Power Sector in Andhra Pradesh during May 2014

POLICY

New GO on Power Allocation

GO number 20 was issued on May 8 on allocation of power to residual Andhra Pradesh and Telangana. According to the GO, the revised share of 46.11% for Seemandhra is higher than the existing allocation of 38.07% (with an increase of 8.04%), while the new 53.89% allocation for Telangana is lower than the existing 61.93% allocation. While the allocation for the Vizag-based Eastern Power Distribution Company of AP Limited (EPDCL) and Warangal-based NPDCL remains the same at 15.80% and 15.87%, respectively, the allocation for the Tirupati-based SPDCL has been hiked to 30.31% from the existing 22.27% (an 8.04% increase), while that of Hyderabad-based CPDCL has been reduced by 8.04% to 38.02% from the existing 46.06%. 10,500 MW is being distributed among all the four DISCOMs, according to their requirements. Assuming that the same availability of power will continue, the DISCOMs based in residual Andhra Pradesh, EDPCL and SPDCL, will get a total of 4,935 MW, according to the new share of 46.11%.

GENERATION

T-Genco is formed

The Telangana Power Generation Corporation Ltd (T Genco) was formed with an authorised capital of Rs. 1,500 crore. With the State set for division in to two states –Telangana and Andhra Pradesh – with effect from June 2, the division of the Generation Corporation of Andhra Pradesh Limited (APGenco) into two entities became necessary. However, the division of assets is yet to be concluded. Asset division was expected to be over shortly.

Karnataka ESCOMS sign PPA with APGENCO

The Electricity Supply Companies (ESCOMs) of Karnataka signed power purchase agreement (PPA) with APGENCO for releasing Karnataka's share of 117 MW power from Priyadarshini

Jurala Hydro Power Project. The 234 MW plant was at a cost of Rs 720 crore and this would be built into the tariff. Provisional tariff is fixed at Rs 3.23 per unit, and the duration of the PPA is for 35 years. The block cost of Rs 140 crores is shared equally by ESCOMs of Karnataka and DISCOMS of Andhra Pradesh. Karnataka has paid the share of power block cost of Rs 70 crores to APGENCO on April 6, 2013. In the discussions held between 2008-11 regarding the terms and conditions of sharing power it was decided that it will be on 50:50 basis.

FUEL

KG output to be less in FY15

RIL and its partners have informed the Petroleum Ministry that the average output from the KG-D6 block for 2014-15 would be 12.31 MMSCMD, a decline of 6.53% from 13.17 MMSCMD in the previous year. They have also lowered the capital expenditure estimate by 57% to $ 403.23 million in FY 2015. Even during the FY 2014 they have spent 23% less than budgeted expenditure. It has come down to $ 940.48 million compared to the budget estimate of $1.22 billion. They have spent particularly lower amounts on D1 and D3 fields of the KG D6 block. The current output from the D-1, D-3 and MA fields of the block is 12.5 MMSCMD.

RIL serves arbitration notice to government

RIL along with its partners had served an arbitration notice over implementation of a new gas price from April 1, 2014. The company charged the Ministry of Petroleum & Natural Gas with arbitrariness in forcing it to sell gas at $4.2 per unit after April 1, 2014, even though natural gas pricing guidelines were notified on January 10 this year. According to them this was in contravention of the production-sharing contract and detrimental to the economic interests of both the firms and the government. The natural gas pricing guidelines were announced on January 10 but the new price is yet to be notified. RIL said, “The continuing delay on part of the Government of India in notifying the price in accordance with the approved formula for the gas to be sold has left the parties with no other option but to pursue this course of action. Without this clarity, the parties are unable to sanction planned investments of close to $4 billion this year.” Reliance Industries said the delay in notifying the new price would impact the ability of the parties to develop other significant discoveries made last year.

Oil Ministry returns RIL's bank guarantee

The Ministry of Petroleum and Natural Gas has returned the bank guarantee furnished by RIL to benefit from the new gas price. The Ministry has done so as the new gas price is yet to be announced. RIL had given a bank guarantee to the Ministry to avail of the new gas price, which is expected to be almost double of the current $4.2/unit. RIL had given bank guarantee based on the formula – multiplying the actual daily output by the difference between the current price and the new proposed price. Also, it had paid guarantee for only its stake in the KG-D6 block. The new price, which RIL had worked out, was about $8.2-8.4/unit.

Gas price – RIL overcharged customers

The CAG in its draft audit report criticized RIL for charging a rate in excess of the government approved price for its KG-D6 field and not including the marketing margin for calculating royalties and government share. The GoI set the price at $ 4.20 per unit of gas. According to it RIL charged $ 4.205 per unit of gas leading to excess billing of $9.68 million. The selling price should be rounded off to two decimal points. Besides this, RIL charged a marketing margin of $0.135 per unit of gas. According to CAG while computing profit petroleum and royalty RIL did not take in to account this marketing margin. RIL collected $ 261.33 million towards marketing margin. This led to short remittance of government share of profit petroleum and royalty by $ 2.61 million and $ 13.21 million respectively for the period 2010 to 2013.

ONGC takes RIL to court over gas 'theft'

Oil and Natural Gas Corp (ONGC) has taken RIL to the Delhi High Court accusing the latter of pilfering gas from its blocks sitting next to RIL's KG – D6 gas block. ONGC's tough stand comes a day before election result and within days of RIL serving an arbitration notice on the government for a higher gas price. ONGC fears gas pool in its G4 (Godavari PML) and KG-DWN-98/2 blocks extends into KG-D6 and, since it will take time to begin production from the block, RIL's wells might be pumping out its share of gas.

AP's bifurcation delays Petronet LNG project in Vizag

Liquefied natural gas (LNG) terminal on the east coast is likely to be delayed because of the bifurcation of the state. The 5 million-tonne Gangavaram Port LNG terminal in Visakhapatnam will be held up till a new government comes to power in Seemandhra. The joint venture companies—Petronet LNG and Gangavaram Port—had sought approval from the state government a year back, but approvals have been delayed since there is no government in the state. Since the Gangavaram Port has signed a concession agreement with the state government while building the port and since the LNG terminal is coming within the port, the port has to take an approval from the state government to set up a new facility inside the port. It is an important approval and is mandatory for building the terminal.

TRANSMISSION

A GO was issued to set up a separate transmission company for Telangana state. This will come in to effect on June 2. This GO was issued following Section 53 of the AP Re-organisation Act, 2014.

DISTRIBUTION

GMR plea for power distribution license at Hyderabad airport rejected

Efforts by the GMR Group to obtain an electricity distribution license for part of the Rajiv Gandhi International Airport at Hyderabad failed. The Andhra Pradesh Electricity Regulatory Commission rejected the application for grant of an electricity distribution license under the Electricity Act, 2003. The Commission has noted that if granted a license, the airport operator "may not generate competition, but merely result in creation of a monopoly". APCPDCL and PMGER objected to the grant of licence. It was argued that as the applicant, a private company would cater to high-end consumers in the airport complex, "it would be detrimental to the business of APCPDCL".

CPDCL Inspection drive

CPDCL conducted inspections in South Circle of Hyderabad city. During these inspections 669 cases of meter tampering were found out. Between March 28 and May 8 the number of meters inspected was 2,142. This inspection drive followed a Hugh Court order to take steps to combat power theft in this area.