

Power Sector in Andhra Pradesh during April 2013

POLICY

DISCOM revamp: Ministry to extend deadline to rope in more States

Andhra Pradesh is one of the five states selected for financial restructuring of the DISCOMs. Rs. 6,301 crore will be re-structured under this programme. According to this programme half of DISCOM losses would be taken up by the respective State. For the remaining half, distribution utilities would get three-year moratorium on principal payment. In the second phase, the Government expects the distribution utilities to become cash-surplus. Thereby the remaining debt would be restructured for seven years. The DISCOMs would issue bonds on behalf of State Governments for 50 per cent of the debt. The coupon rates for these bonds will be at premium over the market rates (advantage of 25 basis points). However, the upper cap may be nine per cent. These bonds would not be traded like other securities. Only the respective lenders to the DISCOMs will buy these bonds. The State Government will bear the interest and these would be getting transferred to the State account as per Fiscal Responsibility and Budget Management Act. Every DISCOM has a nodal bank that would fine-tune its restructuring. The DISCOMs will take steps to reduce distribution losses and increase electricity tariff based on power purchase fluctuations.

GENERATION

Gayatri Projects' arm executes PPA for 1320 MW power plant

Thermal Powertech Corporation India Ltd (TPCIL) – a joint venture between Gayatri Energy Ventures Pvt Ltd and Singapore based Sembcorp Utilities – was reported to have executed a power purchase agreement (PPA) with APDISCOMs for its 1,320 MW coal based power plant located at Krishnapatnam in Nellore district.

Andhra Pradesh to purchase solar power at Rs 6.49 per unit

Andhra Pradesh government today fixed the benchmark price for purchase of solar power at Rs 6.49 per unit. The State through AP Transco as the nodal agency had invited bids

from private developers to set up solar PV units aiming to develop about 1000 MW.

Under the net metering facility for rooftop solar PV systems subsidy will be provided by the Union Government up to 30 per cent of the panel cost up to a capacity of 500 KW without battery support.

Coromandel International buys 8.13% more in AP Gas Power

Murugappa group company Coromandel International has bought 8.13% additional stake in Andhra Pradesh Gas Power Corporation (APGPCL), a public-private-partnership venture, for some Rs 110 crore to ensure 15MW more power to its fertilizer facilities in Kakinada and Vizag in AP. APGPCL, which has a gas-fired power generation facility of 272MW, is 31% owned by AP Power Transmission Corporation (AP Transco), 21% by public sector power consumers and the balance 48% by private sector consumers. The fresh stake purchase takes the total holding of Coromandel in APGPCL to 9.96%, enabling the fertilizer company to draw a total of 27MW of power produced by the PPP. The power consumers, who own stakes in the PPP venture, are entitled to get power at a low price of Rs 1.22 a unit as against prevailing market price of over Rs 9 a unit for industrial users.

AP DISCOMs directed to compensate power producer Konaseema Gas Power

The Appellate Tribunal for Electricity has directed the DISCOMs in AP to compensate Konaseema Gas Power which has not been operating its 445 mw natural gas-fired power project due to lack of fuel. The company, which had challenged four state utilities and an earlier ruling of APERC before the appellate tribunal, sought Rs 2,000 crore in compensation including interest and cost overruns over four years. Konaseema contended that even though the project was ready on July 1, 2006, it did not get gas supply till 2009-10 and, therefore, was entitled for compensation according to the agreement,

FUEL

Reliance Industries gas output falls to all-time low, shuts 9th well in KG-D6 block

Reliance Industries has shut its ninth well on the KG Basin gas fields KG-D6 block, leading to output declining to of 15.5 mmscmd for "reservoir build-up study".

The company has shut eight wells previous due to high volumes of water and sand seeping in, which affected production. The latest shutting led to the output slipping from D1&D3 to 11.70 mmscmd in the week April 7, the report said. Together with 4.09 mmscmd from MA oilfield in

the same block, the output totalled 15.79 mmscmd in the week. However, the production has since plummeted further to 15.50 mmscmd.

The Parliamentary panel on petroleum and natural gas asked the ministry to find out if the decline in output from RIL's eastern offshore KG-D6 fields was due to commercial consideration or price of gas. The Standing Committee on Petroleum and Natural Gas, in its report tabled in Parliament, noted with concern that the output from KG-D6 has been declining since 2010-11. Stating that it has not been informed of any valid reason for lower production of gas in KG-D6 block, the panel said it has noted RIL's demand for higher natural gas price.

RIL and BP seek clarity on natural gas pricing

BP head Bob Dudley and RIL Chairman Mukesh Ambani sought clarity on pricing of natural gas as they felt an interim arrangement being considered by the government was inadequate. The duo sought clarity on pricing of natural gas from April next year when the current sub-market price of USD 4.2 per million British thermal unit expires. They wanted the government to spell out a clear roadmap for migrating to market determined gas pricing in the next 3-5 years so as to provide clarity to producers to make investment decisions. In this regard they met Planning Commission Deputy Chairman Montek Singh Ahluwalia.

RIL to give up a share of KG-D6 block

RIL said it would give up about 56 per cent of "low prospectivity area" in its eastern offshore KG-D6 block and retain only the portion where oil and gas discoveries have been made. 3,412 sq km of area out of a total of 7,645 sq km in KG-DWN-98/3 or KG-D6 block would be retained. The area RIL intends to retain contains 18 gas and one oil discoveries including the currently producing Dhirubhai-1 and 3 (D1&D3) gas and MA oil and gas fields. RIL said it has submitted to authorities revised field development plans for D1 & D3 as well as D26 or MA fields that include work-overs and facility upgrade to improve gas production.

Contractually, companies are required to relinquish 25 per cent of the area in an oil and gas block at the end of first phase of exploration that spans some three years. At the end of second phase, 50 per cent of the area is to be given up and by the third phase only such area is allowed to be retained where the company has made a discovery and is required for development and production of the same. The second and third phases are of two years duration each. RIL and its partner Niko Resources of Canada [[Images](#)] were awarded the KG-D6 block in 2000. The three-year Phase-1 ended on June 7, 2003 while the 2-year Phase-II expired on June 7, 2005. The third phase ended on June 7, 2007.

According to some sources said Directorate General of Hydrocarbons (DGH) in 2006 agreed to RIL proposal of declaring the entire 7,645 sq km as discovery area, thereby allowing the company to retain the full area. The decision was ratified by a committee headed by Additional Secretary in the Ministry and by the Oil Minister thereafter. But the decision was questioned by government auditor CAG as at the end of the third phase, only 79 per cent of the block area was covered by 3D seismic survey and yet the entire area was declared a discovery area. CAG in its performance audit in 2011 had asked the Ministry to review determination of entire contract area of KG-DWN-98/3 (KG-D6) as 'discovery area'. In the aftermath of CAG's observation, the DGH recommended to the oil ministry that RIL should be informed that an area of 5,970 sq km is treated as having been relinquished in the first instance.

DGH wanted Reliance Industries to give up 86 per cent of its KG-D6 gas block area, including 8 gas discoveries worth at least USD 5 billion, saying that the firm has overshot the time allotted to it for developing the area. Rejecting RIL's offer to relinquish 4,233 sq km of "low prospectivity area" in the eastern offshore KG-DWN-98/3 or KG-D6 block, the Directorate General of Hydrocarbons (DGH) has stated that the company should contractually give up 6,601 sq km out of the total 7,645 sq km total area in the block. According to DGH of the 19 oil and gas discoveries claimed by RIL, three finds have not been established as commercially viable in absence of test data and the company has not submitted any investment plans for another five. The area proposed for cessation has at least 1.15 trillion cubic feet of known recoverable gas reserves valued at USD 4.83 billion at current prices.

Gas found at Reliance's D6

After a long time RIL had some good news from D6 block — a gas find. If initial reports from MJ1, a new area discovered in the gas fields of the East Coast block showed the area could hold significant gas. The exploratory drilling is likely to be completed by middle of April after which the find will be tested.

DISTRIBUTION

Andhra Pradesh protests against hike in power tariff

A state-wide shutdown was observed on 9th April in Andhra Pradesh today in response to a bandh call given by Opposition parties against the hike in power tariff.

Leaders and activists of opposition parties held demonstrations in front of bus-depots in different districts across Andhra Pradesh. Police took CPI State secretary K Narayana and CPM state

secretary B V Raghavulu in preventive custody when they tried to hold protests and stop plying of buses near the MGBS in Hyderabad.

Andhra Pradesh industry associations also opposed the power tariff hike stating the move would lead to closure of manufacturing units in large numbers.

The Confederation of Indian Industry Andhra Pradesh today expressed concern over the increased power tariff hike for the industry and felt this will make the industry less competitive. The hike in power tariff would lead to increase in the cost of production and will have further adverse impact on the industrial growth in the State.

Representatives from small and medium enterprises also took to streets in support stating that it has become tough to run industries with such high tariffs and poor power supply. The industrial sector is now faced with power holidays making it tough to run them.

According to Federation of Andhra Pradesh Small Industries Associations (FAPSIA), around 6,000 units, mostly small enterprises, have become NPAs while 200,000 workers have already lost their jobs due to the ongoing power crisis. The government has allowed a fresh round of tariff increase without considering the ground realities in the state industrial sector, which is facing production loss of 45 per cent and employment loss of 40 per cent.

State to spend Rs 830 crore more for power to domestic consumers

Andhra Pradesh Chief Minister announced that the State would bear additional subsidy of Rs 830 crore to provide relief to domestic power consumers who require less than 200 units per month. As against previously approved subsidy of Rs 5,480 crore, the State decided to add another Rs 830 crore, which will enable the DISCOMs to offer power at lower tariff for homes which consume less than 200 units a month.

Fuel surcharge adds to woes of power consumers in AP

Even while people are coming on to the streets protesting steep tariff hike contrary to the assurance of the Chief Minister the APERC issued orders permitting the DISCOMs in the state to collect Rs. 609.30 crore as FSA third quarter (October-December 2012) of 2012-13 financial year. Though the DISCOMs proposed FSA of Rs. 1,068.28 crore APERC permitted Rs. 609.30 crore after considering objections raised by the public. The FSA would be collected along with the monthly bills of July, August and September 2013.

OTHERS

Power cuts for domestic users to be reduced

Power cuts in the state were reduced ranging from three hours a day to one hour in Hyderabad and major cities and also in other towns and rural areas. The duration of cuts will be slashed from four hours to two in district headquarters, six hours to four in towns and municipalities and eight hours to six hours in mandal headquarters. The Government has decided to reschedule the power cut timings as overall demand for power has come down from a high of over 300 million units per day to 260 MU due to demand from agricultural pump sets coming down.