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Tangedco coal imports lost Tamil Nadu Rs 1,500 crore: Comptroller and Auditor General Report

The New Indian Express: July 10, 2018

The global coal price fell from \$92.06 per metric tonne in October 2012 to \$61 per metric tonne in February 2016.

Tamil Nadu Generation and Distribution Corporation (TANGEDCO) has 'robbed' the State exchequer of at least Rs 1559.81 crore through its coal imports between October 2013 and February 2016, says the Comptroller and Auditor General Report (CAG) on Public Sector Undertakings for the 2016-17 financial year. Failure to implement variable pricing method, which calculates the price payable at date of import instead of at date of tender opening, and procurement of low quality coal without adjusting prices accordingly are the two major causes for the losses incurred.

The report says bidders confirmed TANGEDCO asked them to quote higher prices taking into account a possibility of increase in international coal prices, at a period when prices were steadily dipping. The global coal price fell from \$92.06 per metric tonne in October 2012 to \$61 per metric tonne in February 2016.

CAG's analysis of 131 of the 297 consignments of coal imported under five tenders released between October 31 2013 and February 5 2016 shows that not implementing variable pricing increased expenditure by ` 746.13 crore. CAG also noted that TANGEDCO did not implement reverse auction process (where sellers compete by decreasing their price from the starting price quoted) despite Central Electricity Regulatory Commission recommendations and thus lost an opportunity to get coal at lower prices.

Between October 2013 and February 2016, TANGEDCO had managed to reduce the quoted price by 1.37 per cent to 19.53 per cent while other PSU's such as Tamil Nadu Newsprint Limited had achieved a price reduction of 6.49 per cent to 26.94 per cent. All the tenders issued in the period specify coal with a Gross Calorific Value (GCV) of 6000 Kcal/Kg. The TANGEDCO could adjust the prices for coal with lower GCV. While tests conducted by third party agencies on behalf of TANGEDCO showed only about one per cent variation in GCV, CAG's independent verification of tests conducted by the Customs Department reveals 82 of the 131 consignments it checked between the three-year-period showed a 3.3 to 25 per cent deficiency in GCV.

This alone accounts for ` 607.48 crore of the total ` 813.68 crore loss to exchequer caused by not acknowledging import of lower quality coal and using the penalty provision. City-based-NGO Arappor Iyakkam in January had alleged that TANGEDCO had procured 6000 GCV (Air Dried Basis) coal roughly at the price of 6000 GCV (Gross As Received) which is a much higher quality.

TANGEDCO had then denied the allegation and claimed prices were being adjusted accordingly.



Tangedco bogged down by free power supply scheme ; Given 'B' grade by the Union Power Ministry for the third year in a row

The Hindu : July 7, 2018

The Union Power Ministry has identified the continuation of the free and subsidised power supply scheme as one of the factors adversely impacting the functioning of the Tamil Nadu Generation and Distribution Corporation (Tangedco).

While assigning a 'B' grade to the State power utility for the third consecutive year, the Power Ministry, in its report on the annual integrated rating of State power distribution companies, said that along with free and subsidised power supply, the "lack of further power sector reforms, as reflected in the unsatisfactory progress on consumer metering" was among the "key concerns" regarding the working of the power utility.

The issue of free power supply has been contentious ever since the AIADMK regime, led by M.G. Ramachandran, launched the scheme in September 1984. Initially, the free power scheme covered small and marginal farmers and hut-dwellers. Subsequently, it was extended to big farmers, those engaged in horticulture and fish prawn culture, handloom weavers, those running powerlooms and domestic consumers. For the current year, the State government is expected to provide a tariff subsidy of around ₹7,540 crore.

Other factors cited by the Centre are slippages in regulatory timelines such as on filing of tariff petitions; the power utility having suffered a net cash loss of ₹4,720 crore notwithstanding the improvement in cost coverage; the increasing exposure to the credit risk of the State government in view of the substantial rise in the dependence on tariff subsidy and the likely continuance of stress in cash flows for the poor capital structure and debt protection measures.

The report has called upon the power utility to improve billing efficiency, reduce aggregate technical and commercial (AT&C) losses, achieve 100% metering for consumers and bring down the cost of generation. At the same time, it has appreciated the State government for its financial support in the form of equity and tariff subsidy and for having signed an agreement with the Centre to implement the Ujwal Discom Assurance Yojana (UDAY) for the turnaround of distribution companies.

Dual functions

When asked for a comment, Power Minister P. Thangamani told *The Hindu* that unlike in many other States, the functions of generation and distribution were being performed by one entity in Tamil Nadu – Tangedco in the given instance. "This has naturally put us at a disadvantage," he said.

However, he expressed the hope that the power utility would secure higher grade – 'B+' or 'A' – next year "if we achieve break even in our operations."

Recently, the Minister informed the Assembly that consequent to the implementation of revenue augmentation and cost control measures, the losses of TANGEDCO, which stood at Rs. 13,985 crore during 2013-14, got reduced to the provisional figure of Rs. 2,975 crore in 2017-18. In other words, the per unit gap between the Average Rate of Realisation and the Average Cost of Supply went down from Rs. 1.97 during 2013-14 to Rs. 0.33 (33 paise) in 2017-18

Questions over shot of energy for Indian power

Financial Times : July 4, 2018

Sector accounts for large part of problem loans that have clogged bank balance sheets for years



The fate of billions of dollars in loans to India's distressed power sector will be decided in August. Power accounts for a large portion of all the problem loans that have clogged bank balance sheets for years, discouraging lenders — both private banks such as Axis Bank and ICICI and large state-owned banks including Canara Bank and Punjab National Bank — from providing new credit at a time when private sector investment remains depressed.

The time pressure comes from India's new bankruptcy laws, which provide for 180-270 days of forbearance. "Without deadlines, there is never a sense of urgency," says Suharsh Sinha, a lawyer with AZB & Partners in Mumbai. "There has been a sea change in the behaviour of bankers and the way business is done."

If it succeeds, the new resolution regime could make a big difference on the macro level by sharpening the differentiation between the strong and the weak, ending the inertia that has kept weaker companies alive long past their expiry date. The rules mandate a harsh choice between resolution and liquidation for the most troubled big borrowers in sectors including steel, telecoms, mining and manufacturing, in addition to power. That will result in consolidation, as healthier companies take over their ailing peers or the moribund finally depart the corporate scene.

But this being India, the inevitable wrinkles in introducing new bankruptcy rules are being compounded by constitutional challenges, litigation and efforts to seek exemptions. That is especially the case when it comes to power, as promoters, bankers and government officials argue that problems in the sector are so massive (both for financially distressed power firms and their lenders) that the regulations should not apply to them. Many of them support the idea of a "bad bank" just for the sector.

If these interests prevail, the short-term gains they achieve will undermine the process, setting back efforts to attract capital that could help put growth, finally, on a firmer trajectory.

Between 20 per cent and 40 per cent of all power loans have already been recognised as non-performing by the banks, according to data from Ashish Gupta, a senior analyst with Credit Suisse in Mumbai. Arguably, though, there is worse to come.

More than half of all borrowing in the sector is backed by interest cover of less than one time earnings, Mr Gupta adds. Adani Power and Tata Power alone have a combined Rs870bn (\$12bn) in debt. While banks have already written down part of their loans to such firms, they potentially stand to lose another \$30bn.

"For many power assets there is no resolution," says Vikram Utamsingh, managing director of Alvarez & Marsal in Mumbai. "Some operators don't have coal. Others don't have power purchase agreements with distribution companies. There have been a lot of representations to the government, because if these companies go into insolvency, the haircut [ie the magnitude of the writedown] will be 80 per cent."

Thermal power is particularly vexing today, given how much of Delhi's pollution — which has made the air even worse than in Beijing — stems from the use of coal. At recent auctions, solar power was priced more cheaply than thermal. Then in January, at least partly in an effort to reduce the gap, prime minister Narendra Modi attempted to impose 70 per cent tariffs on imported cheap solar panels from China — although that plan has recently been abandoned. Meanwhile, Mr Modi is attempting to impose curbs on new solar facilities, Mr Utamsingh adds.

India has become ground zero for distressed investors worldwide, in part because of the low cost of capital in most markets (making the burden of repayment relatively light for even the most indebted companies), and the contrasting high cost of capital in India. But with the



exception of Brookfield Asset Management and Minnesota-based investment firm Varde Partners, few private equity investors have any appetite to venture into the Indian power sector.

Potential investors fear the same regulatory risks that have plagued many other infrastructure projects, some bankers say. "You can't trust the government," notes the co-head of India for one major international securities firm. "The government has reneged on its own contracts." Still, given the scale of vested interests at stake with the new bankruptcy regime, that is probably better than expected. India has always been a "glass half full" kind of place. There is at least the chance of a fresh start.

India will get 75 per cent electricity from renewable energy in 2050: BNEF

The Economic Times : July 6, 2018

Wind and solar energy are set to surge to almost 50 per cent of world generation by 2050

India will generate 75 per cent of its overall electricity from renewable energy, according to Bloomberg New Energy Finance (BNEF). Of this, 34 per cent would come from solar energy and 32 per cent from wind energy.

Wind and solar energy are set to surge to almost 50 per cent of world generation by 2050 -- on the back of the precipitous reduction of cost, and the advent of cheaper batteries that would enable electricity to be stored and discharged to meet shift in demand and supply, stated Bloomberg New Energy Outlook 2018 report, released by BNEF on Friday

"We project that cheap renewable energy and batteries would reshape the entire electricity system. Looking ahead, we see new power generation assets growing, the cost of wind energy to come down significantly and renewable to supply 62 per cent electricity in China and 75 per net in India by 2050. Asia Pacific is recording almost as much investment in power plants as the rest of the world combined with China seeing 49 per cent and India 29 per cent of the total regional investment, " said Shantanu Jaiswal, head of India research, BNEF

He further added that the arrival of cheap battery storage will mean that it become increasingly possible to finesse the delivery of electricity from wind and solar, so that these technologies can help meet demand even when the wind isn't blowing and the sun isn't shining. "The result will be renewables eating up more and more of the existing market for coal, gas and nuclear."

The report projects \$11.5 trillion being invested globally in new power generation capacity between 2018 and 2050, with \$8.4 trillion of that going to wind, solar and a further \$1.5 trillion to other zero-carbon technologies such as hydro and nuclear.

This investment would produce a 17-fold increase in solar photovoltaic (PV) capacity worldwide, and a six-fold increase in wind power capacity. The levelised cost of electricity from new PV plants was forecast to fall further 71 per cent by 2050, while that for onshore wind drops by a further 58 per cent. These two technologies have already seen levelised cost of electricity reductions of 77 per cent and 41 per cent, respectively, between 2009 and 2018.

Power Ministry mulls Rs 50 crore reward for discoms under Saubhagya

The Economic Times : July 9, 2018

The move is aimed at incentivising state discoms to compete against each other to give a push to achieve the objective of 100 per cent household electrification under 'Saubhagya' Scheme.



The power ministry is mulling a reward of Rs 50 lakh for state utilities employees and a grant of Rs 50 crore for discoms which will meet household electrification target under Saubhagya scheme at the earliest.

Under the Rs 16,320 crore Pradhan Mantri Sahaj Bijli Har Ghar Yojana - 'Saubhagya' scheme launched last year in September, the government aims to electrify all 3.6 crore un-electrified households by December-end.

The ministry will form different group of states based on the parameters like geography and number of households to be electrified. Among each group, the state completing the task of 100 per cent household electrification at earliest will be rewarded. In each group, only the top performer will be rewarded.

The move is aimed at incentivising state discoms to compete against each other to give a push to achieve the objective of 100 per cent household electrification under 'Saubhagya' Scheme.

"We are working on incentives for the state discoms to motivate and incentivise them to meet target under Saubhagya. We would give a shield and Rs 50 lakh for employees of the discoms who would come first and complete the task in their states.

"We would also give Rs 50 crore grant to the winner discoms for adopting a scheme or programme for improvement of their operations," Power Minister R K Singh told PTI.

Asked about how it would be fair for big state like Uttar Pradesh with tall order of electrifying 1.49 crore households to compete with smaller states with lower number of un-electrified households, he replied, "We would have different groups of state to bring fair completion among them".

There will be a group of special category states or hill states. This group will include all Northeast and hill states like Himachal Pradesh, Uttarakhand and Jammu & Kashmir. There will be another group of state with lower number of household electrification target. The major states like Uttar Pradesh and Bihar will be competing in another group.

"We have got one good suggestion from Uttar Pradesh Energy Minister Shrikant Sharma recently that there should be a Vidyut Rath to make public announcement regarding completion of household electrification in different areas. This would give another chance to the left out families to seek electricity connection and help us to achieve our goal," he said.

According to the Saubhagya portal, 81,41,950 families have been provided electricity connection so far under the scheme, while the work is on to energise 2,78,46,217 households across the country.

The largest number of 1.49 crore unelectrified households are in Uttar Pradesh out of which 19.99 lakh have been provided electricity connection so far. At the second place, there are 33.44 lakh unelectrified households in Bihar, out of which 15.55 lakh have already been electrified.

Power theft continues to hit Indian economy *India needs sweeping reforms to curb the loss*

As per the Central Electricity Authority, over 27 pc of all power produced in India is either lost due to dissipation from wires or theft. That's about 261,130 Gigawatt/hour of power annually- enough to light up New York for nearly two years.

Power theft in India is a serious issue that the country has been trying to dealing with for years. The problem is found not just in the rural areas, but it is also rampant in the cities as



well. Even though the government has achieved village electrification in all the villages in India, power theft is something that the government has failed to address adequately.

As per the Central Electricity Authority, over 27 pc of all power produced in India is either lost due to dissipation from wires or theft. That's about 261,130 Gigawatt/hour of power annually- enough to light up New York for nearly two years. It is worth nearly INR 1 trillion at an average electricity rate of INR 4 per unit.

The capital of India is dealing with serious issues of power theft. Nearly 60 pc of all power theft cases in Delhi are reported from a handful of areas such as Najafgarh, Burari, Bawana, Seelampur, Seemapuri, Azadpur, and Mahavir Enclave, says a report. In the last five years, over 30,000 cases of power theft – having a connected load of around 40,000 KW- have been reported in Delhi. According to power experts the city discoms (distribution companies) lose somewhere between INR 10-15 bn annually because of power theft.

However, unlike in Delhi where most of the areas where power thefts occurred were poorer parts of the city, in Kolkata, much of the electricity theft in Kolkata had been in posh areas, according to a report by the Calcutta Electric Supply Corporation (CESC), in 2002. A raid conducted by the CESC had exposed that most of the power stolen by domestic consumers in Kolkata occurred in upmarket residential areas like Park Street, Shakespeare Sarani, and New Alipore.

Impact of power theft on Indian economy

According to PricewaterhouseCoopers (PwC) India estimates, India's power companies lose revenue on about a fifth of the electricity they supply, or about USD 10.2 billion annually, due to problems including theft, meter tampering, billing issues and leakage due to faulty equipment. The World Bank estimated that in 2011 power sector debt reached INR 3.5 trillion (USD 77 billion), that is 5 pc of India's GDP. Of all the power generated in the country, around one fourth is either stolen or lost in transmission.

According to official figures, transmission and distribution losses at the national level in India were about 22.77 pc in 2014-15 and 21.81 pc in 2015-16. Some states incurred higher losses than the national average in FY15-16 and these include Madhya Pradesh (28.61 pc), Rajasthan (29.13 pc), Chhattisgarh (30.78 pc), Haryana (31.61 pc), Odisha (39.15 pc), Bihar (49.29 pc) and Jammu and Kashmir (50.06 pc).

The reasons behind power theft in India

The power system losses in India can be classified into two categories- technical and non-technical. According to a study report, technical losses are losses caused by actions internal to the power system and consist mainly of power dissipation in electrical system components such as transmission lines, power transformers, measurement systems, etc. On the other hand, non-technical losses (NTL) are caused by actions external to the power system, or are caused by loads and conditions that the technical losses calculation failed to take into account. These losses are essentially monetary or commercial losses.

There are mainly two forms of power theft in India. One is meter fraud (manipulating the electricity usage data) and the other is unmetered usage (where power is enjoyed for free). Political interference too is sometimes responsible for it. It is seen that in many parts of the country, power theft increases during elections. Since farmers form the majority of the country's electorate, political leaders often promise them free or subsidised electricity in order to get votes. Also, most of the overhead electrical wires in India are still not insulated and that invites illegal hook-ups.



Measures by the government to curb power theft

The power distribution in India needs sweeping reforms if it is to support the country's economic growth and help meet its goal of expanding access to electricity to all by 2019. With many states facing high aggregate technical and commercial (AT&C) losses, indicating operational inefficiencies, the Union Minister of Power R K Singh has asked the states concerned to hand over the job of power distribution to private franchisees. The Minister in a letter to all states has warned that the Tariff Policy 2018 will mandate that no state will be able to pass on the losses incurred by distribution companies to consumers of electricity.

The central government has pledged an investment of billions of dollars for creating a smart grid infrastructure. In November, 2014, Prime Minister Narendra Modi announced USD 4 billion in funding for smart metering programmes. Additionally, over USD 8 billion has been budgeted for loss reduction programmes and dozens of projects are now underway across India. The Union power ministry has suggested to states that their power distribution companies should raise "awareness among public at large on uses of electricity", take up "extensive drive to curb theft of electricity and regularising illegal connections" and "focus on quality, reliability, quantity and timings of power supply in rural areas".

A World Bank report has made three key recommendations to curb power theft in India-

1. Fully implement the Electricity Act mandates, especially those on competition and distribution, namely tariffs, open access, and performance standards.
2. Ensure regulatory autonomy, effectiveness and accountability for utilities and regulators.
3. Insulate utilities from state governments to prevent interference with internal operations.

No more hefty electricity bills! You might have to pay almost nothing for power if this solar model works

The financial Express : July 4, 2018

A recent study by CEEW and BYPL said that households having rooftop solar panels could save up to 95% of their monthly electricity bills.

Installing rooftop solar panels, or even buying power from a community rooftop solar plant, may make electricity bill payments cheaper, according to a recent study. Households having rooftop solar panels could save up to 95% of their monthly electricity bills, PTI reported quoting a joint study undertaken by the CEEW and power distribution company BYPL. The report found that those residents who, via a subscription plan, buy power from a community rooftop solar PV plant, could also save up to 35% on their monthly power bills. The savings have been estimated over the 25-year lifetime of these systems.

The study titled "Scaling Rooftop Solar – Powering India's Renewable Energy Transition with Households and DISCOMs" was undertaken by the Council on Energy, Environment and Water (CEEW) in collaboration with BSES Yamuna Power Limited (BYPL) in east and central Delhi areas. The study, released at the CEEW Renewable Energy Dialogue 2018, said that it has become imperative to develop innovative business and financial interventions to accelerate its adoption among households given the low rate of deployment of rooftop solar in the residential sector in India.

"In this context, Council on Energy, Environment and Water (CEEW) in partnership with the Delhi electricity distribution company (DISCOM), BSES Yamuna Power Limited (BYPL), has developed three innovative utility-led business models that can accelerate the deployment of rooftop solar systems in the residential sector," the report said. The three models — community solar model, on-bill financing model, and a solar partners model — target



diverse residential consumers ranging from those living in gated communities to low-income consumers receiving electricity subsidies.

The study found out that consumers who do not have access to a rooftop or who live in rented property can benefit from solar electricity through the subscription programme, or can agree to be a solar host without having to pay any money and without any credit checks, thus eliminating all investment-related market challenges associated with solar rooftop systems like high capital cost and limited access to finance. "There are no operations and maintenance costs nor any obligations for consumers. Consumers achieve savings on their electricity bill," said the report.

Save Energy. Save Money. Save the Planet