

# TECA – NEWS CLIPPING

(Energy Conservation : It Doesn't Cost. It saves)

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## Tangedco to raise Rs 2,000cr through bonds to clear debts

Times of India: August 28, 2016

Even as the Union power ministry is trying to woo Tamil Nadu to join the ujwal discom assurance yojana (UDAY), (aimed at restructuring power utilities to turn them around), the Tamil Nadu government has given its nod to stand guarantee for Tangedco to issue bonds for 2,000 crore as part of the 2012 financial restructuring plan for discoms. Tamil Nadu was one of the first states to join the 2012 plan, as per which the government has to stand guarantee for the bonds floated by Tangedco.

Tangedco owes nearly 17,000 crore to various banks and Tamil Nadu government will take it over in phases. The government, so far, has taken over debts to the tune of 2,000 crore. With the issue of new bonds, it will go up to 4,000 crore.

In the first instance, bonds were issued for 1,000 crore each in 2014-15 and 2015-16. With the issue of new bonds, Bank of India alone will get 272.31 crore out of the total 592.68 crore Tangedco owes it. The UCO Bank will get 245.93 crore. Similar bonds will be issued in the coming years as well, said government sources.

"The total debt of Tangedco, as on March 31, 2016, was 80,000 crore. About 35,000 crore is on account of capital expenditure incurred for setting up power projects. Out of the balance 45,000 crore, Tangedco owes 17,000 crore to banks. The state government has given 8,000 crore loan to the power utility. The rest are loans raised from power finance companies," a senior TNEB official said.

"Once the government takes over Tangedco debts, we will be able to save more than 3,600 crore interest annually," he said. The present bonds will be for five years and would be floated at 7.6% interest per annum, he said.

Tangedco has debts with 24 banks, including many scheduled and private banks. As per the 2012 plan, the government must have taken over 50% of bank debts in the first two years itself. Tamil Nadu has not met this deadline.

The debts have increased from 40,000 in 2011 to 80,000 crore now, mainly owing to power purchases at high rates. "Tangedco's losses are on the downslide and this year we hope the losses will come down to 6,000 crore from 8,000 crore incurred in the last financial year," he said.

Meanwhile, due to the debts coming down, the credit rating of Tangedco is likely to go up in the coming years. "The financials of Tangedco has been looking up in the last two years as the losses have halved. But the overall debt is a worry," said a power expert.

## Second nuclear power unit at Kudankulam connected to grid

The Economic Times: August 29, 2016

The second 1,000 MW unit of the Kudankulam Nuclear Power Project (KNPP) in Tamil Nadu was connected to the grid on Monday, said a senior official.

"The second unit of KNPP was connected to the grid at 11.17 a.m. The unit is operating at 170 MW," R.S. Sundar, the site director at KNPP, told IANS over telephone from Kudankulam.



"With this the atomic power generation of Nuclear Power Corp of India Ltd (NPCIL) on Monday crossed 5,000 MW. It was a twin milestone for us," SK Sharma, chairman and managing director, NPCIL, told IANS over phone from Mumbai.

He said the commercial operation of the second unit was expected to happen by the end of this year and the tariff for the power generated from this unit will be decided then.

The tariff for the power generated from the first unit is around Rs 3.90 per unit, Sharma said.

Meanwhile, the second unit will be operated for three or four days and then will be disconnected from the grid for testing the parameters.

"A week after that the unit will be reconnected with the grid and the power generation will be gradually increased to 50 per cent. After clearances from AERB (Atomic Energy Regulatory Board), the power generation will be increased in stages," Sundar said.

"In three months time we expect the unit to start power generation to its full capacity," he added.

"We will touch power generation of 280 MW by the end of the day. We will operate the plant at that level for four days and then disconnect the unit from the grid," H.N. Sahu, station director, told IANS over phone.

He said the unit had AERB permission to operate up to 50 per cent capacity.

"On restarting the unit later, the power levels will be increased to 50 per cent. After that we have to get AERB's permission for increasing the power levels. In a couple of months, we hope to touch 100 per cent power levels," Sahu added.

The second unit went critical or started nuclear fission on July 10.

According to Sundar, the unit was operating at low power after it went critical.

India's atomic power plant operator NPCIL has built two similar 1,000 MW nuclear power plants at Kudankulam with Russian equipment.

The first unit attained criticality, which is the beginning of the fission process, in July 2013.

Subsequently it was connected to the southern grid in October 2013. However, commercial power generation began only on December 31, 2014.

The unit experienced regular breakdowns after that and finally got stabilised some months ago to generate at an average around 940 MW power daily.

It was the first pressurised water reactor of India.

## **Green tribunal notice to TANGEDCO, TN Govt on Uppur Thermal Power Project**

**Business Lines: August 30, 2016**

The Southern Bench of the National Green Tribunal has ordered notice to TANGEDCO and the Tamil Nadu government on a petition opposing the environment approval granted to the 1,600-MW Uppur Thermal Power Project.

According to the counsel for the appellants, the NGT order follows an appeal from the villagers objecting to the environment and coastal zone clearance granted to the 12,700-crore super critical thermal power project planned in South Tamil Nadu.

The appeal objecting to the clearance by the Central Environment Ministry by people in Ramanathapuram, a coastal district in South Tamil Nadu, where Uppur is located was on the grounds that the views of the local farmers and fishermen were not heard during the public



hearing, the proposed site is a flood plain for three major tanks and the project threatens agriculture, marine life and mangrove forests in the vicinity.

According to information available on the Tamil Nadu Generation and Distribution Corporation Web site, the Union Ministry of Environment, Forest and Climate Change had issued environment and CRZ clearance on May 18, 2016.

The project is planned for commissioning in September 2019.

## **How state electricity boards are holding Indian Railways to ransom**

**Financial Express: August 30, 2016**

State electricity boards holding Railways to ransom

Though state electricity regulatory commissions (SERCs) were set up in each state to help fix the ailing sector by enforcing higher governance standards, bringing in competition and ensuring correct tariffs were charged, as their history shows, they have done precious little.

As a result, not only have losses of state electricity boards (SEBs) ballooned—necessitating a bailout package with increasing regularity—the tariffs charged for paying customers have sky-rocketed.

The fact that increasing electricity outages coexist with high levels of unutilised capacity—as reflected in power minister Piyush Goyal's daily tweets—is symptomatic of the mess.

While Goyal is trying to address the issue of high ATC losses by strengthening both transmission and distribution lines, the SERCs' refusal to bring in competition through 'open access' has only made things worse—while the Electricity Act of 2003 had mandated this within a period of five years for large consumers (those with a sanctioned load of more than 1 MW), there are very few, if any, instances, of this.

Since paying customers are the ones that move away with 'open access', the Electricity Act brought in the concept of an 'open access surcharge' to compensate the SEB for losing a good customer while allowing it to continue to service low-paying customers—over a period of time, to increase competition, the surcharge was to be reduced.

What happened, however, was that when customers wanted open access, either the surcharge was so high that it made no sense to shift or they were told there was no capacity in the system to carry electricity to them from a different supplier.

In the case of the Railways, what is happening is worse. With a total fuel bill of R26,000 crore, of which R12,000 crore is for electricity, the Railways is very keen to buy electricity from suppliers who can sell at a lower price.

Right now, the national carrier is paying around R2,500 crore by way of 'open access surcharge' to various SEBs. Under the Railways Act, however, the Railways is allowed to distribute and supply electricity and so, it argued it did not have to pay the surcharge—in an appeal to the Central Electricity Regulatory Commission (CERC), the Railways even cited a Supreme Court judgment which upheld this.

In November 2015, CERC ruled that Railways was a deemed licensee under the Electricity Act—as such, it did not need to pay the surcharge.

A few months later, in January 2016, when the power ministry notified its tariff policy, this clearly said the Railways would be exempt from the surcharge as it was a deemed licensee and was buying the electricity for its own consumption.



Yet, as FE reported on Monday, SEBs such as those in Uttar Pradesh, Chhattisgarh, West Bengal and Odisha continue to levy a surcharge on the Railways and are delaying giving it a no-objection certificate (NoC) to allow it a waiver from this payment.

Why an NoC should even be required, though, is not clear since once CERC and the tariff order has said the Railways is a deemed licensee, the SERCs just need to enforce the order.

At some point, if the SERCs don't enforce the law, the Railways will have no option but to go in appeal to the Aptel and, if need be, the Supreme Court.

## **Power trading helps industrial houses bring down costs**

**Times of India: August 31, 2016**

To produce electricity or buy it? Industrial houses with captive power plants constantly ask themselves this as power on the exchange can be bought for as low as 2.80, while producing electricity can cost as much as 3.50- 4.

Large-scale manufacturing units in the South are currently making use of the cheap excess electricity available on the exchanges, while running their power generation units at half-capacity. "Currently there's cheap power available on the exchange, but that's not to say the same situation will continue. Sometime ago I bought electricity for as much as Rs 10-11," says a top executive at a South Indian cement major.

With many states like Tamil Nadu, Maharashtra, Gujarat, Chattisgarh producing power in excess, experts say cheap electricity maybe available for a few more months going forward. With wind season strong in South now, power buyers are sitting on a problem of plenty.

While power exchanges are a big help, they still cannot cope with the actual demand and supply chain, say experts. "Only 10% of power consumed in India is being bought off the exchange. More than 90% of power is still being bought from state distributors like Tangedco or utility companies like Tata Power," says James Rajan, director- service unit, South Asia, Wartsila India.

"One must also remember that not everyone has the capacity to lift/access power that has been produced. There are also transmission constraints on the ground," adds Wartsila's Rajan.

But the power exchange has also proved useful in another regard — handling excesses of captive power plants of industrial hubs. "See sometimes electricity on the exchange trades above 3.50. When that happens, we have sold electricity - but only when it makes economic sense and is above our production cost. I am currently consuming 120 MW by running at 60%-65% of cement capacity. At full capacity, I might require as much as 180 MW. So its all about the market's supply and demand dynamics," says the executive from the cement major.

Electricity pricing also varies during peak hours and during the day and night. "It can even be as low as 2.20, buying for night consumption. Usually it is cheaper in the night and more expensive during the day and during peak hours or optimal hours of production," says Rajan.

If the power exchange introduces futures contracts for power buyers, pricing could get more competitive, say experts. "Hedging against eventualities will work better for large-scale electricity consumers — provided one plays the market right. It will also give impetus and increase trading frequency," says Arjun Bharathan, founder of startup Digigrd.

## **Expert group lists steps to bail out power sector**

**Deccan Herald: August 31, 2016**



Taking note of the vast accumulated losses by the power sector in India, an expert group has recommended several measures, including adequate investment in transmission and distribution capacity infrastructure.

The Energy and Resources Institute (Teri) has set up the 'Bangalore Sustainable Development Group' comprising subject experts from varied field, to come up with all-India based solutions for sustainable development.

With Teri organising the World Sustainable Development Summit in Delhi in October, it was decided to form the group in Bengaluru to highlight linkages among key areas of sustainable development by like-minded organisations, said Teri's senior director P R Dasgupta.

In its second meeting held on August 27, experts felt that despite reforms from 1991 and the path breaking Electricity Act, 2003, the power sector had accumulated heavy losses, was short of funds to buy power and diverting state government funds from other activities. As a result, 30% of Indian households are without electricity even today.

Power distribution utilities in the country have accumulated losses of around Rs 3.8 lakh crore and their outstanding liabilities is around Rs 5.4 lakh crore.

One of the actions suggested is to approach a Constitutional body like the National Green Tribunal to reduce the gross depletion of groundwater as many states are giving free power to agriculture.

The experts felt that career professional managers are required to manage power distribution companies. It also recommended to sharply raise penalties for power theft. Other suggestions included, setting up of selection committees to select independent state electricity regulators; changing the culture of appointing retired officers as directors of discoms; setting standards for IP sets and development of smart grid technologies.

The group headed by Teri's fellow emeritus Prof S L Rao meets on last Saturdays of every month. It will submit its recommendations to the government early next year, said Dasgupta.

## **Government's ambitious power capacity target may lead to huge surplus**

**The Economic Times: August 30, 2016**

The government's ambitious target of adding 261 gigawatt (GW) fresh capacity by 2022 may come at a price. According to experts, it will result in huge surplus, leading to dwindling capacity utilisation, stressed assets, more unpaid bank debts and a massive sectoral shakeout.

India has total installed capacity of 303 GW at present, of which 211 GW is thermal and 42 GW renewable. The addition plan will take total generation capacity to 564 GW, achieved through 100 GW of solar capacity 75 GW of other renewable sources and 86 GW thermal.

According to Brookings India, the numbers for renewable energy, coal-fired capacity and power demand don't quite add up upon triangulation. The targeted 1,500 million tonne of coal by 2020—mostly used by the power sector—and an added 175 GW of renewable capacity by 2022 will lead to supply overcapacity, as indicated by Washington DC-based Brookings Institution.

Santosh Kamath, partner & head of renewables at KPMG in India, said, "A 62 per cent plant load factor at present and exchange prices of Rs 2-3 per unit is in itself a manifestation there is surplus in the system."

"Yet over 200 million people do not have access to power and even those who have, witness several hours of power cuts. While the government is addressing network and affordability



issues, which are an impediment to 24x7 power for all, it will take some time and it is expected that demand will grow only 6-7 per cent per annum."

However, if 175 GW of capacity addition target is achieved and the 200 million get connected by power lines, demand will not rise suddenly because there are affordability issues. It will lead to further drops in capacity utilisation of thermal plants and there would be times in a day when there will be surplus. Adoption of storage technologies can mitigate some of the effects, but not completely, in this timeframe. Overall position will depend on other capacity additions as well," said Kamath.

Sabyasachi Majumdar, senior vice-president, ICRA, said, "The target of 175 GW of renewable energy capacity by 2022 appears challenging at the moment, given the trajectory of actual capacity additions and also the relatively modest energy demand growth being seen currently."

"Apart from underlying energy demand growth and financial position of utilities, which will determine offtake for renewable energy, other factors that could impact actual capacity addition would be availability of land and other execution challenges; ramp-up of transmission corridors and availability of long-term funds at reasonable rates," he said.

A Brookings study notes that renewable energy gets support by financial and non-financial means. Recently, the Cabinet approved amendments to the National Tariff Policy to push for 8 per cent of generation from solar by 2022. The approval also talks of free inter-state transmission of wind and solar.

On the other hand, these amendments ask for maximising use of existing plants to save money. At some point soon, this will lead to a disconnect.

**Save Energy. Save Money. Save the Planet**

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