Power Sector in Andhra Pradesh during July 2013

POLICY

AP Government finalising green factory building code

The Andhra Pradesh Government is formulating a new green factory building code that will make it mandatory for factories to implement certain green guidelines for conserving energy, water and land space. This code would be applicable for new as well as existing industries. These guidelines would not impose much financial burden on factories but would yield them higher returns in the long run. The proposed green guidelines include painting of at least 50 per cent of the roof surface with high solar reflective paint, at least 50 per cent of the car parking spaces should have a shade, certain rainwater harvesting measures and designing of windows and skylight so that more day-lighting can be accessed by the interior areas.

Government departments to focus on energy conservation

The Andhra Pradesh State Energy Conservation Mission plans to take up department-wise and district-wise energy efficiency plans. State Chief Secretary, who is ex-officio Chairperson of the State Energy Conservation Mission, has issued instructions to all key Government departments to chart out energy efficiency plans to save on energy while also laying thrust to harness green energy sources such as solar and wind power.

AP to permit more firms to set up solar PV plants

Andhra Pradesh Government has decided to permit any company, even those who have not participated in the competitive bidding for 1,000 MW, to set up a solar photovoltaic unit in the if they are ready to accept the price of Rs 6.49 paise per kWh. Interested solar power developers have been told that they can submit applications within four weeks. Until now 35 bidders, with a total capacity of about 418 MW, have accepted solar power purchase price of Rs 6.49 a unit.

GENERATION

Power projects in AP to be expedited

The State Government is reported to be making efforts to increase power generation capacity in the state. During the present year, Krishnapatnam unit I of 800 MW, Sagar Tail Pond of 50 MW and Hinduja's Unit I of 520 MW will be commissioned. Power supply was also expected likely from Tuticorin and other Central generating stations to the extent of 375 MW. Krishnapatnam II unit of 800 MW, Kakatiya 600 MW and Hinduja II Unit 520 MW will be commissioned during 2014. Besides, 500 MW solar and 500 MW wind energy are likely to be added taking the capacity up by 4,745 MW by 2013-2014.

ITC powers itself with wind

FMCG major ITC Ltd has installed wind farms with over 70 MW at sites close to its facilities and is in the process of setting up 63 MW more. The new capacity includes a 46 MW farm at its Paper unit at Bhadrachalam in Andhra Pradesh. This is part of its plan to gradually reduces dependence on fossil fuels. Renewable energy contributes to over 41 per cent of the company's total power consumption. This is poised to go up to over 50 per cent as it sets up more projects.

Srisailam reservoir set to begin power generation

Power generation at Srisailam hydro electric plants with a total capacity of 1,670 MW started power generation following heavy rains and huge inflows in to the reservoir. This plant includes left bank canal pump house of 900 MW and the right bank unit of 770 MW capacity.

State to add hydel power capacity

Andhra Pradesh is planning to add hydel generation capacity of 410 MW in two years by adding additional units at Nagarjunasagar, Pulichintala and Lower Jurala. The first unit of Lower Jurala with a capacity of 80 MW is likely to be commissioned in two months. The second and third units (80 MW each) will be ready by July, 2014.The 50-MW Nagarjuna Sagar tail pond unit and the 120-MW Pulichintala are expected to be completed during the financial year 2014-2015.

FUEL

Fuel supply - key issue before gas-based power producers

Gas-based independent power producers are focusing their attention on securing gas supplies for their plants rather than the pricing implications. They are focused on improving gas supplies rather than pricing. Power developers are lobbying for the diversion of gas supply from the fertiliser sector and lowering of the plant capacity for recovery of fixed costs and assured return on equity. This is important in the backdrop of the Government seeking to prioritise supplies to power and fertiliser plants.

It states that there are concerns about the affordability of power generated from gas-based power plants after the Government recently decided to double domestic gas prices effective April 2014. The generation cost from the gas-based plants would increase by about 50 per cent, with the cost at about Rs 5.7 per kWh (a unit). According to the assessment, merchant power tariffs would be cheaper than even the variable cost of gas-based power projects. This may lead to a situation where State electricity boards may curtail power purchases from gas-based plants. Lanco, GMR, GVK, Essar, NTPC, RGPPL, Torrent, VBC Group — with a total capacity of 9,861 MW — are functioning at low plant load factor due to dwindling gas supplies. The power generated ranged from about 11 per cent to 57 per cent last year. The average output was about 39 per cent last year and 17 per cent in May, according to estimates.

AP seeks additional gas, priority allocation for power

Andhra Pradesh Chief Minister has requested Empowered Group of Ministers for priority allocation of gas for the gas-based power projects in the State. He requested reprioritisation of gas allocation and additional 11.7 mmscmd of domestic gas from new sources, including ONGC and Gujarat State Petroleum Corporation fields to power sector. He emphasised the need to consider the case of Andhra Pradesh as special status. Andhra Pradesh gas-based power plants are the only projects which were constructed on the firm allocation of gas from KG Basin. The Chief Minister suggested that gas-based power projects in the State should be given priority over Ratnagiri Gas Power Pvt Ltd, as this project was originally planned with naphtha as fuel whereas plants in the State were planned with natural gas as fuel.

Centre not going back on gas pricing decision

Petroleum and Natural Gas Minister M. Veerappa Moily asserted that there would be no going back on CCEA’s decision on gas pricing. Moily’s assertion came in the background of a letter written by the Finance Ministry on July 4 to the Petroleum Ministry pointing out that RIL, which would benefit from higher gas prices, should be asked to sell unmet gas supply commitments from its East Coast fields at the current rate of $4.2 a unit (gas is measured in million British thermal units). Moily said that there would be no distinction between companies as far as gas pricing was concerned.

Parliament Committee asks Centre to revisit gas price hike

The parliamentary standing committee on finance, headed by former finance minister Yashwant Sinha asked the government to review its decision to increase gas prices and come out with a “holistic” pricing system. The committee asked the government to ensure that the contractor delivers for shortfall on production at $4.2 per mBtu rather than getting benefits of the new pricing for previous commitments. It also suggested ceiling on gas price as unlimited pricing may bleed the core sector. It also suggested a closer regulation on cost recovery and technological parameters of production. The committee pointed out that no due diligence was done before arriving at the decision to revise gas price and the government should also take the cost of production into account. The report also questioned the rationale behind dollar-denominated pricing when revenues are all in rupee terms and as the country has chronic adverse exchange rate issues. It also urged for consultations with the state governments, as they would have to suffer a higher power tariff and increased fuel cost impact.

Legal route to block gas price rise

Gurudas Dasgupta and E A S Sarma, former Union Power Secretary have filed a public interest litigation (PIL) suit in the Supreme Court, seeking a rethink on the government’s decision to increase natural gas price in the country based on the Rangarajan committee formula. The gas price decision was taken on June 27 by the Cabinet Committee on Economic Affairs, to take effect from April 2014. The decision was expected to cost Rs 42,000 crore for about 28,000 Mw of power capacity dependent on gas, while the fertiliser subsidy would zoom by Rs 13,200 crore annually. Dasgupta had alleged Moily was working in favour of the Mukesh Ambani-led Reliance Industries in pushing for a gas price rise, saying it would mean an additional subsidy burden of Rs 76,000 crore.

Following this PIL the Supreme Court issued notices to the Centre and RIL. A bench headed by chief justice P. Sathasivam. The PIL has also sought the apex court’s intervention in the appointment of a presiding arbitrator for a panel looking into RIL’s right to recover its investment in the KG-D6 block from gas sales, thereby completing the process within six months. Dasgupta had alleged that the petroleum ministry was sitting on a penalty of $1 billion imposed on RIL in

FY12 and also failed to implement relinquishment of 86 per cent of the KG-D6 block area held by RIL.

RIL to spend $16-bn on gas subject to $8-10 price

Reliance Industries (RIL) indicated that it would be willing to invest nearly $16 billion over the next five years to boost production of gas at its KG Basin fields to the extent of 3-4 tcf of gas. At the same time RIL pointed out that commercial production would be remunerative at a price closer to $8-10.RIL's investment includes $6 billion on operating expenses at the existing fields and $3.5 billion for the cost of capital, at an interest rate of 13%. Approximately $3.5 billion will be spent on RIL's R Series fields while $2.5 billion has been earmarked for the nine satellite fields. RIL was reported to have invested about $3.5 billion on 25 fields. An invest of $6.5 billion in KG Basin gas fields was expected to re-attain natural gas production of up to 60 mmscmd by 2019-20. Until now RIL had been able to recover about $9.2 billion from the government in accordance with the cost recovery nature of the production sharing contract signed with the government.

RIL to move Supreme Court for arbitrator in KG-D6 case

Reliance Industries Ltd (RIL) is planning to ask the Supreme Court to appoint a presiding judge for an arbitration panel set up to hear a case initiated by the Mukesh Ambani-helmed company in April 2012 over its right to recover production costs for investments made in the Krishna Godavari basin. The proceedings have since been stalled as the two arbitrators, both former chief justices of India — Justice SP Barucha and Justice VN Khare — have not been able to reach a consensus on the presiding arbitrator. Justice Barucha was appointed by RIL and Justice Khare by the oil ministry. At stake is RIL's right to recover $1.005 billion which has been disputed by the petroleum ministry. RIL will have to show this amount as a "contingent liability" in its books as the government has challenged payment of this money. The ministry had challenged the company's right to recover the costs incurred as India's largest private sector company's production of gas from the KG basin was far below its projection to the government.

GSPC hopes to get green nod soon for pipeline at KG block

Gujarat State Petroleum Corporation (GSPC) hopes to get green clearances for laying onshore installations at the KG basin block soon. GSPC is still awaiting environmental and coastal regulatory zone clearances for laying a 10-km underground pipeline on the peripheries of the Coringa Sanctuary (Andhra Pradesh) and commissioning of the onshore terminal. The commissioning of the project has been postponed by three months from June due to delay in getting clearances. The company has readied four wells out of the scheduled 16. Pre-commissioning of one platform is on and another is in advanced stage of completion. Work for sub-sea pipelines has also been completed. The GSPC operated consortium (GSPC 80 per cent, Jubilant 10 per cent, GeoGlobal 10 per cent) is expected to bring two wells with an estimated production capacity of approximately 1 lakh standard cubic metre into production. GSPC struck gas in KG-OSN-2001/3 block — now rechristened as “Deen-Dayal” — in Bay of Bengal, off Andhra Pradesh coastline, in 2005.

APGENCO awarded coal block

Sarapal – Nuapara coal block in Orissa with coal potential of 701 million tonne has been allocated to APGENCO. This allocation is in addition to its existing reserves and will enable generation of 4,000 MW of power for the next 30 years.