

# **Power Sector in Andhra Pradesh and Telangana during April, 2016**

## **POLICY**

### **AP - 100% electrification of State by June**

The Andhra Pradesh government had directed the DISCOMs to achieve 100 per cent electrification even in remote tribal areas, by May. Chief Minister of AP will declare electrification of all households at a meeting scheduled on June 8. The State has so far electrified 1.37 lakh households during 2014-15 and 2.37 lakh households during 2015-16. There is a balance of 2.09 lakh households to be connected by the end of May. The DISCOMs are reported to be facing challenges in districts like Anantapur, Kurnool, Nellore, Prakasam and Vizianagaram that registered very high Distribution Transformers failure rates.

### **Per capita energy consumption in Andhra Pradesh grows by 3.3%**

The per capital energy consumption in Andhra Pradesh has gone up to 982 units in 2015-16, from 951 units in 2014-25, registering a growth of 3.3 per cent due to round-the-clock power supply.

The State utilities are working towards bringing down the transmission and distribution losses to single digit, 9 per cent from 10.2 per cent, which is also amongst the lowest in the country.

The energy deficit has been reduced from 10.6 per cent in June 2014 (22 million units per day), when the State was bifurcated, to zero at present.

During 2015-16, 50,369 million units of energy was supplied as against 47,256 mu in 2014-15, registering a growth of 6 per cent. AP grid recorded highest consumption of 162.09 mu per day on March 23 and peak demand of 7,391 mw. The system is geared up to supply 170 mu per day.

While the State has a total installed capacity of 12,730 mw, 1,175 mw was added during 2014-15 and another 3,090 mw in 2015-16.

APGENCO (Andhra Pradesh Power Generation Corporation) has recorded a plant load factor of 78.43 per cent in 2015-16 with non-conventional energy contribution of 10.74 per cent, thereby highlighting the importance attached to green energy.

Over the next five years, AP expects investments of over Rs. 1 lakh crore covering generation, transmission and distribution sectors in the State.

Solar energy capacity of 4,000 mw is being developed in parks in Anantapur, Kurnool and Kadapa districts.

The State government is targeting 10 per cent of the country's targeted 100 GW solar capacity and is making all-out efforts to encourage development of solar-grid-connected projects and roof-top units.

## **GENERATION**

### **Kovvada Nuclear Power Plant**

The Nuclear Power Corporation of India (NPCIL) released Rs. 389 crore for relief and rehabilitation package meant for the people who would lose their lands for the project. The NPCIL was expected to release remaining Rs. 111 crore in the next phase as it promised Rs. 500 crore for the construction of colonies and compensation for the lands acquired for the power plant. The total R&R package was estimated to cost Rs. 1,200 crore.

In the meantime Human Rights Forum released a study done by a US research organisation which pointed out that the General Electric Company's plant was neither cost-efficient nor power-efficient. The GE plant would cost between Rs. 4 lakh crore and Rs. 6.8 crore. All nuclear power plants take a long time to start functioning. According to this report Kovvada plant will not be built before 2032 even if all land acquisition is completed and construction begins in 2016.

### **NCC subsidiary share sale deal with Sembcorp**

NCC Infrastructure Holdings Ltd, a subsidiary of NCC Ltd, has entered into an agreement with Sembcorp Utilities Pte Ltd, for sale of a portion of the stake held in Sembcorp Gayatri Power Ltd (SGPL) (formerly NCC Power Projects).

The present stake sale deal involves sale of 21,60,94,909 equity shares of Rs. 10 each held by NCCIH in SGPL to Sembcorp for a gross consideration of Rs. 301.26 crore, including interest. After adjustment of the additional mobilisation advance received from SGPL for execution of the power project, the company will be receiving net amount of Rs. 77.04 crore.

NCC Ltd was the co-developer and the EPC contractor for the 1320-MW coal-fired thermal power project being implemented by SGPL near Krishnapatnam in Nellore district of Andhra Pradesh. Sembcorp and Gayatri Projects have developed another 1320 MW thermal power project. With NCC divesting its stake, together, it has become a 2640MW thermal power complex.

## **Andhra Pradesh DISCOMs acquire GVK Jeegurupadu unit**

Andhra Pradesh Distribution Companies have acquired GVK's 216 MW gas-based power plant located at Jeegurupadu in East Godavari district. The AP power utilities secured third party appraiser value of the GVK plant at Rs. 261.27 crore as against Rs.293.37 crore quoted by the GVK management. The plant and its operations were brought under the control of AP DISCOMs. It was renamed as Godavari Gas Power Plant (GGPP).

AP DISCOMs see this as a strategic buyout which will help it manage its own gas plant and increase the generation capacity. It expects the gas plant to be handy for the DISCOMs to maintain the grid exigencies in an effective manner.

## **AP to get short-term power through e-auctions**

Andhra Pradesh is one of the three states first to procure short-term power through e-reverse auctions under the new guidelines of the Ministry for Power. The three States will procure a total of 1,000 MW through Discovery of Efficient Electricity Price (DEEP) e-bidding reverse auction portal launched by the Ministry of Power. From April 1, the Ministry has made it mandatory for all procurers to purchase short-term power through e-auctions. Power procured through power exchanges is excluded from the scope of the guidelines. Bilateral agreements for short-term power procurement have been barred. Currently above 10 per cent of the power generated in the country is transacted on a short-term basis through bilateral agreements and through power exchanges.

The short-term procurement could be for a period of more than one day up to one year. This new portal will be used for sourcing power beyond a seven-day period up to a one year period. As such, the business of power exchanges will not be impacted. Short-term power procurement is expected to grow to 20 per cent.

This is an attempt to make the bidding more efficient and transparent by bringing power procurement contract details to the public domain.

## **Rs. 1 lakh crore to be invested AP power sector**

The AP state government is planning to invest over Rs. 1 lakh crore in capacity addition in the power sector – generation, transmission and distribution - over the next five years. The proposed investments include Rs. 28,000 crore for 4,000 MW Pudimadaka project of NTPC near Vizag, Rs. 20,000 crore for Thermaltech and Sembcorp in Nellore, Rs. 11,000 crore of APGENCO Krishnapatnam (800 MW) and VTPS (800 MW), Rs. 30,000 crore for renewable energy sector of solar (2,500 MW) and wind (2,500 MW) power and Rs. 25,000 crore for transmission and distribution projects. Being a power surplus State AP would be able to sell 10,472 MU of power a year to other States. This is likely to yield an income of Rs. 4,492 crore.

## **Heritage Foods commissions wind power unit in AP**

Heritage Foods has commissioned its wind power plant of 2.1 MW capacity in Vajrakarur mandal of Anantapur district, Andhra Pradesh. This plant is expected to generate 5 million units per annum to be consumed at the Gokul and Chittoor dairy plants of the company under captive open access arrangement through AP Transco. The project has been executed by Suzlon Group within 90 days and will also be maintained by Suzlon.

## **Telangana to generate 960 MW of solar power**

The Telangana state government has plans in place to achieve a target of generating 960 MW of solar power by the end of the financial year. Already total installed capacity of solar power generation reached 450 MW. Tendering for 2000 MW solar power plans was already completed. Bidding process for solar park in Mahabubnagar district would be taken up once land acquisition was complete.

## **FUEL**

### **Natural gas prices cut by 20%**

From April 1, 2016 domestically produced gas will be sold at two different prices. The price ceiling will be applicable from April-September 2016. The locally produced gas will be sold at \$3.06 per million British thermal units (MBTU) on a gross calorific value basis. This is 20 per cent cheaper than the existing rate. In the September 2015-March 2016 period the price of domestic natural gas was \$3.82 per MBTU on a gross calorific value basis. Natural gas from deepwater, ultra deepwater and high temperature high pressure areas will be sold at \$6.61 per MBTU on a gross calorific value basis.

### **PAC finds fault with PPP contract for KG Basin**

In the report on the production sharing contracts with Reliance Industries for the Krishna-Godavari Basin block the Parliament's Public Accounts Committee (PAC) drew attention to such errors in the agreements and in their implementation. In this report on hydrocarbons production sharing contracts, the PAC expressed dissatisfaction at the reply of the Ministry of Petroleum and Natural Gas (MoPNG) on the KG contract. It asked why the Ministry could not quantify the impact on the exchequer because of non-adherence of PSC provisions and asked why it did not find any "affiliated transaction or fraud" to invalidate the integrity of procurement. It took a serious view of the MoPNG's reply that in absence of any quantification, action cannot be taken against the contractor and said that the Ministry has been vested with the resources of the country "in fiduciary capacity and therefore has the inherent responsibility to ensure that they are exploited in the interests of the country". The PAC said the MoPNG should develop a robust monitoring mechanism within the existing PSC framework to ensure that a fully transparent and cost-effective process is adopted by the operator.

The PAC also said that RIL is entitled to recover all cost incurred on unviable gas discoveries as the DGH had allowed it to retain the entire KG-D6 block.

The PAC did not agree with the CAG's 2011 report that castigated the Petroleum Ministry for allowing RIL to retain the block in contravention of the PSC and took a stand that exploration cost on unviable finds cannot be disallowed.

### **RIL to begin gas production from KG-D6 block**

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Reliance Industries Ltd (RIL) invited tenders to develop many of its deepwater oil and gas blocks, including the KG-D6 block off the coast of Andhra Pradesh. In the case of the KG-D6 block, the company has invited EoIs for all operation and maintenance services, equipment and materials. RIL had previously initiated arbitration proceedings against the government over the price of gas produced at this block.

The company has invited tenders on behalf of itself and its partners BP Exploration (Alpha) Ltd, Niko (NECO) Ltd and Niko (NELPIO) Ltd. Based on the bids, RIL will submit an investment plan to the government.

RIL-BP have also signalled their intention to invest \$10 billion over the next few years to recover about 2.5 trillion cubic feet (tcf) of gas from deep sea fields that the combine expects to be allowed to sell at free market prices under the new gas-pricing rules.

RIL and its partner BP Plc. have initiated discussions with the government to drop the arbitration. RIL-BP have also signalled their intention to invest \$10 billion over the next few years to recover about 2.5 trillion cubic feet (tcf) of gas from deep sea fields that the combine expects to be allowed to sell at free market prices under the new gas-pricing rules. Withdrawal of arbitration is a pre-condition to RIL-BP being allowed free pricing of gas produced from their allotted fields, according to the gas-pricing policy announced by the government on 11 March.

### **Congress demands JPC probe into 'GSPC scam'**

The Congress party demanded setting up of a Joint Parliamentary Committee (JPC) or a Special Investigation Team monitored by the Supreme Court to probe the alleged scam in the Gujarat State Petroleum Corporation (GSPC). The Congress party cited a Comptroller and Auditor General (CAG) report on the GSPC. The Congress party said the authorities duped the exchequer and "played fraud" with public money to favour a private firm, which assisted GSPC in the Krishna-Godavari Basin gas explorations. According to it GeoGlobal Resources (India), got undue favours from State-run GSPC. Despite six such CAG reports in the past against the GSPC no action was taken against the officials who are responsible for the corruption in GSPC. It alleged that GeoGlobal was chosen "secretly" without following any transparent procedure and contrary to established principles.

## **GSPC to produce gas from DDW field from May**

Gujarat State Petroleum Corporation (GSPC)'s Deen Dayal West (DDW) field in the Krishna-Godavari basin is set to begin commercial production of natural gas from the first week of May. The initial production will be 1.4 MMSCMD which is part of the overall projected cumulative production of 1.059 TCF. The cumulative production at the well will be 1 billion cubic metres or 0.035 TCF in the next three to three-and-a-half years.

Gas production will begin from the DDW D-4 well, where the company has successfully carried out multiple Hydro Fracturing (HF) process.

The development area of DDW is spread over 17 sq km and has the potential to have multilateral wells to extract maximum oil and gas. As per the approved Field Development Plan (FDP) by the Directorate General of Hydrocarbons (DGH), the estimated Oil and Gas In Place (OGIP) was 1.952 trillion cubic feet, which projected cumulative production at 1.059 TCF. The DDW field, developed at a depth of 5,000 meters below the sea bed, has wells that fall in the High Pressure & High Temperature category (HPHT).

GSPC carried out four stages of Hydrofracturing (HF) - a well-stimulation technique in which the well-rock is fractured by a pressurised liquid - successfully in one of the wells and pumped more than 300,000 pounds of proppants in two of the HF zones as planned.

## **Singareni Collieries profit doubles to Rs. 1,020 crore**

During financial year 2015-16 Singareni Collieries Company Ltd (SCCL) has posted a record profit of Rs. 1,020 crore. During the last financial year it earned a profit of Rs. 490 crore. The gross turnover increased by 17.3 per cent to Rs. 16,516 crore during 2015-16 against Rs. 14,078 crore during the last fiscal. Coal production increased by 15 per cent to 60.43 million tonnes, up from 52.54 mt. During the year SCCL paid total taxes of Rs. 4,651 crore to Central and State government against Rs. 3,859 crore last year.

SCCL is targeting total output of 100 mt during 2020 up from 60 mt this year. This will be achieved by opening 25 new mines, seven of them this year, involving a total investment outlay of Rs. 20,000 crore. For the year 2016-17 SCCL planned a capex of Rs. 4,000 crore, up from Rs. 3,000 crore last year and output of 66 mt up from 60.43 mt. The company expects to meet its capex through internal accruals.

## **TRANSMISSION**

### **Electricity supply interrupted in North Coastal Andhra Pradesh**

Sudden damage of a capacity voltage transformer attached to the 400kv feeder located at Kalpaka village in Parawada mandal, adjacent to the NTPC-Simhadri power generation unit in Visakhapatnam district falling under AP Transco at 3.58 am on 24<sup>th</sup> April had interrupted power supply to as many as 30 lakh consumers in three north coastal districts of Srikakulam,

Vizianagaram and Visakhapatnam falling under Visakhapatnam based Eastern Power Distribution Company of AP Limited (APEPDCL)

All emergency services like hospitals, water supply, and transportation among others were suddenly halted due to the major technical error. Train services were also interrupted due to this power outage in the three districts. 5 passenger trains were suddenly halted for nearly half an hour due to no power supply to the locos.

Power supply was completely restored in all the three districts by 11 am on the same day. Nearly 500MW of power was not supplied to the consumers soon after the technical snag.

### **REC sanctions Rs. 6,000 cr for power infra in Amaravati**

The Rural Electrification Corporation Limited (RECL) has sanctioned Rs. 6,000 crore for augmenting the electricity infrastructure in the emerging capital city Amaravati. The funds will be spent on laying underground cables, constructing new electrical substations and creating other facilities in Amaravati in technical collaboration with the power utilities of A.P –TRANSCO and DISCOMs.

## **DISTRIBUTION**

### **APEPDCL - India's first e-office among all power utilities**

The Andhra Pradesh Eastern Power Distribution Company Limited (APEPDCL) has become the first e-office electricity distribution company among all power utilities in India.

Among the 62,291 files created in e-office in the state 50, 036 files belonged to the APEPDCL, amounting to 80.32% of the total e-office files in the state. About 2,843 e-office users working in 532 offices of APEPDCL have contributed to this. This contributes to saving large number of trees which otherwise would have been cut for producing 4.5 lakh A\$ size sheets. The e-office was launched on August 14, 2015 in the APEPDCL's corporate office and subsequently covered all its offices in the five districts. The APEPDCL has one corporate office, five circle offices, 20 divisional offices, 81 sub-divisional offices, 31 electricity revenue offices and 309 section offices.

### **TSERC awaits govt nod to announce power tariff hike**

The Telangana State Electricity Regulatory Commission (TSERC) is awaiting the government's approval to formally release the orders for increasing power tariffs from May 1.

The TSERC is expected to release the orders any day after April 25.

The TSERC is not in a position to announce the hike as the state government is yet to respond to a query relating to agricultural power subsidy to the DISCOMs. The subsidy is expected to be between Rs 9,000 crore and Rs 10,000 crore, but the government has allotted only Rs 4,500 crore in its budget to be given to the DISCOMs as subsidy this year.

### **Power tariff hike move draws public criticism**

The Telangana State Electricity Regulatory Commission (TSERC) conducted a public hearing on the proposals submitted by the TSDISCOMs on 6<sup>th</sup> and 7<sup>th</sup> April. Representatives of all consumer categories raised objections to DISCOMs' tariff proposals for the FY 2016-17.

It was pointed out that instead of taking measures to reduce transmission losses and curbing corruption, the DISCOMs were proposing to tax the power consumers.

According to DISCOMs' proposals, while the annual revenue requirement for both the DISCOMs is Rs 30,207 crore, the revenue projected for this year from the current tariff rates is 21,418 crore and the revenue deficit is 8,789 crore. DISCOMs also submitted that the average cost of supply of power per unit is Rs 6.44 per unit while they get 4.56 per unit and as a result of this, they are incurring a loss of Rs 1.88 per unit. The DISCOMs proposed to hike tariffs by about 10%. With the proposed tariff hike the DISCOMs hope to get additional revenue of Rs 0.42 per unit. The remaining gap will be filled by state government subsidy.

In the Annual Revenue Requirement (ARR) in the first week of March, DISCOMs proposed to the TSERC power tariff hike for consumers who utilize over and above 100 units. The DISCOMs sought permission to increase 0.65 paise to 0.72 paise per unit for those utilizing between 100 and 400 units. More than Rs 1 per unit proposed for consumers who utilize over 400 units per month. The DISCOMs expect about Rs 1,958 crore (9.14% on the existing revenue) through the increase in tariff.

During the public hearings TSERC's attention was also drawn to large number of deaths due to electric shocks. It was mostly farmers who met with these accidents. 436 people died due to electric shocks during 2013-14 and another 250 in the first half of 2014-15.

### **Six power sub-stations sanctioned for Hyderabad Old City**

The Telangana State Southern Power Distribution Company Limited (TSSPDCL) has recently sanctioned six power sub-stations for Hyderabad Old City area. The TSSPDCL's south circle covers Old City apart from other areas. The south circle consists of three divisions - Begum Bazaar, Charminar and Asmangarh. At present there are three extra high tension power sub-stations of 132 KVA at Chandrayangutta, Shivrampally and Imlibun. Last year a 33/11 KV sub-station was made operational in Aliabad, several months after it was ready. The new sub-stations of 33/11 KV capacity will be installed at Bahadurpura, Saidabad, Chatrinaka, Mosarambagh, Teegalguda in Dilsukhnagar and Madannapet. The cost of construction these new substations was estimated to be Rs 118 crore. These new sub-stations would boost the power infrastructure in Old City and load shedding can be reduced to a great extent.

## **GENERAL**

### **Petition before Hyderabad High Court on TSERC advisory**

The Hyderabad high court directed the Telangana state government, Telangana State Electricity Regulatory Commission (TSERC) and TSTRANSCO to make their stand clear on an appeal filed by a superintendent engineer of TSTRANSCO K. Raghu, who challenged the decision to prevent employees like him from participating in the public hearings conducted by TSERC. .The TSERC on February 9, 2016, issued an advisory to state power utilities - TRANSCO and DISCOMs - asking the employees of the utilities not to participate in its public hearings without prior approval of their employers. In response, the TRANSCO issued a directive on February 17 asking its employees not to participate in such meets without prior approval.

A single judge earlier declined to give any interim direction to the authorities to enable Raghu to participate in the forthcoming public hearing of TSERC. Raghu filed a writ appeal against this order before a division bench. The division bench comprising Justice Reddy Kantha Rao and Justice B Siva Sankara Rao was dealing with a writ appeal filed by Raghu who has been participating in such meetings ever since the formation of AP Electricity Regulatory Commission in 1999.

It was contended by the petitioner that the authorities are now citing conduct rules to prevent him from raising important questions on behalf of public. The Supreme Court has made it clear that employees can participate in such meetings and it was unfair and undemocratic to impose a blanket ban on participation of employees citing conduct rules.