Power Sector in Andhra Pradesh during July 2012

POLICY

According to the proposed solar policy of the Government of Andhra Pradesh (GoAP) the Government would invite competitive bids with upper ceiling on cost. At the same time developers will be allowed pooled cost along with the facility to access renewable energy certificates. According to this new policy the difference between the tariff decided by the Andhra Pradesh Electricity Regulatory Commission and that quoted by the developers would be met by the State budget. Until now about solar power plants with aggregate capacity of 26.5 MW was said to have been commissioned so far out of the total sanctioned capacity of 97.5 MW of solar plants.

The Public Accounts Committee has directed the Andhra Pradesh Government to resume lands which have not been utilised by the industries for the purpose they were allotted for. The land allotted to Hinduja Power Company's 1040 mw near Visakhapatnam to the extent of 1,130 acres comes under this category. The Committee also found fault with the state government for allowing Hinduja Power Company to sell 75 percent power in the open market.

GENERATION

Lokayukta Justice S Ananda Reddy in response to a petition by K. Venkata Subba Reddy of Rayalaseema Rashtra Samithi stayed civil works at Rayalaseema Thermal Power Plants new 600 MW unit. The petitioner submitted that the cost of these works seen to be unusually high compared to other similar projects in AP. According to the petitioner contact was awarded to Tecpro Limited for Rs. 1,255 crore while similar work at Kakatiya Power Plant was awarded for Rs. 723 crore only, signifying a deliberate inflating of the project cost by Rs. 532 crore.

The Delhi High Court on Monday dismissed a writ petition filed by Anil Dhirubhai Ambani Group's Reliance Power against a Rs 400-crore penalty notice served by 11 power procurers (spread over the states of Andhra Pradesh, Karnataka, Tamil Nadu and Maharashtra) led by Andhra Pradesh Southern Power Distribution Company Limited on its failure to operate the proposed Krishnapatnam ultra mega power project (UMPP) in time. The High Court judgment enables the procurers to encash the bank guarantee of Coastal Andhra Power Limited (CAPL), Reliance Power's wholly-owned subsidiary responsible for Krishnapatnam UMPP.

Following this Reliance Company on the one hand filed an appeal against the single judge order, and on the other hand filed for arbitration under the Indian Arbitration and Conciliation Act, 1996 against the power procurers. Andhra Pradesh distribution companies dismissed the idea of arbitration proceedings as it was not in consonance with the power purchase agreement, and contended that only the Central Electricity Regulatory Commission (CERC) had the sole jurisdiction in decide on these issues.

The Reliance Power Group company was asking for a reexamination of earlier power purchase agreement in the background of changed regulations in Indonesia on export of coal mined in its territory. The Indonesian government linked the price of coal with the international market prices.

The Andhra Pradesh State Government has decided to allow the State-owned power generation company APGENCO to set up 100 MW of solar power plants close to the existing thermal and hydel power plants as a part of its policy to encourage renewable energy projects to bridge the growing demand supply gap. APGENCO had been authorised to raise funds from Power Finance Corporation and Rural Electrification Corporation for these solar power projects. Presently APGENCO has sufficient land for setting up of 30 MW solar power plants. It plans to acquire 350 acres for setting up remaining 70 MW solar plants. Each MW of solar power was estimated to cost Rs 7-8 crore of investment and generation of one unit of power would cost about Rs 8. APDISCOMs would need about 150 MW to meet the Renewable Power Purchase Obligations related to solar power during 2013-14.

Nava Bharat Ventures Ltd plans to add 150 MW project at Paloncha in Khammam district of Andhra Pradesh by the end of 2012-13. The company plans to offer this power to bulk industrial consumers.

The Chief Minister of Andhra Pradesh assured representatives of the CII that several measures were being taken to mitigate power shortage including by pooling power from various sources. As one of the "short-term measures" the GoAP allowed purchase of 900 MW power from outside sources, to overcome the power crisis. The state government also encouraged the industrial associations and come out with concrete proposals to overcome the situation and also explore how much energy can be produced from captive power plants. Along with this 60 per cent electricity supply on a daily basis would be assured to industries if they installed control meters.

The renewable energy sources like solar and wind are being encouraged in the medium-term. The Chief Minister agreed to consider the proposals of CII to encourage solar power for hoardings, other lightings so that 200-300 MW can be saved. The industries are being allowed open access to purchase power from various possible sources. As long-term measure attempts were being made to secure more gas from the central Government for the gas-based power plants. While GAIL has assured that it will supply regasified liquefied natural gas to support 500 MW of power generation, the State has asked GAIL to supply about 5 MMSCMD enough to generate additional 1,000 MW of additional power. Some new units of APGENCO would start commercial production soon.

The APDISCOMs called for bids for power supply of 2000 MW for the period between June 16, 2013 and June 15, 2016, at an average tariff of Rs 5 a unit. The lowest offer was from KSK Mahanadi which quoted Rs 4.29 per unit, while the highest bid price was from Power Trading

Corporation at Rs 6.11 a unit which is from an imported coal-based plant. There were 14 bidders from different parts of the country.

The Andhra Pradesh Government has sought the Centre's approval to roster available Krishna-Godavari basin–D6 gas for optimum utilisation by six independent power producers. Gas-based power plants are at present receiving 6.43 mcmd of natural gas a day against the requirement of 13.65 mcmd, leaving a deficit of 7.22 mcmd. This has meant that 1,600 MW of the installed 2,760 MW is idle. The plant load factor of gas plants is now at 34 per cent due to fuel shortage. The rostering would help reduce overhead cost with some plants running for some days and others taking over later. Below certain supply, it would not be possible to run gas plants.

The Andhra Pradesh Government has also sought allocation of additional power from Central generating stations to tide over power crisis. It urged NTPC to expedite the commissioning of Vallur project in Tamil Nadu. AP is hoping to get its share of 178 MW from Vallur and 300 MW from Kudamkulam and 75 MW from Neyveli Lignite Corporation expansion projects. It was asked to enhance supplies from NTPC Jhajjar from 131 MW to 230 MW.

Andhra Pradesh was expected to get about 800 MW of additional power by the month end. NTPC-Simhadri units 3 and 4 would provide 420 MW, Ramagundam 60 MW, Talcher 107 MW and RTPP 210 MW, as these plants were expected to start power generation.

FUEL

The Union Ministry of Petroleum and Natural Gas decided to continue gas supply to merchant power units of Lanco and GMR from KG basin on the recommendation of the Government of AP up to May 2013. GoAP defended this recommendation on the grounds that these units will supply power to DSICOMs in the state and that they would participate in the bidding for short term power supply and supply power at the tariff decided by APERC.

RIL started supplying natural gas from its eastern offshore KG-D6 fields to the 750 MW Bawana power plant of New Delhi's Pragati Power Corporation. Bawana would be getting about 40-45 per cent of the 0.836 MSCMD of gas it had signed for, because of decline in KG-D6 production. The power plant needs 2.8 mmscmd of gas to generate 750 MW of electricity. It currently gets 1.564 mmscmd from state- owned Oil and Natural Gas Corp. To meet the balance, the government had allocated 0.93 mmscmd of gas from RIL's KG-D6 fields. Pragati power is the 26th power plant to get supplies from KG-D6 and supplies to it would mean a further drop in supplies to power plants in AP.

RIL planned to cut down investments in its KG basin works by USD 276 million to USD 1.96 billion. In the past it planned an investment of USD 2.234 billion in developing blocks allotted to it in the KG basin.

Natural gas output from RIL's KG-D6 fields dropped to 30.82 mscmd in the week ended June 24 from 31.57 mmscmd in the beginning of the month. Six out of the 18 wells in the Dhirubhai-1 and 3 (D1&D3) gas fields and two of the six wells in MA oil field in the KG-DWN-98/3 block were shut due to high water and sand ingress. KG-D6 had produced 32.66 mmscmd in May, 33.89 mmscmd in April and 34.62 mmscmd in March.

RIL had written to the Ministry of Petroleum and Natural Gas proposing to price natural gas it produces from the KG basin block at a rate equivalent to price India pays for importing liquefied natural gas (LNG). The government had in 2007 fixed a price of USD 4.205 per mmBtu for gas from KG-D6 block for first five years of production. KG-D6 fields began production on April 1, 2009 and the current price expires on March 31, 2014. From April, 2014, RIL wants the gas to be price at import parity just as domestically produced crude oil is priced. RIL wants to price KG-D6 gas at 12.67 per cent of JCC, or Japan Customs-Cleared Crude, plus USD 0.26 per mmBtu. At USD 100 per barrel oil price, gas will cost USD 12.93 per mmBtu. This formula is different from the one that was approved in 2007. According to this formula, KG-D6 gas price was capped at crude oil price of USD 60 per barrel, translating into a sale price of USD 4.205 per mmBtu. KG-D6 gas at USD 60 a barrel oil price, according to the new formula, would be priced at USD 7.862 per mmBtu. The formula proposed by RIL is the same at which Petronet LNG Ltd, the nation's largest liquefied natural gas importer, buys 7.5 million tonne per annum of LNG from RasGas of Qatar. RasGas charges 12.67 per cent of JCC and Petronet pays a further USD 0.26 per mmBtu for shipping the gas in its liquid form (LNG) from Qatar. These issues will be examined by the Empowered Group of Ministers.

During the first quarter of 2012-13 Singareni Collieries Company Limited (SCCL) had supplied 5.1 million tones of coal to APGENCO against the contracted linkage of 3 million tones, more than 70 percent higher than the committed volume. Similarly, NTPC and other public sector power generation unit from outside the state received 50 per cent higher quantities than committed. SCCL had to step in both because of low rainfall and consequent low hydro power, and also because of lower supplies from Mahanadi coal fields, a subsidiary of Coal India Limited. APGENCO received 1.65 million tones of coal from Mahanadi coal fields as against the official e linkage of 2.32 million tones. Coal India Limited stated it would meet only 65-70 per cent of the commitment. During the same period coal production by SCCL increased to 13.33 million tonne from 12.92 million tones during the same period last year.

DISTRIBUTION

Mr. Justice C.V. Nagarjuna Reddy of the Andhra Pradesh High Court in response to a batch of writ petitions filed by industrial passed an order saying that four distribution companies in the state cannot recover money in the form of fuel surcharge adjustment (FSA) for the year 2009-2010. According to the AP Electricity Regulatory Commission (Conduct of Business) Regulations, 1999, FSA claims by the distribution companies have to be filed within 30 days of the completion of the quarter by the distribution companies. Failing which they forfeit any further claim. The regulator condoned the delay though claims were filed beyond thirty days. The court took cognizance of the fact that a Division Bench had already declared that such delayed claims by the distribution companies cannot be entertained by the electricity regulator while dealing with FSA for 2008-2009. That appeal is pending before the Supreme Court. Mr

Justice Reddy said that the demand for 2009-2010 should not have been made in view of the pending case in the Supreme Court.

The APERC conducted a public hearing on 16th July 2012 on the proposals of DISCOMs in the state to collect nearly Rs. 8,000 crore through FSA for the financial years 2010-11 and 2011-12. All those who participated in the hearings opposed the DISCOM proposals. For some months proposed FSA per unit is higher than minimum domestic tariff of Rs. 1.45 per unit. Participants pointed out that there was lack of transparency in estimation of FSA. It was also pointed out that diversion of natural gas from KG basin from the power generation units with concluded PPAs to merchant plants led to higher power purchase costs. Compulsory use of imported coal was also shown to be one of the reasons for higher FSA. State government going back on its commitment of meeting burden of high cost power purchase from open market was another reason for debt burden on the DISCOMs in the state. It was argued that these issued need to be addressed effectively to bring down FSA burden on the consumers in the state.

DISCOMs in Andhra Pradesh have claimed to have drawn out a special programme to ensure seven-hour power supply to farmers and save standing crops. This programme includes deployment of customised software, conducting substation-level meetings to get feedback from farmers and random inspection by vigilance teams for ensuring assured power supply to agriculture. A customised software providing details of feeder-wise agricultural supply position was on the Web site for real-time monitoring of power supply to farm sector. The Eastern Power Distribution Company of Andhra Pradesh Limited (APEPDCL) developed the customised software for monitoring of power supply to agriculture. The DISCOMs will also use global positioning system software for tracking the movement of department vehicles for transportation of transformers and to avoid misuse.

Major and medium industries in Andhra Pradesh will have a "power holiday" for 12 days a month starting from July 12 as the DISCOMs in the state are not able to meet the increasing demand for electricity. The industries will also have to face "evening peak restrictions" from 6.30-10.30 pm daily. Small-scale industries like spinning mills, life-saving drug manufacturing units and seed processing plants will have a eight-day power holiday a month with evening peak restrictions from 6.30-10.30 pm, While demand for power in the state touched 255 MU the DISCOMs could supply only 215 MU, leaving a deficit of 40 MU per day. Continuous dry spell combined with low water levels in major reservoirs and severe shortages in fuel supply had led to this situation. Singareni Collieries Limited, drinking water supply facilities, government, hospitals, railway traction and defence establishments are exempted from these power cuts.

Besides this there would be a general power cut of three hours per day in Hyderabad, Tirupati, Visakhapatnam and Warangal, six hours in other towns and only night supply in rural areas.

Federation of Andhra Pradesh Chamber of Commerce and Industries (FAPCCI) expressed concern over cuts in power supply to industry. According to it the situation is alarming as the power cuts will lead to a production loss of about Rs 257-crore/day, besides driving some of the companies sick, thereby, leading to job losses. While peak shortage is estimated to be about 18 per cent the industry is imposed with 50 per cent power cut. Industries face closure with their profitability being wiped out while missing contracts. This may eventually lead to job loss and payment defaults. Small-scale industries are worst hit as they do not have any option but to shut down. They require about 350 MW of the 4,000 MW consumed by Hyderabad but are faced with 15-day power holiday. The industry body suggested the Government to work out a short term and long term plan for adding fresh capacities and reschedule power supply. They called upon the Government to encourage wind mills and solar photovoltaic plants, setting up of captive units and open access to purchase power.