

Power Sector in Andhra Pradesh during January 2012

POLICY

The Government of Andhra Pradesh approved the plans drawn by APDISCOMs to face the mounting power demand during the approaching summer season. 3,000 MW of additional power costing Rs 7,083 crore will be mobilized to tide over the increasing demand. 1,000 MW of power costing Rs 1,083 crore will be purchased to meet demand during January to May 2012. 2,000 MW per year will be purchased up to 2016 incurring an annual expenditure of about Rs 6,000 crore.

Besides this, to meet increasing industrial demand a revenue neutral Expensive Power Purchase Charge (EPCC) scheme is designed.

Over and above this APDISCOMs plan to impose restrictions and controls on its industrial consumers from January to May 2012 in view of mounting demand for electricity and constraints in mobilizing additional electricity. APDISCOMs have sought approval of APERC to impose restrictions and controls measures. APERC held a public hearing on R&C measures on January 11.

As a short term measure, APGENCO will add 3,210 MW with an investment of around Rs 16,000 crore.

GENERATION

Most of the coal based thermal power plants in the state are running short of coal stock leading to lower power generation. These plants' stock is sufficient for less than seven days. As the coal stock position is very serious some of these plants are being run on daily basis. Except Ramagundam and Kothagudem plants which are basically pit head plants other power stations have coal stock for less than one week operation. While stocks at VTPS would last for three days, stocks at RTPP would last for two days only. NTPC's Simhadri plant is also facing this problem. It is generating at 75 per cent of its capacity. Power generation at NTPC's Simhadri power plant declined to 1190 MW from 1500 MW due to shortage in coal supply. Coal supplies from Mahanadi Coal fields are getting delayed due to shortage of rail rakes. According to CEA guidelines thermal power plants should have coal stocks sufficient to generate power for 25 days.

Out of around Rs 6.47 lakh crore worth of investments for which memorandums of understanding (MoU) were entered into by various entrepreneurs with the State Government

during the CII Partnership Summit earlier this month, the power sector has attracted a lion's share of investments — of around Rs 2.93 lakh crore. 89 MOUs signed were related to power. NTPC will be setting up thermal plants with a capacity of 4,000 MW. Similarly, APGENCO will add 9780 MW, AP Power Development Corporation, a subsidiary of APGENCO will add 2,200 MW capacity and Singareni Collieries will add 1,200 MW capacity. Several other IPPs also signed MoUs.

GVK Energy Ltd proposes to set up 6,400 MW of electricity generation capacity with an investment of Rs.40,000 crore in Andhra Pradesh. These plants will be coal as well as gas based. It will set up two coal-based power projects of 2,640 MW each. The super critical thermal power projects (4x660) will be set up with an investment of Rs.16,000 crore each. Coal will be sourced from India as well as external sources. The company will sell entire power to be produced from one plant to APDISCOMs. A part of the power from the second plant would be sold to APDISCOMs and the remaining part will be disposed off on merchant basis. These plants will be financed in the debt equity ratio of 4:1. The first units of these plants will be commissioned in 2017-18. Besides these coal plants GVK plans to add capacity to the two existing gas-based power projects at Jegurupadu and Samarlakota. All the proposed power plants will be located in coastal Andhra. Towards these GVK had signed MoUs with the Andhra Pradesh government as part of the Partnership summit held in January 2012. Other IPPs include Thermaltech, Nelcast and Powertech.

Suzlon Energy signed an MOU with the Government of AP as a part of the CII Partnership Summit to develop 3,000 MW wind energy capacity with an investment of Rs. 18,000 crore over the next four years. These wind farms will be located in Tallimadugu, Alankarayanipeta, Gandikota, Vjraharur, Tirumalayapalli and other places. Other firms that signed MoUs included Enercon and Mytrah Energy India Limited.

Welspun Energy Ltd (WEL) has signed an agreement with New and Renewable Energy Development Corporation of Andhra Pradesh (NREDCAP) to set up 500 MW of wind energy capacity in the State an investment of Rs 3,000 crore. These will be completed by the end of 2014. WEL also bagged a contract to set up 50-MW solar plant stated to be the single largest location project under the Jawaharlal Nehru National Solar Mission (JNNSM). Apart from Welspun and Suzlon Energy Mytrah Energy also entered into agreements independently expressing their interest for setting up of wind power projects in the State.

Abound Solar (U.S.) and Solar Integration Systems India Private Limited (India) commissioned a 1-MW solar photovoltaic (PV) plant in Kadiri, Anantapur district. The solar power plant uses Abound Solar's cadmium telluride (CdTe) thin-film modules and Solarsis' homegrown racking and mounting solution to produce electricity. The project is developed under the Rooftop and Other Small Solar Power Generation Plant (RPSSGP) Scheme administered by IREDA under the Jawaharlal Nehru National Solar Mission (JNNSM).

The large number of coal based thermal power plants being set up in AP raised serious apprehensions over high emission of GHGs like carbon dioxide. More than 63 thermal power plants are reported to be coming up along the coast of AP. These would place this state in the category of one of the biggest carbon emitters in the world. These power plants will adversely affect the water, agriculture, terrain and all other aspects of life in this entire region. These apprehensions were voiced at a People's Parliament organized by NAPM in Nellore. These plants also led to large scale displacement of local communities.

FUEL

RIL has written a letter on 6th January to the Ministry of Petroleum and Natural Gas asking for revision of gas price saying that the current sub-market price is coming in the way of development of indigenous gas resources and needs urgent upward revision. It contended that the nation's energy security was threatened by the price anomaly as domestic gas production potential was depressed by sending wrong signal to potential producers. There were allegations that RIL was deliberately bringing down gas production to compel the central government to hike gas prices.

The Directorate General of Hydrocarbons has recommended that RIL should not be allowed to recover expenses on under utilized infrastructure of KGD-6 field and limit the cost recovery to the infrastructure used by RIL for present gas production. It also pointed out that RIL has failed to adhere to additional initial field development plan (AIDP) which was clear violation of the production sharing contract (PSC). It recommended disallowing expenditure to the extent of \$ 1.235 billion. Out of this \$457 million was related to the year 2010-11 and \$778 million to the year 2011-12. According to the existing plan RIL was expected to drill 22 wells by April 2011 with an envisaged gas production of 61.88 mmcmm and 31 wells by April 2012 with an envisaged production of 80 mmcmm. But until now only 18 wells were drilled and out of these only 14 are functioning. It noted that because of this gas production declined to 38.61 mmcmm.

Oil and Natural Gas Corporation (ONGC) plans to invest Rs.15,340 crore in developing its ultra-deep sea UD-1 gas discovery in the Krishna-Godavari basin by 2016-17. It is estimated that UD-1 gas discovery can produce for 14-15 years with peak of about 20 million cubic meters per day (mmcmm). UD-1 is the deepest gas discovery ever made in the country and ONGC estimates it may hold 4.257 Trillion cubic feet of in-place gas reserves. The Directorate General of Hydrocarbons (DGH) has accepted the DOC with lower in-place volumes of 3.938 Tcf. Of the in-place reserves, ONGC estimates 2.55 Tcf can be recovered while DGH puts the figure at 2.315 Tcf. ONGC plans to drill 11 wells to bring the field to production by 2016-17 with an output of 16.5 mmcmm. The production is expected to reach 20.24 mmcmm in the second year and stay there for five years. Output from the sixth year would start declining and it would be 2.4 mmcmm in the 15th year.

DGH found the discovery commercial after considering cumulative production of 2.315 Tcf with recovery of 58.5 per cent for 15 years. It estimated a net present value (NPV) yield for ONGC at \$200 million after considering \$2.984 billion of capital investment and another \$1.77 billion in operating expenses. This ONGC's gas find is estimated to be economically viable at the current market price of \$4.20 per unit. Earlier ONGC had estimated that the block would be commercially viable at a price of \$7 per unit.

DISTRIBUTION

Under RGGVY free electricity connections to about 20 lakh Below Poverty Line (BPL) households is sought by the government of AP during the 12th five year plan (2012-13). APDISCOMs had already electrified over 26 lakh BPL rural households during 10th and 11th plans under this programme.

A division bench of the AP High Court with chief justice Madan B Lokur and justice PV Sanjay Kumar struck down an order of the AP Electricity Regulatory Commission allowing distribution companies in AP to recover as much as Rs 1,639 crore from industrial consumers in the state by way of fuel surcharge adjustment for the year 2008-'09. The High Court Bench held that the levying of the surcharge after the delay was not permissible and that the APERC had no power to condone such delays. In the background of this High Court Order DISCOMs in the state will not be in a position to recover FSA for the year 2009-10 also. This would place huge financial burden on the DISCOMs in the state. Officials of the DISCOMs are looking up to the state government to bail them out from this tight financial position.

Proposed electricity tariff hike in the state covering almost all the consumer categories has come under attack from different quarters:

AP Ferro-Alloys Producers' Association appealed to the State Government to reconsider the move to hike tariffs. It contended that Ferro alloys is a power-intensive industry and cost of electricity constitutes between 40 to 70 per cent of the total cost of production. Power consumption is about 4,000 kWh (units consumed over a period of one hour) for every tonne of ferro chrome and silico manganese produced, while it is 9,000 kWh for ferro silicon. Proposed tariff hike will make their operation uneconomical. There are 30 ferro alloys units in the state accounting for one third of country's production. This change in tariffs would place these units on the brink of a deep crisis. They contend that ferro-alloys units in AP were earning foreign exchange of Rs 500 crore through exports, and exports would be rendered uncompetitive with the hike in power tariff. They also pointed out that nearly, Rs 5,000 crore of investment has come into the sector in the State in the recent past and in the background of the increased tariff the new units could not start functioning.

Telugu Desam Party chief Nara Chandrababu Naidu was arrested for leading a rally against the proposed hike in power tariff. The rally started from TDP headquarters in Banjara Hills terminated at Vidyut Soudha, headquarters of APTRANSCO. Some of TDP party leaders like Yerrabelli Dayakar Rao, Kinjarapu Yerranaidu and Mandava Venkateswar Rao were also arrested. In his speech Naidu attacked the Congress government for not adding to the power generation capacity in the last eight years of its rule and for not releasing Rs 20,000 crore that the state government owed to the DISCOMs in the state.

OTHER

Bhadramma, wife of tribal farmer Malothu Bhadru committed suicide distressed over altercation between her husband and APNPDCL staff over payment of electricity dues at Badi thanda, a hamlet in Garla mandal of Khammam district. Malothu Bhadru sought time for payment of dues but DISCOM officials insisted on payment of dues and disconnected power supply. Following argument with Bhadru DISCOM officials reported it to local police. Later Bhadru borrowed money by pledging his wife's ornaments and paid the dues. Later police visited the hamlet and questioned Bhadru. Following this Bhadramma resorted to suicide.