correction of the electricity situation. The absence of collaboration with the states is a definite risk factor.

The accounts of the three PPP electricity distribution companies (discoms) in Delhi reveal "regulatory assets" of a staggering Rs 20,000 crore as of March-end 2016. This means 10 million electricity users in Delhi owe the discoms Rs 20,000 per capita! The Delhi electricity consumers are unlikely to be even aware of their debt, or that they are paying interest on that debt. In the case of the Delhi discoms, the regulator has assured that the debt will be paid by consumers. On that basis, auditors have certified the accounts because anyway there is no way to confirm that the 10 million consumers will pay. This situation has arisen because of the nexus between the Delhi government and regulator, who failed to award cost-reflective tariffs.

The same picture exists in several states. Besides the staggering losses, the "regulatory assets" in all discoms in the country is over Rs 75,000 crore.

What is this electricity mess and how did we get there? The discoms are, for the large part, companies under the Companies Act. They are supposed to be governed and to behave like any private sector company (in fact, they should behave in an exemplary manner to set an example to private sector). For many decades, state governments gave away electricity freebies to secure political patronage, discoms obediently picked up the bill on their balance sheet, and banks subserviently financed the discoms. As of March 2015, the aggregated accumulated losses of discoms are, hold your breath, Rs 3.8 lakh crore and their outstanding debt is Rs 4.3 lakh crore, approximately $65 billion! This is apart from the "regulatory assets" of another Rs 75,000 crores, approximately $11 billion!

Who is responsible and accountable for this mess? The centre says it is the states, politicians blame industrialists, and they all blame bureaucrats. Attempts were made at least twice in the last 15 years to devise a remedial scheme; the schemes devised were as good as schemes go, but the state governments were busy doing what Milton Friedman deris ively termed as "spending other people's money on other people". The discom finances got worse because states were undisciplined.

It is also important to note that the politics of the Centrestate relationship becomes very important. UDAY assumes that states will behave better by improving their operations. West Bengal and Tamil Nadu have not yet signed up for UDAY. As I write, sitting in Tamil Nadu, I face unscheduled power cuts four times a day, while the state government has declared that it has surplus power to export to other states! Further, right after the recent elections, the chief minister of Tamil Nadu did the opposite of what UDAY demands — she decided to give free electricity to certain sections (and also waiver of farm loans by cooperative banks).

The official presentation makes no mention whatsoever of the consequences if states fail to meet targets. What is Plan B for UDAY, if states don't deliver as their track record indicates? What are its financial implications since both state and Central deficits will be affected? Are we postponing facing the reality?

Sweep Under the Carpet

It is also a concern as to how the accounting is proposed to be done in UDAY, requiring these loans to be tucked away in the state's finances, hidden without actually hiding them; they are behind the curtain, and if you know how to part the curtain, they are visible.

Would it have been better to account for things as they are? If the facts show up in visible ratios like state/Centre fiscal deficit, all concerned might behave more responsibly. There is also an element of ever-greening the loans by passing the hat from PSBs to PSUs to give the optical effect of there being no NPA.

Imagine if a corporate group came up with such a bond scheme — let us call it CUSY standing for company udhaar sadabahaar yojana. In essence, the beleaguered company's parent would issue bonds that are supposed to be bought back by the banks which have given the loans. Technically, the answer would be "yes" if the parent company had a solid balance sheet! But does it not stretch credibility?

Much of the financial engineering of UDAY is possible because of the national balance sheet, but is it a bit stretched? The government has a difficult problem to solve, and they are surely trying their best. However, the prodromal or warning signals of politics stretching the boundaries of economics and financial planning are deeply worrisome.

The issue may also be one of credibility of government, whether UPA 2 or NDA. Columnist Pratap Bhanu Mehta has said that "the dominant government culture is to spin, so that even truths begin to get doubted". While governments do have to showcase their achievements, beyond a level, the spin is so intense that the credibility of the government gets eroded. Hopefully, we are not at that point with this government.

Renewable energy to soon get a separate trading platform

Business Standard: June 28, 2016

Platform to be jointly developed by ministry of new and renewable energy and Power Trading Corporation

With the increasing share of renewable energy (RE) in the grid and the likelihood of it disturbing the existing power systems, the government is preparing a separate power trading platform.

It is to be jointly developed by the ministry of new and renewable energy (MNRE) and Power Trading Corporationof India (PTC), the latter a joint venture of several entities with the government.

The envisaged platform would help states buy, sell and trade renewable-based power. States with surplus RE generation could sell and those ones which want to meet their renewable purchase obligation (RPO) would get a platform to do so. As mandated under a national tariff policy, states have to meet part of their energy requirement from renewable sources. RPO, launched in 2010, makes it obligatory for distribution companies, open-access consumers and captive power producers to meet part of their energy needs through green energy. During 2015-16, barring a few exceptions, none of the states has met its RPO, for fifth year in a row.

Senior PTC and MNRE officials said the model was under development and was likely to include RE certificates. The latter, launched in 2010, has a problem finding takers. At present, 17.5 million of the 33 million issued are unsold. It is meant for states which don't want green energy but have to meet their RPO. Of the 300,000 megawatt (Mw) of generation capacity, RE (solar, wind and biomass) was 42,850 Mw as on April 1. Thermal power generation from coal and gas is 172,000 Mw. Solar power capacity is 6,000 Mw.

India is the fifth largest country globally, in terms of wind power capacity. In the past decade, RE has grown by 89 per cent, while hydro has staggered at 28 per cent. The National Democratic Alliance government has revised the target for renewable energy capacity addition by five times, to 175,000 Mw by 2022.

PLUG INTO NEW ENERGY

- Power trading platform would be jointly developed by the ministry of new and renewable energy (RE) and Power Trading Corporation of India, a public-private venture for power trading
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States get more time to join UDAY

Business Standard: June 23, 2016

According to the UDAY MoU, debt takeover by states during the first year of UDAY would not be counted in their fiscal limit

State governments are now allowed to subscribe to the Centre's debt restructuring scheme for power distribution companies this financial year, too.

The Cabinet on Wednesday approved the extension of the Ujwal Discoms Assurance Yojana (UDAY), which earlier had a deadline of March 2016 — a scheme that envisages a slew measures to improve operational efficiency.

States that had signed up for the scheme were supposed to take over 50 per cent of the debt of the respective discom or distribution company by 2015-16 and the balance in 2016-17.

Those joining now can issue bonds against 50 per cent debt this year and carry forward 25 per cent debt to 2017-18.

Certain states that could not join UDAY because of elections or could not issue bonds due to market conditions had requested for an extension of the scheme. With the timeline extended, the states would take over 75 per cent of the discoms' debts as on September 30, 2015, by March 31, 2017, by issuing bonds, said the government. According to the UDAY memorandum of understanding (MoU), the debt takeover by states during the first year of UDAY implementation would not be counted in their fiscal limit, thereby keeping the states within the FRBM Act (Fiscal Responsibility and Budget Management Act) limits. "The Cabinet accorded its approval for an extension of timeline for taking over 50 per cent of the outstanding debt of discoms, as existing on 30.09.2015, by states and borrowings by

Jammu & Kashmir under UDAY. The time limits have now been extended by one year from the earlier stipulated date of 31st March, 2016," said a statement by the government after the Cabinet decision.

UDAY is a restructuring plan of the NDA government to bail out financially and operationally beleaguered state-owned discoms. One of the first steps involves takeover of 75 per cent of the discom's cumulative debt, 50 per cent by March 2016 and the balance by March next year.

States would issue development loans for this at prevailing market rates. The balance 25 per cent would be issued as sovereign backed bonds by discoms.

State-owned discoms cumulatively have to pay Rs 4 lakh crore. Nineteen states had given their consent to join the scheme. Rajasthan, Uttar Pradesh, Chhattisgarh, Jharkhand, Punjab, Bihar, Haryana, Gujarat, Uttarakhand and Jammu & Kashmir have already signed MoUs with the Centre. Bonds worth Rs 99,541 crore were floated by the participating states in 2015-16 to clear 50 per cent of the outstanding debt of the states and outstanding dues in Jharkhand and Jammu & Kashmir.

Save Energy. Save Money. Save the Planet

Please see the website at www.tecaonline.in for previous issues of TECA News letter