

Power Sector in Andhra Pradesh during June 2012

POLICY

The annual per capita power consumption in Andhra Pradesh (AP) crossed 1000 units. Per capita power consumption in the state stands at 1050 units compared to the national average of 813 units. On 30th June, 2012 the DISCOMs in the state could supply 216 million units of 252 MU required with a deficit of 36 MU. The average energy demand in AP during June 2012 256.69 million units a day against 228.68 MU during the same period last year, an increase of 12.2 per cent. Constraints like shortage of fuel, dwindling hydel reserves due to low rain fall, and transmission network problem have come in the way of meeting the power demand fully. In order to overcome network problems the State Government planned to spend Rs. 6,000 crore on strengthening the transmission and Rs 8,000 crore on strengthening distribution infrastructure in the next four years. The DISCOMs have taken up implementation of the project to distribute one lakh transformers meant to prevent overloading of transformers and to improve the voltage profile. The state government plans to address shortages through additional purchases in the short term and concentrating on power generation in the long-term. The state government is emphasizing on expediting the ongoing power projects covering generation, transmission and distribution sectors, apart from encouraging energy conservation.

The Power Ministry of Government of India (GoI) is finalising a loan restructuring programme spread over three-seven years to address financial problems of debt ridden DISCOMs in the country. DISCOMs from AP also figure in this. To handle short-term loans of nearly Rs 2 lakh crore contracted by these DISCOMs a two-phase plan had been charted. Under this half of the loans would be taken up by the respective States, which will issue long-term bonds in phases. For the remaining 50 per cent of the loans, DISCOMs would get three-year moratorium on principal payment. In the first phase spread over three-year, the States would issue bonds based on their targets under the Fiscal Responsibility and Budget Management (FRBM) Act. Along with this DISCOMs are expected to take steps to reduce distribution losses and increase electricity tariff based on power purchase fluctuations. In the second phase the remaining debt would be restructured for seven years.

GENERATION

A large number of fishermen of Tikkavanipalem and surrounding villages in Parawada mandal of Visakhapatnam district staged a dharna on 29 June 2012 at Simhadri power plant of NTPC demanding halt to the pump house operations. The fishermen were demanding halt to pump house operations as their livelihood was badly hit due to decline of fish and other marine species were dying as a result of release of effluents and hot water into the sea by the NTPC plant. Besides lathi charge CISF jawans also opened fire in the air to disperse the agitating fishermen. Seventeen CISF jawans and local police, four fishermen and a village revenue officer (VRO) were reported to be injured in the incident.

Local officials of Nuclear Power Corporation of India were said to be finalizing their reports on Environmental Impact Assessment of the proposed nuclear power plant in Kovvada of Srikakulam district to be submitted to the Ministry of Environment and Forests of GoI in spite of stiff resistance from local communities. All necessary surveys were said to be completed. Besides this intelligence cops were also said to be collecting information on the people opposing the plant.

Alpha Infraprop Private limited plant site at Kotipam village in Komarada mandal of Vizianagaram mandal was site of another confrontation between local community and the project authority. Villagers clashed with the staff on 21 June 2012 at the plant site as the plant staff said to have harassed local women. This was an indication of tension building in the area as the plant is coming up against stiff resistance of the local communities. Villagers are opposed to land acquisition for the proposed 2,640 MW coal based thermal power plant. Out of 1,675 acres needed for the plant the company has already acquired 600 acres of land. Local people are also opposing diversion of water from irrigation to the power plant. Water is proposed to be diverted from Thotapally reservoir which irrigates 60,000 acres. Also the plant area overlaps the ayacut of Vanakabaadi Gedda reservoir.

In the background of declining gas output from RIL's Kg basin gas fields GVK Power and Infrastructure Ltd decided to put expansion of its plant at Jeegurupadu on hold. It proposed to add 800 MW plant through the third phase.

Though the AP Electricity Regulatory Commission approved procurement of 2000 MW of power through short term purchases through Case – 1 bidding APDISCOMs were not able to procure even a portion of it. Also they were also not successful in booking the required transmission corridor. With the permission of APERC, APDISCOMs floated tender for 2,000 MW of power for the period June 2012 to May 2013. In spite of higher purchase rates APDISCOMs had managed to secure commitment for the supply of about 750 MW only. While the power generators in AP quoted rates of up to Rs 6.79 a unit for a capacity of 350 MW those outside the State quoted between Rs 5.75-7.39/ unit to supply 1,125 MW. After negotiations the power generators in AP agreed to supply at Rs 5/ unit. Citing costly Indonesian coal power producers outside AP expressed their inability to reduce their price below Rs 5.50/ unit. Gas plants in AP - Lanco and GMR - expressed their inability to reduce their price as they were operating at a low PLF.

FUEL

Petroleum and Natural Gas Regulatory Board (PNGRB) asked the central government to cancel license granted to Relogistics Infrastructure Ltd (Relog), a Mukesh Ambani Group company to lay four gas pipelines - Kakinada-Basudebpur-Howrah pipeline, Kakinada-Chennai line, Chennai-Bangalore-Mangalore pipeline and Chennai-Tuticorin line. , saying the company has been dragging its feet on implementation of the 2,175-k.m. pipelines. Though Relog was given authorization in 2007-08 it did not start work on these pipelines. PNGRB citing this delays in

laying the pipelines asked the central government to cancel the authorization. Relog has cited uncertainty about availability of gas for not building the lines that as per the authorization. But the same company laid the 1,396-k.m. East-West pipeline from Kakinada in Andhra Pradesh to Bharuch in Gujarat to ferry natural gas from eastern offshore KG-D6 fields, in 'record time'.

GSPL India Transco Ltd (GITL) announced financial closure for its Rs. 7,255 crore Mallavaram – Bhopal - - Bhilwara – Vijaipur 1,738 km long pipeline project. GTIL signed an agreement with a consortium of 14 banks led by SBI for a loan of Rs. 5,080 crore for this pipeline project. The project is expected to be completed by July 2014. The remaining Rs. 2,175 crore will be raised through equity infusion. The pipeline will have initial capacity of 56 mmscmd. This can be increased up to 76 mmscmd.

RIL demanded rising the present gas price of \$ 4.205 per mmBtu by three fold from April 1, 2014. It proposed to increase the present price to the price India pays for importing liquefied natural gas (LNG). RIL wanted the gas to be priced at import parity as is done in case of crude oil. RIL submitted the pricing formula 21 months in advance so that the government has ample time to approve it. RIL wants to price KG-D6 gas at 12.67 per cent of JCC, or Japan Customs-Cleared Crude, plus \$ 0.26 per mmBtu. At \$ 100 per barrel oil price, gas will cost \$ 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 \$ 60 per barrel, translating into a sale price of \$ 4.205 per mmBtu. KG-D6 gas at \$ 60 a barrel oil price, according to the new formula, would be priced at \$ 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 \$ 0.26 per mmBtu for shipping the gas in its liquid form (LNG) from Qatar.

Reliance Industries and its partners in the Krishna Godavari Basin D6 block fear that gas pricing could influence the future investments in the gas fields. The Reliance-BP-Niko Resources combine, which is working on an integrated field development plan to increase output from D6, said that the current \$4.2/mmBtu is not viable to bring the satellite discoveries in the block to production.

The RIL started supplying gas to new Bawana power plant near New Delhi from the KG basin fields.

Niko Resources a JV partner in RIL's KG Baisn D6 block has cut 2P reserve estimates for the block by 80% to 1.93 tcf down from earlier estimate of 10 tcf.

Gas output from KG-D6 in the week ended June 3 dropped to 31.57 mmscmd from 32.66 in May, according to a status report filed by the company with the Oil Ministry.

RIL said six out of the 18 wells on the Dhirubhai-1 and 3 (D1&D3) gas fields and two of the six wells on MA oil field in the KG-DWN-98/3 or KG-D6 block in Bay of Bengal were shut due to high water and sand ingress, leading to lower output.

The Central Bureau of Investigation (CBI) sought the Attorney General's opinion on registering a case in the alleged artificial cost inflation by Reliance Industries (RIL) for the development of KG-basin D6 fields. In the past RIL raised the capital cost of developing the KG-D6 field from \$2.39 billion proposed in 2004 to \$8.8 billion in 2006. The agency had registered a preliminary inquiry into the case in November 2009 on the request of the oil ministry, following several objections raised by the Central Vigilance Commission on the KG-D6 deal. CBI completed the probe and referred the matter to the Attorney General seeking legal opinion.

Kakinada Sea Ports Limited (KSPL) in collaboration with Royal Dutch Shell and RIL plans to set up a 5 million tone per annum floating liquefied natural gas (LNG) terminal near Kakinada.

DISTRIBUTION

A survey by the Assistant Engineers of the Southern Power Distribution Company Limited (SPDCL) in Krishna district has revealed that Vijayawada city alone needs 200 transformers to take the existing load and provide for a little expansion. The SPDCL is planning another 20 substations within the city in five years so that the load is properly distributed. According to this survey the number of air-conditioners installed in domestic and commercial locations has increased phenomenally, sending the SPDCL plans into a state of disarray. During summer months, Vijayawada used 3 MU for A/Cs alone, a record quantum.