Power Sector in Andhra Pradesh during February 2014

POLICY

State Energy Conservation Mission

The state government has decided to register the State Energy Conservation Mission as a society and in the course of time it will replace NREDCAP as the state nodal agency for energy conservation. The society would prepare action plans on energy conservation, monitoring and evaluation of the programmes related to energy efficiency. It would also devise communication strategies to promote these programmes. As part of their corporate social responsibility utilities were expected to pump Rs. 10 crore every year to fund the society.

AP to set up 500 Mw solar power

Under the energy conservation mission the GoAP is reported to be taking steps to save at least 5 per cent power consumption (500 Mw) by encouraging households to set up rooftop solar PV panels. Besides this APGENCO is planning to set up 100 Mw solar power plants.

Surana Group Companies to defer setting up solar plants in AP

Surana group companies Bhagyanagar India and Surana Ventures, which had announced plans to set up two 5-MW solar power plants in Andhra Pradesh, have decided to defer the projects because of doubts about their financial viability. Bhagyanagar and Surana have already commissioned a 5-MW solar photovoltaic unit in AP. As commissioning of the first unit set up in Munipally in Medak district was delayed by six months after it was ready due to delays in securing linkages and permissions, the management decided to defer the implementation of the other unit of 5 MW. They have decided to defer the implementation of new projects till the Government assures support. They said the erratic mode of evacuation of power at the Munipally unit is causing hardship to the company. While the power gets generated by 6.30 a.m. or 7 a.m., it is not being evacuated as there is no power supply to the rural area around during that time. This is causing severe financial strain, making the project unviable. The company was reported to have invested about Rs. 30 crore on the project.

AP to enter in to agreements with solar PV power plant developers

According to Government official DISCOMs in AP will soon sign power purchase agreements with solar photovoltaic project developers under the State's solar power policy. The letters of intent have been issued to the developers and PPAs will be signed shortly. 500 MW capacity was expected to come up by early next year under the State solar policy. Efforts are being made to sort out the evacuation issue which will enable solar power plants to function normally even in areas where there is no power supply.

SPV to implement Polavaram project

The Union Government will create a special purpose vehicle to implement the Rs. 20,000-crore inter-State Polavaram multi-purpose project. The Centre will take upon itself and execute the project and shall be responsible for all clearances and rehabilitation and settlement. It will also take care of measures to ensure that the submergence of villages. Of the total investment on this national project, the Centre will provide Rs. 18,000 crore (90 per cent) of the project cost. The project includes 910 MW hydel power units.

GENERATION

Mini hydel power plants

23 mini hydel power plants were allocated to private agencies. Aggregate capacity of these plants stands at 78 MW. It was alleged that many of the selected companies belong to state ministers and ruling party leaders.

GVK gets more time to repay gas loans

The bankers had agreed on an interest payment holiday for the GVK's Jegurupadu-phase II 217-Mw project from January 2014 till March 2016. The bankers had given a relaxation to the projects due to "factors beyond control". Bankers are hoping that the issue of non-availability of gas to the power plant from RIL's KG basin will be resolved by October 2016.

Other companies whose power plants were shut due to non availability of gas from KG basin are also looking for debt relief. These include VBC group's 460-Mw unit Konaseema Gas Power, which is seeing corporate debt restructuring of about Rs 1,400 crore and GMR's 1,100 MW capacity plants.

FUEL

RIL's KG-D6 spend exceeds approved limit: CAG

The Comptroller and Auditor General (CAG) of India was reported to have found that RIL could have exceeded the approved spending limit at its KG-D6 block and under-utilized the facilities.

CAG also felt that the management committee (MC) of the D1 and D3 fields in the KG-D6 block and the Directorate General of Hydrocarbons (GDH) have not effectively regulated the RIL the operator. MC and DGH are responsible for ensuring that cost calculations are reasonable and realistic, but there is no evidence that they verified it.

CAG found that that the facilities in the block, set up at a huge cost, have been under-utilised due to a declining trend in production and non-drilling of wells. RIL also moved directly from the discovery to the commercial production stage at the D1 and D3 fields, without conducting the appraisal programmes required under the production-sharing contract (PSC).

CAG also found that the operator drilled only 18 wells, against 22 required under the initial development plan. It has added that the operator had not started Phase-II development works until December 2013. On-shore terminal (OT) was constructed at $827.68 million, against an estimated cost of $550.87 million. And, due to lower production, 50 per cent of these facilities remained unutilised. About half the total subsea-manifold facilities, installed at a cost of $80.19 million, against an estimated $70.81 million, were also unutilised. The three pipelines, set up at a cost of $1,019.43 million, compared with the $906.92 million estimate were lying idle. The total shortfall in production from the KG-D6 block during four years to 2013-14 stood at 154 mscmd. Compared with targets approved earlier, the production shortfall was five mscmd in 2010-11, 28 mscmd in 2011-12, 55 mscmd in 2012-13 and 66 mscmd in 2013-14.

Kejriwal orders FIR on gas pricing

The Delhi state government headed by the Aam Aadmi Party ordered filing of criminal cases against Petroleum Minister M Veerappa Moily, former Petroleum Minister Murli Deora, Reliance Industries chief Mukesh Ambani and former Director-General of Hydrocarbons VK Sibal for alleged irregularities in pricing of natural gas in the KG basin. Delhi’s anti-corruption bureau was to file an FIR against them based on complaints received by four eminent citizens. These include former Cabinet Secretary TSR Subramanian, former Expenditure Secretary EAS Sarma, former Navy Chief Admiral RH Tahiliani and senior lawyer Kamini Jaiswal. It was alleged that artificial scarcity was being created to facilitate hike in gas prices. It was pointed out that the impact of the hike in gas price would cost the country a minimum of Rs. 54,500 crore a year and allow RIL to make windfall profits of Rs. 1.2 lakh crore. New and higher gas price of $8.4/unit was expected to come in to force from April 1, 2014

RIL contract cannot be terminated: Moily

Petroleum and Natural Gas Minister M Veerappa Moily has taken a stand that the contract with Reliance Industries Ltd and its foreign partners Niko and BP on KG-D6 block cannot be terminated. This is because there is an arbitration case pending between RIL and the Government. He contended that without the proposed hike in gas prices several gas fields of both private sector firm RIL and state-owned ONGC would be economically unviable to produce.

Cairn to begin exploration in KG Basin offshore block

With the Defence Ministry withdrawing its objection Cairn India made preparations to begin exploration in its blocks in the Krishna-Godavari basin. These are next to its Ravva field. The company would begin seismic shoots (or imaging the earth below by sending shock waves and capturing their reflection) in the KG-OSN-2009/3 block. Cairn won this block in 2010, in the eighth round of the NELP bidding. The Ministry of Defence initially denied permission to Cairn's plans for the block as it had plans for its own activities in the area. After two years the ministry allowed the company to go ahead with its plans.

OTHERS

AP Reorganisation Bill Discusses Division of Power Infrastructure

The AP Reorganisation Bill provided for distribution of energy assets between the successor states as follows:

Of the total equity of Singareni Collieries Company (SCCL), 51 per cent shall be with the government of Telangana and 49 per cent with government of India.

Existing coal linkages of SCCL will continue without any change, new linkages shall be allotted to the successor states as per the New Coal Distribution Policy of the Centre.

End use plants of the allocated coal blocks shall continue with coal from the block to be supplied in proportion to their respective capacities.

Allocation of natural gas will continue to be done as per the policies and guidelines issued by the Union Government from time to time.

Units of APGENCO will be divided based on geographical location of power plants.

Existing power purchase agreements with respective DISCOMS will continue for both ongoing projects under construction.

The power of the central generating stations will be allotted in such ratio to be state of Telangana and residuary Andhra Pradesh based on the actual energy consumption of last five years of the relevant DISCOMS in the respective successor state.

For a period of 10 years, the successor state that has a deficit of electricity shall have the first right of refusal for the purchase of surplus power from the other successor state.

The National Thermal Power Corporation (NTPC) will examine the feasibility of establishing a 4,000 MW power facility in Telangana.

The existing Andhra Pradesh Electricity Regulatory Commission will function as a joint regulatory body for a period not exceeding six months within which time separate State Electricity Regulatory Commissions would be formed in both states.

Existing State Load Despatch Centre (SLDC) shall function for both residuary Andhra Pradesh and Telangana for two years within which separate SLDC will be set up for each successor state.

During this period, the existing SLDC will function under the direct administration and control of the Southern RLDC at Bangalore.

Transmission line of APTRANSCO of 132 KV and higher voltage cutting across successor states shall be deemed as Inter-State Transmission System (ISTS) lines.

The transmission lines falling within the territory of each successor state be transferred to the respective State Transmission Utilities. The maintenance of ISTS lines shall also be done by successor states in their respective jurisdiction.

The districts of Anantapur and Kurnool, which fall within the jurisdiction of the AP Central Power Distribution Company Ltd, will now be reassigned to the AP South Power Distribution Company Ltd.