

Power Sector in Andhra Pradesh during August 2012

POLICY

According to the data released by the Central Electricity Authority (CEA) highest deficit in South was at Andhra Pradesh which witnessed a deficit of 17.2%, followed by Karnataka at 14.3% and Tamil Nadu at 9.1%. Low grid capacity in south India has resulted in less power to flow from other areas into the region as a result power prices for the region always remains the highest.

GENERATION

The GoAP decided to extend equity support of Rs. 4,000 crore to APGENCO during the next four years to speed up completion of upcoming power projects in the state. APGENCO has taken up new projects with aggregate capacity of 21,000 MW involving a cost of Rs. 36,000 crore.

Completion of bidding process for procurement of 2,000 MW for a period of 25 years under case-1 bidding was postponed by three months. As some of the shortlisted power plants were enmeshed in controversy the Bidding Committee decided to postpone the process. The East Coast Energy at Kakarapally in Srikakulam district is L1 in the shortlist and Hinduja Power Plant near Visakhapatnam is L2. There was popular opposition to the East Coast energy plant from the local communities. Hinduja Power Plant was selected under fast track category two decades back. But now it wants to the shape of a merchant plant. This was opposed by different quarters.

To procure additional power

The gap between electricity demand and supply in the state reached 67 MU per day. This led to imposing long power cuts on all consumers in the state. The fall in generation in hydel, thermal and gas-based power projects combined with the increasing demand led to the high deficit. The generation has come down by 48 MUs compared to last year. Generation in hydel units alone declined by 28 MUs due to low water levels following poor monsoon.

DISCOMs in Andhra Pradesh finalised plans to procure 1,200 MW more power every month beginning August 2012 up to May 2013. The power will be procured from PTC, NETS, GMR, RETL, JSWPTC, among others. This purchase is part of the State's efforts to bridge the demand-supply gap. The power generation from existing power plants has declined due to inadequate supply of fuels. The DISCOMs in the state were already spending Rs. 14 crore daily to buy 124 MUs from outside the state. DISCOMs also planned to bring down T&D losses from 16.7 per cent to below 15 per cent.

In order to tide over power deficit in the state the Andhra Pradesh government has urged the central government to allocate 500 MW from the central pool to tide over the crisis. In response NTPC assured GoAP additional 335 MW of power from its Simhadri plant near Visakhapatnam. Andhra Pradesh was getting 825 MW from Simhadri Units against the original allocation of 1,200 MW. GoAP also requested Coal India Limited to supply more coal to Simhadri.

In the background power crisis in the state the GoAP announced exemption of VAT on diesel for power generation for captive use to encourage captive power generation. The government was also considering waiving wheeling charges of wind power farms of industries. .

Loan to APGENCO

The Rural Electrification Corporation (REC) has come forward to extend a loan of Rs. 10,873 crore to Power Generation Corporation of Andhra Pradesh Limited (APGENCO) for three power projects in the state. The three projects are: 800 MW new unit at Dr Narla Tata Rao Thermal Power Station near Vijayawada, 800 MW unit at Kothagudem Thermal Power Station (stage-VII) and 960 (12x80) MW units at Polavaram Hydro Electric Project. While these three power plants together involve an estimated expenditure of Rs.13,591.69 crore, the state government and the APGENCO together will mobilize Rs. 2,718 crore and the remaining will come from REC as loan. Of the Rs 5,268.54 crore required for the Vijayawada project, REC will lend Rs 4229.23 crore. Of the Rs 5,291.15 crore required for Kothagudem units REC will lend Rs 4,232.92 crore. Similarly, in the case of Polavaram hydel project, of the Rs 3,014 crore required REC will lend Rs 2,411.20 crore. REC also had agreed to give a rebate of 0.5 per cent on the applicable rate of interest as a special case for the above three projects. With this financial support APGENCO will be able to increase its power generation capacity from 8,925 MW to 15,000 MW by 2015.

The Rs. 2,700 crore loan to APGENCO from REC to take up the first phase (700 MW) of gas-based power plant in Karimnagar district was kept on hold as the works at the plant did not take off due to non-availability of natural gas.

The gas based power plants in the state that are running short of gas are said to be running to their lenders seeking rescheduling of the loan repayment. The Konaseema Gas Power was reported to have approached its lenders IDBI Bank, Power Finance Corporation and Rural Electrification Corporation for payment holiday for two years on loans worth Rs. 1,400 crore. Similarly, GMR Vemagiri Project with a debt of about Rs. 2,600 crore was trying for moratorium of two years.

AP government to provide solar power to villages

The New and Renewable Energy Sources Development Corporation of Andhra Pradesh (NREDCAP) was planning to provide total solar power to newly constructed villages under the Rehabilitation and Reconstruction Scheme of the Andhra Pradesh government. Already street

lighting with solar power is provided in 47 villages and in 17 other villages households had been provided with solar-powered LED bulbs.

State to add 200 MW wind power

In AP 200 MW of wind power generation capacity is going to be added to the existing installed capacity of 197 MW. Clearances were also issued for setting up wind power plants with a total capacity of 2,636 MW in the coming years. The State Government was also planning to come up with attractive tariff structure to encourage wind and solar power generation.

FUEL

Gas Supply

Following the Central government's decision to divert KG Basin gas to Ratnagiri Power plant (formerly Enron) in Maharashtra power natural gas supply to power plants in Andhra Pradesh was cut by 2 mscmd leading to a power generation loss of 400 mw capacity. The Empowered Group of Ministers on gas treated the Ratnagiri Plant on par with the fertilizer plants which get preference in gas allocation. The news of diversion of natural gas from the KG Basin had received flak from all corners in the state. The AP Chief Minister N. Kiran Kumar Reddy met with several senior leaders during his visit to Delhi seeking restoration of gas supply.

Following AP Chief Minister's petition to the Prime Minister Dr. Manmohan Singh against the diversion of KG Basin gas the Oil Ministry of the Central government kept its Order diverting RIL's KG-D6 gas to Ratnagiri (Enron) plant in abeyance.

Dr. EAS Sarma, former secretary of the Government of India (GoI), in a letter to Mr. Jaipal Reddy, minister for petroleum & natural gas (MP&NG) has alleged that there are irregularities committed in the pricing, allocation and the management of the natural gas from Krishna Godavari (KG) Basin to the detriment of the public interest at the macro-level and to the detriment of Andhra Pradesh at the state level.

According to him "Purely on economic considerations, the natural gas produced in KG Basin should be used as close to the gas producing fields as possible, either for generating electricity or for manufacturing fertilisers, since the transmission of electricity through high tension transmission lines and transportation of fertilisers by rail, are any day cheaper than transporting gas to distant areas like Maharashtra and Delhi." And "This implies that the consumers of electricity and fertilisers in AP are forced to pay an exorbitant price to help the political executive at the Centre to appease the consumers in Maharashtra and Delhi and also pander to the wishes of Reliance Industries (RIL)."

In the opinion of Dr. Sarma there is also an element of outright dishonesty in suggesting that AP should buy RLNG from the Middle East. Dr Sarma reminded that it was Enron's Dabhol plant that was supposed to get highly expensive LNG from Qatar. However, the electricity from it had

turned out to be so expensive that erstwhile Maharashtra State Electricity Board (MSEB) could not sell it to its own consumers or export it to any state outside.

In this letter Dr. Sarma also said, “I was a part of the Godbole Committee that examined this issue in detail and I am fully aware of the circumstances that led to Enron’s collapse, the high-level corruption among the politicians of Maharashtra and the Centre and the handing over of Dabhol to NTPC/GAIL under the name, ‘Ratnagiri’ power station. The decision to divert gas from the KG Basin to Ratnagiri is aimed at whitewashing the dishonesty implicit in the Ratnagiri project at the expense of AP consumers”, and “The political leaders at the Centre and in AP joined hands with RIL to sacrifice the interests of AP to benefit the company and obfuscate the issue of corruption at all stages.”

LNG for idle power plants

The GoAP proposes to utilise the idle capacity of the gas power plants in the state by allowing them to use liquefied natural gas (LNG) once the floating storage and regasification unit (FSRU) proposed to be set up by GAIL (India) Limited is ready by December 2013. It was felt that the proposed LNG terminal at Kakinada would help generate power at Rs 5-5.50 per unit unlike over Rs 9 per unit cost incurred when regasified LNG (RLNG) from the western coast was used in the past.

India Gas Solutions (IGS), the joint venture between Reliance Industries Ltd and BP India proposes to sell LNG to five power producers in Andhra Pradesh — GMR, GVK, Lanco Infratech, Sravanthi Energy and Konaseema Gas. IGS is known to have quoted a price of \$9.5 per mBtu for LNG, which could go up to \$10.63 ex-regasification. This would be more than twice the price it sells gas from its KG-D6 block at \$4.32 per mBtu.

BP will source gas from the global liquefaction projects it has stake in, including Australia’s North West Shelf, Abu Dhabi’s ADGAS, Indonesia’s Bontang and Atlantic LNG of Trinidad & Tobago. But there was skepticism on economic feasibility in importing LNG from external sources.

The Andhra Pradesh Chief Minister has yet again taken up with the Centre for allocation of gas for upcoming power plants at Nedunur in Karimnagar district and Shankarpalli in Rangareddy district. APGENCO had taken up 2100 MW gas-based power plant at Nedunur in Karimnagar through the special purpose vehicle — AP Power Development Company. The land acquisition was completed and other statutory clearances were also obtained. Based on the assurance of Reliance Industrial Ltd., the developmental activities were completed. But the EPC contract did not materialise due to lack of firm allotment of gas. Similarly, land was acquired and other clearances were also obtained for the 1,000 MW combined cycle gas plant at Shankarpalli in Rangareddy district but gas was not allocated.

Reliance Industries has revised the natural gas reserves in its main production gas fields in the Krishna Godavari basin D6 block downwards by 70 per cent, from 10.3 to 3.10 Trillion cubic feet (Tcf) due to "unforeseen geological surprises".

The Supreme Court approved an arbitration panel comprising its two former chief justices, SP Bharucha and VN Khare, to resolve a dispute between Reliance Industries (RIL) and the ministry of petroleum over the recovery of cost for developing the eastern offshore KG-D6 gas fields.

The management committee (MC) that oversees the working of D6 gave Reliance Industries Ltd (RIL) conditional approval to invest one billion dollars to arrest the sagging output at its KG-D6 gas block.

The committee has asked RIL-BP to drill more wells to confirm the three satellite gas finds: D29, 30 and 31 in the KG-D6 block.

Singareni Collieries and APGENCO sign fuel supply agreement

The Singareni Collieries Company Ltd (SCCL) and APGENCO renewed fuel supply agreement for supply of coal for five power projects. This agreement is for a period of 20 years, but will be reviewed every five years. Through this arrangement the quantum of coal supply will increase to 122.40 lakh tonnes from 100.80 lakh tonne. The coal linkage (21.6 lakh tone) to Kakatiya thermal power plant led to increase in the linkage size.

TRANSMISSION

Power utilities in the state were unable to import required quantum of electricity due to problems in the transmission corridor, which has forced the DISCOMs (distribution companies) to impose power restrictions in the state. APTRANSCO and PGCIL would be taking up projects to improve transmission network to enable bring in power from other states to help power –starved state. These projects include 765 kV sub-stations and EHT lines and these works were expected to cost Rs. 6,000 crore.

Seven new 765/400 KV substations were under construction by PGCIL at Nellore, Raichur, Kurnool, Hyderabad, Khammam, Vemagiri and Srikakulam with the state-of-the-art technology of gas-insulated substations. These would help to reduce congestion in transmission corridor. For strengthening the reliability of the power system in the southern region, 765 KV double circuit line between Kurnool and Tiruvalem (Tamil Nadu) and a 400 KV double circuit line between Gooty and Madhugiri (Karnataka) are under construction by PGCIL. Within AP for the first time a double circuit 765 KV high-capacity transmission line is being laid between Nellore and Kurnool which is capable of handling about 5,000 MW apart from the Nellore-Gooty 400 KV double Circuit line, to evacuate 6000 MW from the Krishnapatnam area. These projects would help to increase energy handling capacity in the state.

DISTRIBUTION

Due to unexpected due to loss of generation capacity of about 723 MW capacity (Unit 1 and 2 of Rayalaseema thermal power plant of 210 MW capacity tripped on August 16 and 17, respectively. In addition, NTPC's Ramagundam unit-5 of 500 MW, of which Andhra Pradesh gets about 160 MW tripped on August 16.) DISCOMS in the state imposed additional power cuts in the state. At Jurala hydro electric station generation had come down from 180 MW to 39 MW due to poor inflows into the reservoir. The overall electricity demand on 17th August 2012 shot up to 265 million units and the supply is about 215.5 million units leaving a gap of about 49.5 mu today. The deficit has forced the government to impose a five-hour power cut in major cities including capital Hyderabad.

On 21st August the DISCOMs have come out with new power cut schedule. As a part of this industries will face up to 15 days of power holiday in a month. Domestic consumers in Hyderabad Tirupati and Warangal will have to bear a three-hour daily cut. District headquarters and corporations will face five hour cut per day. Towns, municipalities and mandal headquarters will face up to six hours of power cuts. In rural areas consumers will get power during 6 p.m. to 6 a.m. and again during seven hour supply for the farm sector operations. Small-scale industries covering spinning mills, life-saving drugs and seed processing will have a 12-day holiday in a month. Poultry, rice mills and cold storages will be subjected to 40 per cent power cut with restrictions during peak hours in the evening. Singareni Collieries, drinking water supply, Government hospitals, railway traction, airport and defence have been exempted from power cuts. According to DISCOMs the demand supply shortage has gone up to 67 million units per day, or about 25 per cent. The shortage is attributed to erratic monsoons, shortage of fuels both coal and natural gas and non-availability of corridor for the Southern Grid, which limits additional purchase.

Consumers from all walks are facing difficulties because of these power cuts. Farmers are bearing the brunt of the shortage they hardly get any power to run their pump-sets. Many small and medium scale industries have retrenched their workforce in order to bring down their losses. Lakhs of working in these industries were deprived of their livelihood. Farmers and industrialists took to streets protesting against erratic power supply and unscheduled power cuts in various parts of the State. Industrialists from 18 industrial estates in and around Hyderabad took to protests seeking proper power supply. They were supported by different political parties including TRS and TDP. There were reports from districts like Guntur, Nalgonda and Warangal of farmers detaining electricity department officials and laid siege to substations.

CII demanded waiver of wheeling charges on transmission cost if the industry generated power by procuring RLNG and naphtha. The Federation of Andhra Pradesh Chamber of Commerce and Industries (FAPCCI) sought a special package for micro, small and medium-sized enterprises. It suggested that the State Government should purchase additional power and supply it to small scale units, as they cannot afford to have captive generation units.

The GoAP announced several measures including waiver of the electricity duty on captive power generation units for the industry, and waiver of wheeling charges on transmission cost if the industry generates power by procuring RLNG and naphtha, waiver of wheeling charges on captive generation by solar and wind power plants and reimbursement of VAT on diesel used for power generation. State government is also seeking additional 500 MW from central power stations, Government officials are looking at the rain gods to tide over the immediate darkness.

Fuel surcharge for 2009-2010 cannot be recovered

In response to a batch of writ petitions filed by industrial consumers in the state the Andhra Pradesh High Court ordered APDISCOMs cannot recover money in the form of fuel surcharge agreement (FSA) for the financial year 2009-2010. The court took note of the fact that a Division Bench had already declared that such delayed claims by the DISCOMs cannot be entertained by the regulator while dealing with FSA for 2008-2009. That appeal is pending before the Supreme Court. Mr. Justice Reddy observed that the demand for 2009-2010 should not have been made in view of the pending case in the Supreme Court. As on today, the judgment of the Division Bench of this High Court which was in favour of the consumers for the year 2008-2009 is still in force.

OTHERS

Efforts on to save electricity

In the background of escalating power crisis in the state the Andhra Pradesh government as well as DISCOMs in the state appealed to the consumers to take various measures to save power. These measures include avoiding indiscriminate usage of air conditioners, using solar heaters instead of electric geysers, to use natural air and light by opening the doors and windows, use normal rice cookers instead of electric rice cookers. According to the State Government there was a scope to save 15,000 million units by reducing wastage and following energy conservation methods. The state government was also contemplating cash rewards for those consumers, who do well in conservation efforts.