

# **Power Sector in Andhra Pradesh and Telangana during April, 2015**

## **Policy**

### **AP to push power demand as supply likely to outstrip consumption**

In the background of surplus power situation emerging soon due to a substantial capacity addition expected this year the power utilities in Andhra Pradesh (AP) had decided to push the demand in the state.

The state is planning for a 20 per cent growth in the overall demand in the current year. 25-27 per cent growth in demand was aimed from the industrial sector in addition to 10-12 per cent growth in consumption from households.

The state is slated to get 4,000 Mw of additional capacity that has to be procured and supplied by the power utilities under the power purchase agreements. These include a 1,050-Mw Hinduja power project and a 1,600-Mw Krishnapatnam power project owned by AP Genco. While these two are coal-fired power plants, the government is expecting 1,000-Mw wind power and 350-Mw solar power to go on stream in the private sector this year.

As on April 5, 2015, AP has the least supply shortage of 0.10 million units while there was a shortfall of 3.33 million units in Telangana, 9.12 million units in Karnataka and 6.14 million units in Tamil Nadu.

### **Telangana government initiates bidding process for 2,000 Mw solar projects**

The Telangana state government had notified the bidding schedule to select developers to set up solar power projects with an aggregate capacity of 2,000 Mw through tariff-based competitive bidding. This will be in addition to the bids called for to create a capacity of 550 MW. The new policy will attempt to remove obstacles and reduce time lags in giving clearances for setting up solar power units in rural areas. The government will enter into power purchase agreements (PPAs) with the successful bidders for procurement of solar power for a period of 25 years. While May 15 has been set as the deadline for submission of bids by private developers, successful bidders would be issued letters of intent (LoI) on June 22 and finally PPAs would be signed on July 21, 2015. The government has set an upper ceiling for procurement tariff at Rs 6.45 per unit for group 1 bids which would inject power at 33/11 kv substation level and at Rs 6.32 per unit for projects that are connected to the grid at 133/33 kv and above voltage levels.

In this context the state officials have assured private developers that the government would provide all support, including land, to them. There were suggestions that the government should provide room for more small size projects with 3 Mw capacity unlike in the earlier bidding process conducted for an aggregate capacity of 500 Mw in which 70-80 per cent

projects went to big players.

### **Telangana farmers to get power for nine hours in 2016**

The Chief Minister of Telangana announced that farmers will get power supply for nine hours from March 2016. This will be made possible by increasing power generation capacity to 7,000 MW by March 2016 from 4,320 MW at present. The new additions include 150 MW from NTPC, 810 MW from Gayatri Power, 600 MW from Bhoopalapalli KTPC and 1,200 MW from Singareni Jaipur (Adilabad district).

The upcoming thermal power station at Damaracharla in Nalgonda district will be known as Yadadri Thermal Station.

## **Generation**

### **NTPC initiates Rs. 1,779 crore in AP solar project**

NTPC has decided on an investment of Rs. 1,779.25 crore for the Anantpur Solar PV Project, Stage-I (5x50MW) in Andhra Pradesh. This is the first phase of the 1,000 MW ultra mega solar power project. NTPC had already entered into a PPA with DISCOMs in AP. The tariff, on levelised basis for energy supplied from this solar plant, has been fixed at Rs. 6.16 a unit for a period of 25 years.

Andhra Pradesh is aiming at an installed capacity of 5,000 MW of solar power by 2019. Of this, 690 MW of solar power generation capacity has already been tendered and about 350 MW would be installed this financial year.

### **Two Chinese solar firms eye investment opportunities in Andhra Pradesh**

Two Chinese firms, Trina Solar and JA Solar expressed their interest to explore the possibility of making investments in the solar power sector in Andhra Pradesh during AP Chief Minister's visit to China. Trina Solar manufactures solar power panels and JA Solar designs, develops, manufactures and sells solar cell and solar module products.

### **APDISCOMs to buy gas-based power projects on expiry of PPAs**

APDISCOMs have written to the GoAP expressing their interest to buyout GVK's 220 MW project which PPA is about to expire. Based on the consultant Grant Thornton's report on terminal value of GVK, APDISCOMs proposed to buy the asset out for Rs. 300 crore.

### **Telangana may end power sharing arrangement with AP**

The Telangana government has decided to forgo its share of electricity in 1,600 Mw Krishnapatnam power project. It had informed the same to the Southern Region Load Despatch Centre. There is an average 50-60 paise per unit difference in the cost of power generation between the plants of AP and Telangana and the latter would end up paying more if it depends on AP for a long time. Under the sharing arrangement, Telangana has to give 46 per cent power from its plants to AP while the latter has to give 54 per cent from its plants to Telangana at a price fixed at their end. This will increasingly work in favour of AP as it gets cheaper power from Telangana, which is adding substantial capacity in the coming two years.

### **Telangana and AP governments want 85% power from upcoming NTPC projects in the two states**

Telangana and Andhra Pradesh governments have asked NTPC to allocate 85 per cent power from two of its upcoming ultra mega power projects of 4,000-Mw each proposed to be set up in the respective states.

NTPC has already initiated the tender process for the 4,000-Mw Pudimadaka project in Visakhapatnam district and for the initial 1,600-Mw plant at the existing Ramagundam power station in Telangana. For the remaining 2,600-Mw capacity in the state, the Telangana government is considering a couple of locations, including the land allocated in the past to a private power developer in Ramagundam.

### **Surana Telecom acquires majority stake in Arhyama Energy**

Surana Telecom and Power Limited acquired a majority stake of 51 per cent in Arhyama Energy Private Limited, which is implementing a 10-Mw solar power project in Nalgonda district of Telangana. Arhyama Energy has procured land and entered into PPA already. Surana Telecom would make the rest of the investment to complete the project following the acquisition. The promoters of Arhyama Energy would retain 49 per cent equity in the company. The total investment outlay of the project is estimated at Rs 82.80 crore. Arhyama Energy had signed a PPA for supply of 6 MW power with Genpact under the open access route. It signed a similar agreement with a pharmaceutical company for the remaining 4 MW.

### **Emerson automates India's first state-owned 800-MW supercritical power-generating unit**

Emerson Process Management has completed automating a new 800-megawatt, supercritical thermal power-generating unit, Sri Damodaram Sanjeevaiah Thermal Power Station, owned by APPDCL, a special purpose entity of APGENCO, the Andhra Pradesh state government power generation utility. This is the first state-owned supercritical power station being built in India. Emerson was selected as the main automation contractor by Tata Projects Ltd., the engineering, procurement and construction (EPC) contractor for critical sections of the plant.

## **GMR's Vemagiri gas unit in AP begins power generation**

GMR Vemagiri Power Generation Ltd commenced power generation by synchronising its 388-MW plant with AP Transco grid from April 2. The plant is expected to produce power at 60 per cent plant load factor using regasified liquefied natural gas (RLNG) made available by the Andhra Pradesh and Telangana Governments through GAIL (India) Ltd. This arrangement is available till April 30, and may be extended further based on the requirement of power for both the States.

## **AP to add over 1,000 MW wind energy projects**

Andhra Pradesh expects to add over 1,000 MW of wind energy projects and 300 MW of solar photovoltaic power capacity during 2015-16. The State has added 285 MW of wind energy capacity last fiscal, taking the installed capacity to 1,080 MW. The State had already awarded 619 MW to private developers and power purchase agreements have signed with them.

The GoAP is planning to install about 6500 solar pump sets during the year with support from the Central Government and funding from Power Finance Corporation.

The new power plants coming up in AP include both the units of Hinduja power project (1,040 MW), both units of Krishnapatnam (1,600 MW), 1,000 MW of wind energy, 300 MW of solar power, 50 MW of hydel project and 500 MW from Central power stations would be available for the State. This works out to about 4,000 MW of additional capacity.

## **Fuel**

### **ONGC reiterates Reliance draining gas from its block in KG basin**

ONGC reiterated its claim before Delhi High Court that RIL was draining gas from its reservoirs at 98/2KG Basin block through the latter's wells. RIL operates the adjacent block 98/3 KG Basin. ONGC told the Delhi High Court that it wants to secure its rights, which are being jeopardised by continuous production activity from the four wells of RIL to its detriment. ONGC had earlier accused RIL of drawing natural gas worth an estimated Rs 30,000 crore from its fields adjacent to the latter's KG-D6 block. ONGC told the court that the Modular Dynamic Tests (MDT) conducted by it through an independent and reputed service provider for evaluating current reservoir pressures in the wells G-4-3 and G-4-2 in the Godavari PML in January and February, respectively, have revealed significant depletion in the pressure in the reservoirs. Tests show that the reservoir pressure in the Well G-4-3 has come down from initial 233 kg per square centimetre (Ksc), measured in 2004, to 83-100 Ksc and the reservoir pressure in the Well G-4-2 has come down from initial 232 Ksc measured in 2004 to 94-102 Ksc. ONGC said that it had not drawn any gas from the reservoirs so far. It implies that the drop in the reservoir pressures in the wells of Godavari PML conclusively establishes the fact that the reservoir in the Godavari PML of ONGC and

the reservoirs in the KG-DWN-98/3 of RIL are connected with one another and that gas from the reservoirs in Godavari PML has been extracted by RIL through its wells.

### **Reliance's find at MJ1 may hold 1.4 trillion cubic feet of gas**

Reliance Industries is reported to have found a significant gas discovery in the MJ-1 field of the KG-D6 basin, which is estimated to hold about 1.4 trillion cubic feet of gas resources (tcf). At 1.4 tcf, the gas find would be among the biggest in the block. MJ-1 is located in the Central (North) fault block, over 2,000 m below the already producing reservoirs in the Dhirubhai 1 and 3 gas fields.

### **Oil ministry decides against hiking price of gas from Cairn India's Ravva fields**

The Ministry of Petroleum and Natural Gas decided against allowing any increase in the price of gas from the Ravva hydrocarbon fields in the Krishna-Godavari basin as demanded by the operator Cairn India. The ministry is of the opinion that though the PSC provides for a price revision, it doesn't mandate changing the gas price more than once. Given that the price was once revised (in 2006), the ministry feels that there is no obligation on the government to revise it again.

Crude oil production from the Ravva asset hovers around 26,000 barrels per day and gas production is showing early signs of tapering off, with output falling below one million metric standard cubic metres per day (mmscmd). The output declined a huge 53% y-o-y in the first nine months of the last fiscal. The private explorer is of the view that maximum selling price of \$3.5/mBtu for Ravva and \$4.3/mBtu for Ravva satellite gas, decided in 2006, was due for revision in 2008. It asked for a price of \$6.75/mmBtu in 2009. While the gas fields could dry up by 2019-20, the oil production profile of the asset extends up to 2024-25. In 2009 GAIL had objected to the price of \$6.75 per mBtu sought by the Cairn-led consortium.

### **Domestic natural gas prices cut by 8%**

The Petroleum Planning and Analysis Cell (PPAC), the pricing cell of the Ministry of Petroleum and Natural Gas, slashed the price of domestically produced natural gas by almost 8 per cent to \$4.66/unit in the background of declining international prices. The new rate will be applicable from April 1 for the next six months.

### **CIL to rationalise coal linkage for southern GENCOs**

The public sector miner Coal India Ltd has initiated a process to rationalise coal linkages for various power generation companies in southern States, while also seeking to work out some minor coal swap arrangements within its fold.

CIL decided to ease the pressure on supplies from Mahanadi Coalfields Ltd, a CIL subsidiary, through some swap arrangements. There's growing demand for coal from Mahanadi Coalfields, but lack of logistics facilities hampers supply to power plants. If TSGENCO, which currently gets about 2 million tonnes of coal from MCL, could source the

fuel from Singareni Collieries Company Ltd (a coal miner jointly owned by the Telangana and Union governments), the coal produced by MCL could be supplied to other power makers in South India.

### **Residents protest handling of coal at Visakhapatnam port**

At a public hearing held on proposed port projects of Visakhapatnam members of public appealed to the authorities of the Visakhapatnam Port to stop handling dirty cargoes such as coal and protect the health of the two million residents in the city. The public accused the authorities of being utterly indifferent and even callous to the issues of public health. The people in the old city are suffering from respiratory problems and several other maladies due to the pollution caused by port. And now without taking any steps to control the present pollution the port is embarking on expansion of capacity. They demanded coal handling should be immediately stopped at Visakhapatnam, as at Chennai. It was also pointed out that the environment impact assessment report was full of flaws and no attempt was made to study the pollution issue seriously and find solutions. Responding to these the Port Authority Chairman said that the issues raised would be taken note of and every effort would be made to address them and assured that the works taken up at total cost of Rs. 2,500 crores, would reduce pollution levels.

### **Singareni Collieries looking to spread its wings**

Singareni Collieries Co Ltd (SCCL) produced 52.54 million tonnes (mt) of coal in 2014-15, up 4 per cent from the previous year's 50.47 mt. Coal despatches were up 10 per cent at 52.66 mt against 47.94 mt in 2013-14. While the Ministry of Coal has set an output target of 56 mt for 2015-16, Singareni is aiming to achieve 60 mt.

Coal production during the fourth quarter rose 5.7 per cent to 17.29 mt, the highest ever recorded in any quarter by the company. The gross turnover for 2014-15 was up 19 per cent at Rs. 14,083 crore, against Rs.11,870 crore in the previous fiscal. The miner contributed Rs. 3,748 crore towards royalty, sales tax, and other levies, up from Rs. 3,212 crore in 2013-14.

The cost of production has come down to Rs 1,997 per tonne during the year as compared with Rs 2,120 per tonne in the previous year while sales realisation has gone up to Rs 2,120 per tonne from Rs 1,951 per tonne in the previous year.

SCCL is planning expansion within and outside India. The company is in the process of inviting expression of interest for buyouts. As global coal industry is passing through a phase of downturn and it was right time to consider acquisitions. SCCL is planning to acquire mines with a capacity of about 5 mt in Africa, Indonesia and other possible locations

SCCL had identified 17 new coal mines and expect to begin work on them in a phased manner. Having secured nod for some mines in other States, work will also begin on them this year.

The Centre recently allocated Naini coal block with 500-million tonne coal reserves in Odisha to Singareni besides reallocating Talcher block to Telangana following the cancellation of coal block allocations under the Supreme Court directions.

Singareni is also considering taking up exploratory studies of Bayyaram Mines in Telangana for a foray into iron ore mining.

Though the coal company's overall balance sheet presents a rosy picture with profits of Rs 418.74 crore in 2013-14, many decisions taken by SCCL have resulted in its individual operations proving disastrous.

The Comptroller and Auditor General of India (CAG) report exposed several irregularities in awarding contracts, botched-up projects, irrational increase in salaries and schemes launched without approval by the SCCL management.

The company has 48 operating mines which include 32 underground (UG) and 16 open cast (OC) mines. The company extracted 257.63 million tonnes (MT) of coal in the past five years. Of this, only 22% was from its UG mines with the rest coming from its open cast operations.

According to the CAG report production of coal from UG mining is not only decreasing but also cost of production has been on the rise since 2009 except for one year in 2012-13. While the cost of production increased by 54.79%, the sales revenue was increased only by 28.46% and the losses rose by 135%. The cost of coal production was Rs 3,991 crore for UG mines while the revenue was only Rs 2,498 crore resulting in a loss of Rs 1,492 crore. The losses from UG mines were Rs 1,210 crore and Rs 1,134 crore in the years 2012-13 and 2011-12 year respectively.

The cost of production in open cast mines is comparatively much less. While the production cost was Rs 5,745 crore, the revenue from sales was Rs 7,291 crore for the year 2013-14 year.

According to this report the SCCL had planned to introduce the state-of-the-art Longwall technologies for bulk production from UG mines in four new projects at an estimated cost of Rs 1,608 crore aimed at producing 9.01 million tonnes. The four Longwall projects proposed at KTK, Shanthikhani, Adriyala and Jallaram mines were expected to commence by 2012-13 for production of 9.01 MTs of coal but the production did not start till last year despite the company management spending about Rs 1,405 crore on the project.

Several irregularities were also noticed in awarding of the contract for processing sand from the overburden. Amendments were made to the Notice Inviting Tender (NIT) for supply of water and power free of cost to the contractor without the approval of the competent authority. As a result, a loss of Rs 101 crore was incurred by the company.

## Distribution

### **Prepaid electric meters in Andhra Pradesh**

The GoAP is planning to introduce pre-paid electricity meters in government offices. APDISCOMs will fix the monthly consumption of each government office on the basis of previous bills. The meters will have buzzers to alert consumers when the quota is over and

power supply will be stopped till it is recharged. After installing the meters in government offices, the GoAP intends to implement it across the state for all consumers.

### **No more power cuts for industries in Telangana**

For the first time in 15 years the industrial sector in Telangana did not experience power cuts this summer. This was attributed to steep fall in power consumption by other consuming groups.

Around 1,050 Mw is being purchased on a daily basis to meet the requirements throughout the summer season. Added to this, there has been a dip in agriculture consumption owing to a shift in cultivation from paddy to commercial crops in some areas of the state, and this has helped the power utilities to augment the supply for other categories of consumers.

Efficiency levels at our thermal power plants improved resulting in the increase of the PLF to 80.3 per cent in 2014-15 from 74.46 per cent in the previous year. We were able to generate an additional 1,200 million units (mu) by increasing the PLF. The transmission and distribution losses were brought down from 17.54 per cent to 16.32 per cent during the same period.

Chief Minister of Telangana issued instructions for release of Rs 350 crore to meet any contingency through additional power purchases during this summer.

### **MIC Electronics, lowest bidder for streetlight supply in AP**

MIC Electronics Ltd has become the lowest bidder in the recent tender floated by the Andhra Pradesh Government for supply and erection of streetlights in four of the five districts of the State. MIC in association with two more companies participated in the bid against the tender floated by Energy Efficiency Services Ltd for “Design, Manufacture, Supply, Testing, Installation (Retrofit), and commissioning of LED streetlights along with Centralised Control and Monitoring System (CCMS) in the five districts of Andhra Pradesh. These districts include Guntur, Krishna, East Godavari, West Godavari (1,81,398 LED streetlights) and Prakasam (31,221 LED streetlights). For the first four districts, the company was the 1st Lowest (L1) bidder and for Prakasam district, it was the 2nd Lowest (L2) bidder.

### **Contact employees strike work**

Over 20,000 contact employees of four power utilities in Telangana struck work from 27<sup>th</sup> April demanding regularisation of employment and discontinuation of employment through outsourcing.