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

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Free power scheme hits Tangedco bottom line

The Hindu : March 5, 2019

The scheme of 100 units of free electricity, announced by former Chief Minister Jayalalithaa as part of her election campaign during the Assembly election in 2016, has now come to haunt the financials of the State electricity utility. The scheme for all sections of low-tension consumers was brought into force once Jayalalithaa returned as Chief Minister.

Revenues have also dropped with industries migrating to their own captive power plants.

The loss suffered by the Tamil Nadu Generation and Distribution Corporation (Tangedco) for the financial year 2017-18, to the extent of ₹7,760 crore, is being attributed to the reduction in average cost of realisation, both in the high-tension and low-tension categories. The loss of ₹7,760 crore in 2017-18 compares with ₹4,348 crore in 2016-17.

Experts had hoped that in the wake of debt being taken over by the State government under the 'UDAY' scheme, the losses would be minimised. However, they have only increased.

Though Tangedco has been able to increase its total revenue by ₹2,578 crore in 2017-18, from a total revenue of ₹56,012 crore in 2016-17, the revenue from the sale of power in 2017-18 has gone down by ₹277.63 crore to ₹43,686 crore.

Lower realisation

The total average cost of realisation from sale of power, which comprised high-tension and low-tension categories, was ₹5.90 per unit for 2017-18 against a surplus of ₹6.22 per unit for 2016-17.

All the revenue-earning categories have taken a hit for the year 2017-18 against 2016-17 wherein the high-tension factories, textile units and software industries paid only ₹7.41 per unit for consuming 24,621 million units (MU) against ₹7.84 per unit for using 23,160 MUs.

In the low-tension category, domestic consumers who forms the major category of consumers, realisation was only ₹3.86 per unit for consuming 25,815 MUs while in 2016-17 the earning was ₹4.56 per unit for 24,681 MUs. The powerloom (to which power subsidy has been provided) revenue was ₹5.36 per unit. The factories, textile units and software industries which had been the revenue-generating category for the electricity utility, consumed 28% of the electricity generated.

A senior Tangedco official said that though there are several reasons for the widening of losses, two main reasons are the free 100 units of power given to all categories of consumers and the migration of high value consumers to open access purchase. As for the first reason, though the scheme was implemented from June 2016, the full impact has been felt only in 2017-18. The official added that the utility had been facing increasing expenditure over the past 5 years.

Save Energy. Save Money. Save the Planet

These states giving cheaper electricity to consumers despite missing UDAY targets

Financial Express : March 6, 2019

Punjab, where too delayed subsidy disbursal to the discoms was a major issue last fiscal, has allocated a massive `8,969 crore to subsidise agricultural electricity in FY20.

While the operational targets set under the UDAY scheme for the revival of electricity discoms are being missed and the efficacy of the scheme itself has come under a cloud, several state governments are putting further burden on these entities by unveiling various sops for different sections of consumers, including farmers and households and not compensating them adequately.

Bihar, Uttar Pradesh and Jharkhand have cut down on the budgetary allocations to their respective energy departments in FY20 by 25%, 18% and 4%, respectively from the levels in the previous year, a move that could hit the discoms' ability to strengthen the network to cut pilferage and improve the efficiency of tariff collection.

Chhattisgarh has announced a flat 50% discount on power bills to consumers who use below 400 units of electricity in a month. Maharshtra government that has been delaying payments to discoms — government departments' dues to the state's discoms rose 31% year-on-year in H1 FY19 to `6,084 crore — has continued with massive power subsidies and budgeted for another `5,210 crore to subsidise electricity to industry and agriculture in FY20, and the discoms are worried if the funds will reach them on time.

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Delayed disbursal of such subsidies leads to discoms spending more on interest costs against borrowings done to compensate for their working capital shortfall.

As FE reported recently, financial losses of the state-owned discoms have increased by 36% year-on-year to `15,080 crore in H1FY19; in fact, these losses were as much as the losses incurred by them in the whole of the previous financial year. State-level electricity regulators are not sticking to the trajectory of tariff increases agreed on while signing up for UDAY; only 17 states have increased their tariffs for FY19 compared to 22 for FY18.

At the national level, cross-subsidies — additional tariffs paid by industrial and commercial consumers to subsidise households and farmers — too have been on the rise, comprising 9% of the total revenue in FY15 to 12% in FY17.

Also, AT&C losses of discoms in 26 states and UTs were at 19.7% at the end of December 2018, down only 0.7 percentage point from the level recorded a year earlier. The target to reduce these losses to 15% by the end of March 2019 is clearly going to be missed by a significant margin.

Uttar Pradesh has reduced its FY20 budget expenditure for the energy department by about 18% (from FY19 revised estiamate) to `26,503 crore even as its power purchase costs have gone up by 13% to `4.48/unit in H1FY19. The discoms' AT&C losses are rising with payment collection efficiency deteriorating with rising rural electrification. Their regulatory assets (the revenue shortfall resulting from inadequate tariff hikes) were a massive `33,000 crore at the FY18-end and the state government departments also owed them another `12,166 crore at the end of September, 2018, up 19% from a year ago.

Bihar has reduced FY20 allocations to its energy department by 25% to `8,894 crore while Jharkhand has cut the same by about 4% to `5,323 crore.

Uttar Pradesh to get 40 paise per unit cheaper power

The Economic Times : March 5, 2019

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UPPCL is the company responsible for electricity transmission and distribution within the Indian state of Uttar Pradesh.

Uttar Pradesh PowerCorporation (UPCL) will get 40 paise per unit cheaper electricity from Prayagraj Power Generation Company's plant at Bara in Prayagraj district, which will translate into savings to the tune of Rs 500 crore annually.

An arm of Tata Power-backed Resurgent Power Ventures, Renascent Power Ventures -- which has acquired 75.01 per cent stake in the Bara power plant -- will be offering 40 paise per unit cheaper electricity to Uttar Pradesh Power Corporation Ltd (UPPCL) under revised terms of power purchase agreement, a source said.

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The revised PPA would also be approved by the state power regulator while disposing off the plea.

A plea for change in ownership of Prayagraj Power Genreation Company Ltd (PPGCL) is under consideration of Uttar Pradesh Electricity Regulatory Commission (UPERC), which is expected to be decided this month. The next hearing is scheduled on Wednesday.

The source further said that since the acquisition is at deep discount, UPPCL is keen on passing the benefits to consumers reeling under high energy tariffs.

The average pooled power purchase cost of the UPPCL is around Rs 4.40 per unit. The UPERC has also asked UPPCL to explain the benefit that would accrue to consumers, with takeover of the PPGCL by Resurgent Power.

Industry experts believe the average pooled power purchase cost is expected to increase in the coming months owing to increase in various taxes and duties during the last three years.

In such a situation, the discount of 40 paise per unit comes as as a relief for UPPCL since this discount will lead to savings of Rs 500 crore annually for the UPPCL, they said.

Besides, UPPCL would be buying 100 per cent power from plant to cater to the upcoming summer power demand surge, which wold further lead to savings for UPCCL, the source said.

The Renascent Power Ventures had announced acquisition of 75.01 per cent stake in PPGCL last year in November.

PPGCL was incorporated as a special purpose vehicle (SPV) on February 27, 2007, by UPPCL for setting up 1,980 MW (660X3) coal-based thermal power plant at Bara.

Uttar Pradesh power discoms had entered into a 25-year PPA for supply of 90 per cent of power output from the plant.

The Uttar Pradesh goverment had awarded the project to Jaiprakash Power Ventures Ltd (JPVL) on March 2, 2009. The power plant was to be fully commissioned in June 2015.

However, owing to various issues faced by the project firm, the plant was delayed for more than two years leading to escalation in capital cost of the project.

In 2017, lenders led by SBI had invited expression of interest offering majority equity stake in the PPGCL. In November 2018, Resurgent Power signed share purchase agreement to acquire 75.01 per cent stake in PPGCL. Against the overall debt of Rs 11,086 crore and equity of Rs 3,229 crore, Resurgent Power purchased PPGCL for Rs 6,000 crore.

Resurgent Power is a joint venture between Tata Power International Pte Ltd (TPIPL) -- a wholly-owned subsidiary of Tata Power -- ICICI Bank and reputed global investors including Kuwait Investment Authority and State General Reserve Fund, Oman, set up to acquire assets in the Indian power sector.

Discom dues to power generators grow 33% during April-January

The Economic Times : March 6, 2019

Discoms owed Rs 41,133 cr to pvt sector generators, & they are struggling to keep loan repayment schedule.

Dues of state-run power distribution companies to cash strapped power generators have increased by a third in April-January despite the government's assurance that payments would be expedited.

As per data compiled by the Association of Power Producers, state-run power distribution companies (discoms) owed Rs 41,133 crore to private sector generators as on January 31, and many of these generators are struggling to keep their loan repayment schedule on track.

While these companies must pay state-run Coal India and Indian Railways in advance, they don't receive payments from customers—the power distribution companies—on time.

Adding to the gloom is the possibility that the upcoming general election will push up power demand without any promise of recoveries.

"The alarming and progressive increase in receivables in payments and regulatory dues is not sustainable. Many projects that do not have financial resilience could potentially default and turn into non-performing assets. We need a resolutions at the earliest," Ashok Khurana, director-general of industry body Association of Power Producers, told ET.

Of the pending receivables, Rs 17,140 crore is on account of regular energy bills, Rs 6,865 crore is the amount unpaid on account of change in law, or post adjudication. This also includes Rs 17,128 crore of dues that are stuck in litigation, according to data compiled by the association

The association met power ministry officials yet again last week seeking intervention for clearance of dues to avoid assets turning into nonperforming assets. The Reserve Bank of India has listed 34 financially stressed power units, with loans totalling Rs 1,80,000 crore, at risk of turning into NPAs.

In the public sector, power generators had Rs 21,889 crore in receivables due as on end-November.

This is mostly on account of regular energy bills. "Two months' delay by discoms has almost become a norm, but if it goes beyond that then it starts hurting us more. There are states which have delays of 5-6 months and then even ask for discounts on payment," a top executive with a power company said.

Tata Power's chief executive officer Praveer Sinha had recently told ET that his company faces problems from two states where Rs 200-300 crore is delayed beyond six months

Many state discoms bear loss of income as they defer tariff hike

The Economic Times : February 26, 2019

Deteriorating financial health of distribution companies impacts the entire power sector value chain..

Approaching general elections along with recent assembly polls have taken a toll on the finances of state power distribution companies as many states are offering freebies to voters instead of filing tariff revision petitions with regulators to recover costs.

In many cases, regulators have allowed deferred tariff hikes, which cumulatively add up to Rs 1.35 lakh crore. Delayed tariff hikes cause loss of income and force the discoms to borrow heavily, although they are reflected in the balance sheet as 'regulatory asset'.

Regulatory assets are estimated to have increased by almost Rs 60,000 crore between FY14 and FY18, raising questions on independent operations of electricity regulatory commissions and power distribution firms.

Such situations in the past have led to loan restructuring of thousands of crores. The UPA government had in 2011 rescheduled Rs 1.9 lakh crore of short-term loans of discoms. The NDA government launched Ujjwal Discom Assurance Yojna (Uday) in 2015, under which state governments had to take over 75% of their debt and pay back lenders by selling bonds. For remaining 25%, discoms issued bonds.

Deteriorating financial health of distribution companies impacts the entire power sector value chain. Aggregate discom dues to electricity generating companies are expected to be around Rs 40,000 crore. ET had on February 18 reported that private power companies have sought government intervention in clearing discom dues as they are unable to operate their plants. Ailing distribution network also casts a shadow on the government.

Sources said states are not abiding by their agreements signed under Uday, under which they were required to file petitions regularly to claim adequate tariffs. The issue is likely to be discussed at the power minister's meet in NCR on Tuesday.

Sources said Uday states had reduced financial losses by more than 70% to Rs 15,049 crore in FY18 from Rs 51,480 crore in FY16. Book losses of Uttar Pradesh, Tamil Nadu, Punjab, Karnataka, Madhya Pradesh, Tripura, and Manipur decreased by over 50% in FY18 in comparison to FY16.

However, during first half of this year, losses increased to Rs 15,080 crore from Rs 11,071 crore in same period last fiscal. The increase in losses is mainly attributable to states like Telangana, Tamil Nadu, Madhya Pradesh, Assam and Andhra Pradesh, where the losses have more than doubled as compared to same period last year. Most of these states offer free or concessional power to agricultural and low income sectors.

For lack of adequate tariff rise, the annual losses of the discoms in FY16, FY17, and FY18, though decreasing had to be funded through borrowings. Increase in regulatory assets—recognised revenue shortfalls—has also been a reason for funding through borrowings.

Low collection from remotely located consumers, increase in power purchase and establishment costs, inadequate tariff hike, inadequate subsidy disbursement and rising government departments have resulted in rise in financial losses, sources said.

During first half of FY19, there has been an increase in power purchase cost to Rs 4.30 per unit against Rs 4.12 a unit in same period last year on account of increase in fuel and freight charges, and increase in short-term procurement due to rise in electricity demand. Establishment and other costs during the period have increased to Rs 0.72 per unit in FY18 due to implementation of the Seventh Pay Commission.

In the current financial year, 17 states have increased tariffs as compared to 22 states in FY18. Also, some states have not increased tariff in FY19 as per the hikes envisaged in the Uday MoUs, resulting in shortage of revenue and creation of regulatory assets.

At the end of September 2018, outstanding dues payable from government departments to discoms increased to Rs 37,286 crore as compared to Rs 25,262 crore at the end of September 2017.