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Two natural gas-powered thermal plants to be set up in Chennai

Times of India : July 9, 2019

Tangedco will set up two new natural-gas-based thermal units in North Chennai, said chief minister Edappadi K Palaniswami in the assembly on Monday

Tamil Nadu Generation and Distribution Corporation Limited (Tangedco) will set up two new natural-gas-based thermal units in North Chennai, said chief minister Edappadi K Palaniswami in the assembly on Monday. The units, each with a capacity of 730MW, will come up on the erstwhile GMR power plant premises in Basin Bridge. The GMR units were naphtha-based.

Most thermal units of Tangedco are coal-based. Tamil Nadu has only 516MW of thermal plants that are natural gas-based and much of that is in the private sector. The two new projects are expected to cost more than Rs 5,000 crore, said sources.

"We will prepare a detailed project report and seek loan from power finance companies before floating tenders. It will take at least five years for the units to generate power. The fuel will be sourced through a pipeline from the Indian Oil terminal at Ennore," said a senior Tangedco official.

The GMR units were decommissioned in 2018. "The GMR site is about 30 acres. That is adequate for the LNG-based units," said the official.

The GMR units initially used diesel as fuel. Later it shifted to naphtha. The project became unviable when naphtha prices went through the roof. GMR had four units, each with a capacity of 46MW. Pollution was another reason for shutting down the GMR plant, said the official.

The government has also allocated Rs 3,000 crore to replace equipment in all thermal units owned by Tangedco to prevent air and water pollution. "Based on the Supreme Court order, we had to replace several equipment in thermal units with modern ones so that fly ash does not pollute air in the areas. There are several complaints from residents living in areas close to thermal units about fly ash pollution," said the official

Rules for captive power plants to be amended to prevent misuse

The Economic Times : July 8, 2019

Group captive power plants based on coal, solar and wind are operational in large numbers in Karnataka, Haryana, Rajasthan, Maharashtra and Tamil Nadu

The power ministry will rework amendments to the rules for captive plants to prevent their misuse and abolish undue charges on free electricity trade to provide cheaper energy alternative to industries.

A senior government official said the ministry will soon come out with a fresh draft to strengthen norms. Finance minister Nirmala Sitharaman, in her budget speech, said the Centre will work with states to remove barriers such as cross-subsidy surcharges, undesirable duties on open access sales or captive generation for industrial and other bulk power consumers.

Indian Captive Power Producers Association secretary general Rajiv Agrawal said the government should also address coal availability issues. "It is visionary on part of the finance minister... It is time for the government to remove other discriminations and impediments to global competitiveness too, namely charging captive power generators 20-140% higher coal costs, vis-à-vis other power producers," he said.

The ministry had, last year, proposed getting rid of loopholes in norms relating to captive and group captive generating power plants following complaints against dummy projects being created to avoid surcharges. The changes could lead to correction in equity and shareholding in over 5,000-mw existing captive power projects.

The government proposed to change the definition of 'ownership' for captive power plants that should now be in terms of value of capital along with the voting rights and not in terms of number of shares only.

Group captive power plants — based on coal, solar and wind — are operational in large numbers in the states of Karnataka, Haryana, Rajasthan, Maharashtra and Tamil Nadu. The concept was evolved by industries to avoid cross-subsidy charges levied on inter-state electricity sale. However, like open access, it is also seen as a threat to state discoms.

Open access as the name suggests refers to enabling buyers to choose source of electricity and giving them right on transmission and distribution system for transfer of power.

States fear losing their high paying industrial consumers to spot markets and thus impose levies on such transactions. Open access was announced as a reform in the Electricity Act 2003.

In the proposed new tariff policy, the government proposes to remove cross-subsidy charges levied on the large power consumers. The Centre proposes to give direct benefit transfers to the targeted consumers. The tariff policy also proposes to penalise gratuitous load shedding by distribution companies.

Under UDAY 2.0, sops for Discoms will be target-driven

Business Line : July 8, 2019

The next leg of power distribution reforms will be led by the Ujwal Discom Assurance Yojana 2.0 and a tariff policy that aims to rein in errant distribution utilities. Unlike its predecessor, UDAY 2.0 will be stricter with budgetary allocation to incentivise Discoms for good performance, Minister of State (Independent Charge) for Power and Renewable Energy, RK Singh told *BusinessLine*. *Excerpts:*

The Finance Minister has said the next leg of power distribution company reforms is in the offing after a review of UDAY. How should one interpret this?

The Finance Minister said that we will roll out a scheme that will be different from the earlier ones. It will combine UDAY with the development funds for strengthening the power distribution system. Because the two are combined, the infusion of funds for strengthening the system will be linked to achievement of milestones under UDAY 2.

This was envisaged in UDAY I too. There were specific conditions under which the distribution utility-Discom would have access to funds only if it met the UDAY milestones. However, they were not implemented because there were multiple schemes. Now, we are combining it all into one scheme; so now, those conditions will be central.

If the glide path says that you have to reduce your AT&C (Aggregate Technical & Commercial) losses from let's say, 18 per cent to 17.5 per cent, then the next tranche of funds for strengthening will be released only after the target is attained.

UDAY I did not have a budgetary allocation. Will there be a budgetary allocation for UDAY II?

Yes we are combining the two. I won't pre-empt those who are drafting the scheme but we'll be giving funds for whatever strengthening is necessary to make available supplies 24x7 and reduce losses.

When is the new tariff policy expected? What will be the biggest issue that the tariff policy is going to address?

The tariff policy will be approved within a month. I think this is the first time that we are putting the consumer at the forefront. The consumer has a right to uninterrupted and quality supply of power. So, if the Discom does load-shedding, it will have to pay a penalty. The consumer has the right to a certain standard of service, so that will be laid down. If the Discom does not match up to those standards, it will have to pay a penalty.

We are saying that the Discom will have to tie up sufficient power to serve the area it has the licence or monopoly to serve. If they don't tie up sufficient power, they will not have the licence to serve that area, or we will get other institutions to meet those requirements.

We are also saying that the Discom cannot overcharge the consumer. So if cost of power is 'x', the Discom cannot charge a consumer '4x'. The tariff charged has to bear a relation with the cost which is paid for the power. The Discom cannot pass on the burden of inefficiencies on to the consumer. So if the Discom is making a loss of 19 per cent, it cannot hike the tariff.

We have laid down a fairly generous ceiling saying that the Discom cannot pass on any loss above 15 per cent. Even that is a high number, but we are keeping it to begin with and will gradually bring it down too. So the Discom will have to improve its efficiencies.

We are bringing in competition so we are making 'open access' easier. So if the Discom actually over-prices power, then people will get power from some other generator through open access. So this tariff policy will bring about a seminal change in the power system of the country.

How will the newly proposed payment security mechanism work? Who will issue the Letter of Credit?

The Letters of Credits (LoCs) are issued by the banks and financial institutions. For a LoC, you have to deposit a certain margin that will be given by the Discoms.

That is an essential requirement from August 1. The LoC can be for a supply period of 10 days, instead of a month, and then it can be rolled over. So you take a supply for 10 days, give a fresh LoC for another 10 days. So it is doable.

A Discom that regularly clears dues to Gencos will have to pay lesser for an LoC. A Discom that does not clear dues will have to shell out more.

Power ministry to seek Cabinet approval for tariff policy in next few days: R K Singh

Times of India : July 5, 2019

State power regulators would ascertain the penalty on distribution companies (discoms) for voluntary load shedding.

Power Minister R K Singh Friday said the ministry will seek the Union Cabinet's approval for power tariff policy, which would provide for a penalty for unscheduled power cuts by distribution companies.

"We would seek Union Cabinet nod for the power tariff policy in next few days. The policy provides for penalty for unscheduled power cuts except in the case of technical faults or act of God (natural calamities)," Singh told reporters here.

He also told that state power regulators would ascertain the penalty on distribution companies (discoms) for voluntary load shedding.

The minister's statement assumes significance in view of Finance Minister Nirmala Sitharaman in the Budget on Friday where she stressed that the government will go ahead with structural reforms to achieve the objective of 'One Nation One Grid'.

She said, "We will work with state governments to remove barriers like cross-subsidy surcharges, undesirable duties on open access sales or captive generation for industrial and other bulk power consumers.

"Besides these structural reforms, considerable reforms are needed in tariff policy. A package of power sector tariff and structural reforms would soon be announced," Sitharaman added.

She further said that to take connectivity infrastructure to the next level, the government will build on the successful model of 'One Nation, One Grid'.

The minister has also announced that a package for the power sector would soon be brought by the government.

The government intends to provide '24X7 Power to All' at affordable rates. Therefore, there would a provision in the tariff to cap transmission and distribution losses. Once the tariff policy is approved, the discoms would not be allowed to pass on these losses beyond 15 per cent.

The new power tariff policy would also encourage time of the day tariff where consumer would be charged more during peak hours. This would also enable the consumers to reduce their electricity bill by consuming more electricity during non-peak hours.

Green certificate sales down 22% to 6.98 lakh in June

Business Today : July 7, 2019

The trading of RECs is conducted on the last Wednesday of every month.

Sales of renewable energy certificates dropped by 22 per cent to 6.98 lakh units in June as compared to 8.96 lakh in the same month a year ago due to lower supply, according to official data.

Indian Energy Exchange (IEX) and Power Exchange of India (PXIL) are the two power bourses in the country which are engaged in trading of renewable energy certificates (RECs) and electricity.

The trading of RECs is conducted on the last Wednesday of every month.

According to official data, IEX saw total trade of 4.19 lakh RECs in June as compared to 5.09 lakh in the same month last year. Similarly, PXIL recorded sale of 2.78 lakh RECs in the month as compared to 3.86 lakh in June 2018.

IEX data showed that both non-solar and solar RECs continued to see low supply situation, with buy bids exceeding sell bids due to low inventory.

Under the renewable purchase obligation (RPO), bulk purchasers like discoms, open access consumers and capacitive users are required to buy certain proportion of RECs. They can buy RECs from renewable energy producers to meet the RPO norms.

The proportion of renewable energy for utilities is fixed by the central and state electricity regulatory commissions.

The REC mechanism is a market based instrument to promote renewable sources of energy and development of market in electricity. It provides an alternative voluntary route to a generator to sell its electricity from renewable sources just like conventional electricity and offer the green attribute (RECs) separately to obligated entities to fulfil their RPO.

June spot power price at IEX falls 11 per cent to Rs 3.32 per unit

ET Energy World : July 9.2019

As compared to June 2018, the trading volume fell 15 per cent. On daily average basis, around 140 MUs were traded in June 2019, the exchange said.

Average spot powerprice fell 11 per cent to Rs 3.32 per unit in June compared to the year-ago month, the Indian Energy Exchange (IEX) said Monday. With trading of 4,207 million units (MU) of electricity, the volume in the day-ahead-market (DAM) grew 12 per cent month-on-month.

As compared to June 2018, the trading volume fell 15 per cent. On daily average basis, around 140 MUs were traded in June 2019, the exchange said.

"The average Market Clearing Price (MCP) at Rs 3.32 per unit (in June 2019) declined 11 per cent over Rs 3.73 per unit in June 2018 mainly on account of reduced demand in the short-term market," the IEX said.

Greater availability of power from hydro, solar, coal- based power generating stations having long-term contracts with discoms along with better availability of domestic and imported coal were the key reasons for decline in traded volume on IEX.

The hydro, solar and coal generators saw an increase of 5 per cent, 52 per cent and 9 per cent, respectively, IEX said citing National Load Dispatch Centre (NLDC) data.

According to the NLDC data, the all-India peak demand met reached a new high of 183 GW in June 2019, an increase of 7 per cent over 170 GW peak demand met in the year-ago month.

On all-India basis, the energy met was 119 billion units (BU) in June 2019. It is a rise of 8 per cent compared to 110 BU last year.

The electricity market at IEX - the day-ahead-market (DAM) and term-ahead-market (TAM)- saw combined trading of 4,566 MU, a rise of 12 per cent over 4,090 MU traded in June 2018.

A total of 4,19,781 Renewable Energy Certificates (RECs) were traded on May 29. Out of them, 3,27,688 were non-solar and 92,093 were solar certificates.

"The trade saw 24 per cent decline on month-on-month basis and 18 per cent decline on year-on-year basis. Both non-solar and solar REC continued to see low supply situation with buy bids exceeding the sell bids due to very low inventory," the statement said.

PLF for new power plants could rise as old units head for closure

Business Standard : July 7, 2019

As of May 2019, India's total thermal power capacity stood at 226.3 Gw

The Union finance minister, in her maiden Budget speech, spoke of retiring old and inefficient power plants. The move, industry officials and experts have said, will phase out 20-30 gigawatt (Gw) of thermal capacity from the system.

“Recommendations of the high-level empowered committee (HLEC) on retirement of old and inefficient plants, and addressing low utilisation of gas plant capacity due to paucity of natural gas, will also be taken up for implementation,” Nirmala Sitharaman said.

While the announcements did not include any big bang measures for the power sector, experts said the phasing out of old plants and improving utilisation of natural gas-based plants could go a long way.

Industry officials point out that these capacities would be in excess of 20 Gw and most of these are state-owned comprising sub-critical technology.

As of May 2019, India’s total thermal power capacity stood at 226.3 Gw.

“Phasing out old capacities will help improve demand for power from efficient plants. The focus needs to be on lower cost of power,” said Sharad Mahendra, whole-time director and chief operating officer of JSW Energy.

The move is unlikely to impact any private power producer negatively. The all-India plant load factor (plf) for thermal plants in May was 63.24 per cent. Mahendra added that phasing out will add to the thermal demand growth that India is witnessing.

In addition to retirement of old plants, higher utilisation of gas-based power plants will also help resolve debt stress to the tune of Rs 1 trillion, industry estimates suggest.

"The country is trying to retire inefficient old coal-based thermal plants and a dispensation for better utilisation of 24 Gw of under-utilised gas-based power projects. These will not only have a positive impact on the financial sector, but will help India reduce its carbon footprint," said Debasish Mishra, Partner at Deloitte Touche Tohmatsu India.

The finance minister also mentioned the possibility for tariff reforms in the sector. "Considerable reforms are needed in tariff policy. A package of power sector tariff and structural reforms will soon be announced," she said.

On power distribution, Sitharaman added: "We will work with state governments to remove barriers such as cross subsidy surcharges, undesirable duties on open access sales, or captive generation for industrial and other bulk power consumers."

Will a Centre-state panel help cut red tape in India's power sector?

Live mint : July 3, 2019

- Proposed power sector council will aim to solve issues stuck due to differences between Union and state govts
- With power being on the concurrent list of the Constitution, many sectoral issues face hurdles due to differences between the Union and state governments

  - The power ministry has proposed a "power sector council" comprising the political executive as well as the energy bureaucracy to tackle issues between the Union and state governments as part of the ministry's 100-day action plan for the second term of the Narendra Modi government.
  - With power being on the concurrent list of the Constitution, many sectoral issues face hurdles due to differences between the Union and state governments. The council will help the Centre and states work on a common agenda and ensure round-the-clock power to all.
  - This comes in the backdrop of the Centre preparing a road map for the power sector. The 'Vision Document for Power Sector for the next Five Years' will also focus on electricity generation utilities including from renewable energy sources, transmission including green energy corridor and green energy integration, and electricity distribution companies (discoms) including distribution franchisees.
  - According to information reviewed by *Mint*, such a council can be formed through an executive order and "the council would work in the spirit of collaborative and cooperative federalism, whereby various federal and state entities in the Indian power sector can work on common narratives of energy sector growth on a common agenda, while retaining the concurrent nature of power sector as enshrined in the Constitution of India".
  - To be sure, the decision-making of the so-called power sector council would preclude legislative and regulatory domains of the Centre and states.
  - *Mint* had reported about the power sector council on 12 June.
  - The Modi administration's plan to provide uninterrupted power supply to households in its second term was articulated by power minister Raj Kumar Singh after he assumed office. With electricity being on the concurrent list, it is for states to ensure reliable and affordable electricity to consumers.
  - It is a tough task given as of September 2015, the total debt of all state-owned discoms was around ₹2.45 trillion, with ₹0.8 trillion serviced by the states. Also, annual discom losses in FY16, FY17 and FY18 were funded through borrowings. Non-performing assets in power generation make up around 5.9% of the banking sector's total outstanding advances of ₹4.73 trillion, according to the Economic Survey presented in August 2018.

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- The proposed council will be headed by the Union power minister and have the Union finance minister and power ministers of all states as members. It will be assisted by a standing committee headed by the Union power secretary, with finance secretaries, principal secretaries (energy) and principal secretaries (finance) of all states as its members.
- According to the proposal, the standing committee would recommend cases to be brought before the council for decision making and take the assistance of the joint working groups for framing the problem statements and suggesting possible solutions. Decisions would be taken through voting with one vote each for the Centre and the states.
- “The vote by the Centre (minister of power) would have a weightage of one-third of the overall votes cast, and the votes of all the state governments taken together shall have a weightage of two-thirds of the total votes cast in that meeting. For a decision of the council to be designated as an agenda for the country shall be taken at the power sector council meeting, the same should have a majority of not less than three-fourths of the weighted votes of the members present and voting," according to the proposal.
- Queries emailed to a power ministry spokesperson on Monday remained unanswered.
- According to the proposal, the joint working groups (JWGs) on various issues will be coordinated by a joint secretary in the Union power ministry. These JWGs will help the standing committee and the council in taking appropriate decisions and would also have industry, academia and think-tanks as members.
- This also comes at a time when India has an ambitious target to set up 500 gigawatts (GW) of renewable energy capacity by 2030.This would require active cooperation of the state governments with the Centre. India currently has an installed renewable energy capacity of around 80 GW.
- The proposal also comes in the backdrop of the ongoing crisis in discoms due to their poor financial health, which has led to delayed payment to generation utilities.

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