Power Sector in Andhra Pradesh during August 2013

POLICY

State to promote rooftop solar PV systems

The State Government has come out with an incentive scheme to encourage consumers to install rooftop solar PV system to meet part of their electricity requirement. The scheme involves a 30 per cent subsidy from the Union Government and 20 per cent from the State Government. In order to showcase the economic benefits of installing such a system the State Government agencies organised a two-day exhibition for the public in Hyderabad from August 24. About 20 vendors of solar PV components showcased their products. According to New and Renewable Energy Development Corporation of Andhra Pradesh for every KW of power installed on the roof will generate 1,000-1,200 units a year, with the cost of a system ranging from Rs 1 to Rs 1.10 lakh per KW. In other words, domestic consumers will have to pay half of this cost to set up the unit, which will have a payback time of less than seven years. A minimum vacant roof area of 100 sq ft is required for one KW. The grid interactive roof top solar system can work on net metering basis, with the beneficiary paying to the utility on net meter reading basis only. Excess power generated by the system can be sold to the grid for about Rs 3 a unit, he pointed out.

Financial Restructuring of DISCOMs

Andhra Pradesh is one of the 14 states where power distribution companies have availed the central government's interest subsidy scheme - National Electricity Fund. National Electricity Fund was set up to provide interest subsidy on loans raised by distribution companies to improve the distribution network. Projects in distribution sector are eligible to take the benefits of interest subsidy for 13 years. States undertaking reform measures such as operationalisation of state electricity regulatory commission, formulation of business plan for turnaround of utilities, reorganization of state electricity boards and timely filing of tariff petition are eligible for the scheme and the amount of interest subsidy is linked to the progress achieved in reforms linked parameters. Progress of eligible distribution companies are annually evaluated against reduction in distribution losses, reduction in revenue gap and return on equity. The scheme does not cover the works undertaken under RGGVY and R - APDRP schemes.

Central Cabinet panel clears projects worth Rs 2 lakh crore

The Cabinet Committee on Investment (CCI) headed by the prime minister of India cleared 35 projects worth Rs. 2 lakh crore, of which more than two dozen were power projects that were delayed due to issues ranging from fuel linkage to environmental and forest clearance, defence clearance and land acquisition. One of the projects cleared by the CCI was Hinduja National Power Corporation's project in Vizag district of Andhra Pradesh.

GENERATION

AP to add 3,745 MW by April

The State is expecting to add about 3,745 MW power by April, 2014. Some of these plants include Krishnapatnam I and II unit (each 800 MW), Kakatiya thermal power plant (600 MW) and the Hinduja power project (1,040 MW) near Visakhapatnam. The State is also expecting supply from the Central Generating stations such as Tuticorin and Valluru.

GVK Jeegurupadu plant capital cost raised after 15 years

The Andhra Pradesh Electricity Regulatory Commission (APERC) has enhanced the capital cost of GVK group's 216-Mw Phase 1 gas power project in East Godavari by Rs 66.74 crore. GVK had filed an application before the APERC seeking approval of the project cost at Rs 1,025.24 crore as against the approved provisional project cost of Rs 816 crore. Following the Supreme Court in 2010 ruling that the electricity regulator was competent to decide on PPA disputes whether new or old, APERC approved to increase the capital cost to Rs. 882.74 crore. The APERC said there that were certain uncontrollable costs, which could not be reduced under the broad umbrella conditions of ceiling cost and in this pursuit, components that have a bearing on foreign exchange and statutory levies could not be denied. As this order comes 15 years after the project started commercial operations, after calculating the interest on arrears from 1997 this small enhancement of capital cost would run into nearly five hundred crores.

APDISCOMs are planning to challenge the APERC orders in the Appellate Tribunal for Electricity (APTEL). According to them more than the financial liability, the power purchase agreement (PPA) signed between the power utility and the company does not support such enhancement except the customs duty variations.

The legal department of APPCC is also planning to challenge a couple of other orders, including the conversion of the State Bank of India's loan as equity in the 208-mw Spectrum Power project now owned by the Asset Reconstruction Company of India Limited(ARCIL).

ABB secures $38m order at NCC coal power plant

NCC has chosen ABB to design, engineer, install and commission the electrical balance of plant (EBoP) as well as a 400 kV GIS substation at a 1320 MW coal based power plant in Nellore district scheduled for completion in 2014. This plant will be a ‘super-critical’ thermal power plant. ABB recently delivered a similar EBoP solution for a new 1,600 MW super-critical power plant owned by the Andhra Pradesh state utility, APPDCL, near Krishnapatnam in Nellore district.

FUEL

RIL & partners get nod to invest $4 billion in D-6 block

Reliance Industries and its partners in the KG-D6 block — BP Plc and Niko Resources — have received Government approval to invest $4 billion in the R-Series gas-field in the block. Out of four discoveries in the block D-34 has been declared commercially viable. The block management committee approved the investments for D-34, an official privy to the development said. The earlier investment of $3.18 billion has been revised to $4 billion. This discovery is estimated to hold a reserve of 2.2 tcf of gas, while recoverable reserves are estimated at 1.191 tcf of gas. Production from the block would be about 13 mmscmd of gas.

CAG wants to know reasons for falling gas production at KG – D6

The Comptroller and Auditor General has asked the Ministry of Petroleum and Natural Gas to explain the steps taken by it to ensure that RIL complies with the gas production target from the KG – D6 fields. In a letter to the ministry the CAG said that the technical reports have indicated that the operator has not fulfilled its obligation on well drilling. It has asked the ministry to explain “whether the government has ensured that the operator delivers gas according to the approved production profile” at the price of $4.2 a mBtu in view of the shortfall in gas production due to non-compliance with the production sharing contract provisions and the addendum to the field development plan by the operator.

CAG said that the current production level from D1-D3 gas field is much less than the management committee approved production profile. The CAG has requisitioned documents relating to integrated performance assessment of KG-D6 development facilities at the production level of 80 mscmd. RIL had carried out an integrated performance assessment on December 24, 2009, for development facilities of D1 and D3 gas fields up to the delivery point.

ONGC to go solo in KG deep-sea block

ONGC has decided to go ahead on its own to develop its deep-sea block KG-DWN-98/2 that lies adjacent to Reliance Industries-operated D6 block in the Krishna Godavari Basin. According to ONGC the company will continue with its activities as it does not need technology for exploration.

Dasgupta questions $8.4 an mBtu gas price

In a letter to the Prime Minister of India Gurudas Dasgupta alleged the cost of production for RIL's KG-D6 block was just $ 2.74 a million British thermal unit (mBtu). He added the Rangarajan pricing formula would give them a windfall gain through a pricing of $8.4 an mBtu. Citing petroleum ministry figures, Dasgupta said the ministry had admitted that after computing from the financial statement of RIL in 2011-12 on projected level of production, the cost of production, including levies, worked out to $2.74 an mBtu. He questioned, "If the cost of production is only $2.74, how has Rangarajan come to the conclusion that it should be $8.4 per unit to be given to the contractor?"

Government to appoint expert to examine RIL gas hoarding issue

The government of India is planning to appoint a reputed independent consultant to check if the company had hoarded natural gas as alleged. If Reliance is found to have hoarded gas in anticipation of higher prices, it will be penalised. The government wants to settle the matter once and for all.

RIL laments being targeted unfairly

Reliance Industries in a note to the Parliament's Standing Committee on Finance asserted that it had been unfairly singled out and blamed for failing to meet projected gas output from its KG-D6 block as production by state-run firms ONGC and Oil India also fell short of initial estimates. The committee had sought a review of the government's decision to adopt the Rangarajan panel formula that may double natural gas prices from next April. Reliance informed the Committee that it had neither been consulted by the Rangarajan panel nor had it seen the report, but based on what the media has reported, "the conclusion of the report is based on several incorrect factual analyses and gives undue credence to unsubstantiated allegation."

ONGC may share KG-D6 infrastructure

ONGC is preparing plans to save 40% capital expenditure in developing three gas discoveries adjoining RIL's gas fields in the east coast by sharing spare infrastructure of theKG-D6 block. The expenditure in developing these three fields may be around $1.75 billion. ONGC expects to save about $0.7 billion capex out of this, by sharing the facilities with RIL. According to Industry sources utilisation of this infrastructure by a state-run firm would ease the government's concern over surplus facilities in RIL's D6 block.

Gas from ONGC & GSPC fields to starving power plants

The stoppage of supply from Reliance Industries Ltd (RIL)'s KG-D6 field has troubled the functioning of 25 power plants. To address their problem the central government is planning to allot gas from the new fields of ONGC and GSPC to these power plants. ONGC will begin gas production from the KG-DWN-98/2 block by 2016-17. ONGC has found 4.85 trillion cubic feet of gas reserves in nine discoveries in the KG Basin, off the Andhra coast. About 6-10 mscmd can be allotted for the power sector from ONGC and GSPC fields by 2016.

DGH recommends an additional penalty of $ 792 million on RIL

The Directorate General of Hydrocarbons (DGH) recommended to the ministry of Petroleum and Natural Gas that $ 792 million of the cost of RIL has incurred in KG-D6 fields be disallowed for producing only an average of 26.07 MSCMD of gas against 86.73 MSCMD in 2012-13. This will be in addition to $1.005 billion in cost recovery already disallowed for output falling short of targets during 2010-11 and 2011-12. RIL has built infrastructure to handle 80 MSCMD of output but currently producing less than 14 MSCMD.

House panel seeks review of Govt's decision to hike gas prices

The Parliamentary Standing Committee on Finance panel has recommended review of the Government's decision to raise gas prices as the new pricing mechanism has several repercussions on various sectors of the economy. According to its report, “Doubts have been raised as to whether a large rise in gas price would at all attract additional investment from home or abroad and relax the supply side constraint. Despite raising the domestic well head price by almost 300 per cent during the period beginning 2005 till date (from as low as $1.79/ mmbtu to $4.2/mmbtu) private investments in the sector and the country’s gas output have actually dropped”. According to it natural gas as a national resource and a public asset and it shall be for the larger national good and not for profiteering.

DISTRIBUTION

Industries to get full power, restrictions eased

In the background of heavy rains and good inflows into Krishna basin reservoirs and also due to reduction of the overall electricity demand in the State, DISCOMS in AP lifted power cuts on the industrial sector. More than 2.5 lakh industrial consumers in the State will get their full quota of contracted demand. APERC also issued Orders removing the restriction and control (R&C) measures with effect from August 1, 2013. This enables all categories of consumers covered under the R&C measures to get 100 per cent power supply.

OTHERS

Power utilities staff join strike

As many as 12,000 employees and workers of various power generation, transmission and distribution companies from the five coastal districts staged a relay hunger strike at district headquarters of the respective companies on Tuesday to support the call for a united state.

As opposed to this Telangana electricity employees staged protests in support of separate Telangana state. There was face off between Andhra and Telangana electricity employees at different offices of electricity in Hyderabad city.

Electricity sharing issues on need to be sorted out

Andhra Pradesh Chief Minister N Kiran Kumar Reddy said that issues related to power sharing and shortage has to be immediately addressed before bifurcation of the State and formation of Telangana.

Telangana electricity employees strongly protested against the remarks of the Chief Minister that there would be power crisis in the region.