Power Sector in Andhra Pradesh during November 2012

POLICY

AP signs memorandum of understanding on power restructuring

State government of Andhra Pradesh (GoAP) signed a MoU with the Government of India to join the power sector debt restructuring programme announced by the latter. According to this restructuring programme 50% of the outstanding short term liabilities of the DISCOMs to lending institutions would be taken over by the state government. The DISCOMs would issue bonds to the participating lenders backed by the state government guarantee. During next two to five years the state government would take over this liability through issuance of special securities in favour of the lenders in a phased manner, till the entire liability of bonds is taken over the state government. DISCOMs have to take responsibility for the remaining 50% of liabilities. While the state DISCOMs see great opportunity in this financial restructuring when all of them are on the verge of collapse the state governments see as an opportunity to wriggle out of a tight spot. The exact period of moratorium, rate of interest etc., would be decided by banks in consultation with participating states and RBI. The repayment will commence at the end of five years with one tenth of the principal being repaid to the lending institutions every year.

Andhra Pradesh looks for new energy sources

During a review meeting on power sector in the state held with the ministers and officials the chief minister asked the officials to go ahead with all the renewable energy projects, particularly the solar wind and biomass power projects and see that they are commissioned and generate power at the earliest. He cleared the solar and wind power policy guidelines and asked the officials to go ahead for finalisation of power purchase agreements. The chief minister asked the officials to go for the bidding of 1000 MW solar power in the first phase and see that the solar power projects are commissioned within six or seven months. Chief Minister also agreed to hike the unit cost of private biomass power to be purchased by the DISCOMs from Rs 4 to Rs 5.50 per unit for one year. This was expected to add 100 to 150 MW power to the grid.

State to set up district level panels for energy conservation

The State Energy Conservation Mission (SECM) decided to form three sub-groups to deal with agriculture, industry and domestic segments. Attempts are also being made to assess the standardisation norms on consumption patterns of energy intensive industries such as cement, steel, ferro-alloys by December to avoid wastage of power in these sectors. The SECM also decided to carry out energy audit of AP Secretariat and other buildings. The Government is examining the feasibility of installing solar panels on rooftops of all institutions and offices and to making this mandatory in future. The SECM also decided to constitute district level conservation committees headed by the district collectors. It targeted savings of 10,000 to 15,000 million units each year by adopting a conservation drive.

GENERATION

Kovvada nuclear power plant will displace about 8,000 people

The Andhra Pradesh government issued an order on November 1, notifying villages that are likely to be affected fully or partially by the proposed nuclear power plant at Kovvada in Ranasthalam mandal of the Srikakulam district. The order states that 1,916.27 acres of land, will have to be acquired for the 6,000 MW project. As per the government's estimation, 1,983 families (7,960 persons) in five villages will be displaced by the nuclear plant. Villages which figure in the notification of "Project Affected Zone" are Ramachandrapuram, Gudem, Kotapalem, Tekkali and Jeeru Kovvada. The main source of income of people who would be displaced are agriculture, fishing and wage labour, notes the order. The Department of Atomic Energy of the Central government had given in-principle approval for the 6X 1,000 MW nuclear power plant comprising light water reactors in 2009. The ambitious Rs 60,000 crore plant is being set up by the Nuclear Power Corporation of India Limited (NPCIL).

AP initiates land acquisition process for nuclear power project in Srikakulam

Paving the way for land acquisition to set up the first-ever nuclear power project in Andhra Pradesh, the state government on Thursday declared the land identified in five villages in north coastal district of Srikakulam as project-affected zone.

It may be recalled that the Nuclear Power Corporation of India (NPCIL) had proposed to set up a 6,000 Mw power plant of light water reactors at Kovvada five years ago. The latest move will facilitate the government's land acquisition unit to acquire 2,436 acre identified for the project in the above location. The land will be used for the project and a township for the staff besides providing house sites for the displaced families.

Political protests as well as the Fukushima nuclear power plant accident in Japan had forced both the state government and the NCPIL to go slow on the project leading to delay in land acquisition. Uncertainly over the fate of the project continued as some of the ruling Congress leaders from the region openly voiced their opposition about setting up a nuclear power plant in this district.

However, during his visit to Hyderabad in March this year, NPCIL chairman and managing director SK Jain, who later retired, said they were going ahead with the project as the concerns about the safety aspects of nuclear power plants being raised in the light of Fukushima accident had been fully addressed.

The government in its orders said the land acquisition would be initiated per the provisions of the National Rehabilitation and Resettlement Policy of 2007 by rehabilitating about 7,960 people

(1,983 households), who are expected to be affected due to the project. Most of them are fishermen and agriculture labourers, it said.

Reliance Power arm seeks to revive Krishnapatnam Project

The Reliance Power wants to revive the 4,000-megawatt (mw) UMPP project at Krishnapatnam in AP by moving the country's electricity regulator for an increase in tariff, people aware of the matter said. Reliance Power has been arguing that the project turned unviable as the price of imported coal shot up because of a change in Indonesian rules on coal pricing and sought tariff revision citing a 'force majeure' event beyond its control. However, the states declined to raise tariff from Rs 2.33 per unit agreed in 2007. Reliance Power informed the HC that it plans to move the CERC seeking a tariff revision so that it can approach lenders with a new power purchase agreement. The distribution companies are reported to have insisted that Reliance Power should file an affidavit before the court laying out its concrete revised roadmap before the next hearing. The DISCOMs also insisted on meeting the lenders of Reliance Power to ascertain their keenness to fund the project.

Wind farm developers get a boost with Rs 4.70/unit tariff order

The Andhra Pradesh Electricity Regulatory Commission has fixed Rs 4.70 per unit tariff for 25 years for firms which sign up power purchase agreements by March 31, 2015. Earlier, the wind power tariff in the State was Rs 3.50/unit. The regulator has taken the tariff period for 25 years with the life span of 25 years at a capital cost of Rs 5.75 crore per MW including evacuation. The general assumption was the capacity utilisation of 23 per cent. Factoring a 10-year loan with interest cost of 12.30 per cent a year and a debt equity ratio of 70:30, the levelised preferential tariff was arrived at. Distribution companies who sign up with the developers will have first right of refusal on power purchase if the plant continues after 25 years. Tariff beyond 25 years will be mutually agreed by the both the parties with the consent of the regulator.

FUEL

GAS PRICING

Ministry of Petroleum withdraws note opposing KG-D6 gas price hike by RIL

The ministry of petroleum and natural gas has withdrawn a note it had circulated to the Empowered Group of Ministers (EGoM) opposing hike in price of gas produced by RIL in KG Basin gas wells before April 2014. This was ostensibly done in view of the Committee headed by Prof. C Rangarajan being asked to suggest "structure and elements of the guidelines for determining the basis or formula for the price of domestically produced gas, and for monitoring actual price fixation." The Ministry in its earlier note to the EGoM maintained that a higher price of KG-D6 gas would result in $6.3 billion rise in subsidy burden. RIL would get additional $4.1 billion revenue if the rates are hiked from current $4.2 per million British thermal unit to import parity rates of $14.2-14.51 per mmBtu. The government on the other hand would get only

$0.5 billion at current year production level of around 25 million standard cubic metres per day. A $10 rise in gas price would result in increase in subsidy paid on fertiliser and power by $6.3 billion. RIL demand for a price at par with the rate India is paying for import of liquefied natural gas (LNG) from April 1, 2014 when the current five-year period of $4.2 price expires.

At the same tine the ministry maintained that the withdrawal of the note as "routine". As a matter of routine procedure, any note for inter- ministerial consultation or for the consideration of the Cabinet or a group of ministers is returned to the ministry upon change of the minister. This is to get the new ministers approval for the same and is routine in nature. M Veerappa Moily replaced S Jaipal Reddy as the Oil Minister.

The central government rebutted allegations of granting undue favours to RIL and said that the company's proposal to raise natural gas prices before 2014 was rejected two years ago. It said issues raised by the company about auditing the KG-D6 block would soon be resolved.

Gas Reserves

RIL had cut its estimate of gas reserves in the KG Basin’s D6 block by about two-thirds to 3.4 trillion cubic feet (tcf) from an earlier estimate of 10.3 tcf. Canadian company Niko Resources, which has a 10 percent stake in the D6 block, in June also lowered its estimates of the block's reserve. The D6 block was expected to contribute up to a quarter of the gas supply in India. As the output from KG fields has declined, India had to import expensive LNG. Development of this field was mired in controversies related to spending and the strategy for tapping its complex geology. The RIL had revised its capital spending plan from $2.4 billion in 2004 to $8.8i billion in 2006. Output at the D1 and D3 fields in the KG D6 block has shrunk to 20.5 mmscmd from 67 mmscmd in 2009-10, never having reached the forecast peak flow of 81 mmscmd, the ministry said.

The Directorate General of Hydrocarbons (DGH) has given nod to Reliance Industries to drill one development well KG-D6-G2 in the Dhirubhai-19 or D-19 field as part of the USD 1.529 billion plan to develop four satellite gas fields around the now flagging main fields in the eastern offshore KG-D6 block. D-19 is one of the four satellite gas field whose optimised field development plan (OFDP) was approved in January this year.

Following this, after a gap of 15-months D6 block was going to see some drilling activities. The drilling rig was scheduled to arrive on November 28. The rig is on a long-term lease jointly owned by RIL and Transocean.

RIL denies allegation of hoarding gas

RIL had denied allegation that it was hoarding gas by keeping KG-D6 output. It said that it was technically impossible to store gas in the KG basin fields, and sought appointment of independent international experts to verify its claims. Gas production from this field declined from 55 mmscmd in August 2010 to less than 20 mmscmd. Six out of the 18 wells on the field had been shut reportedly due to high water and sand ingress. It had stated that four wells drilled after commencement of production in D1-D3 had conclusively proved that drilling additional wells would be infructuous. RIL stated that it had cut back on all infructuous expenditure and scaled down cost estimates by nearly $3 billion as all technical information now available showed that adding new wells in D1-D3 field would not add to production.

DGH questions steep fall in RIL's gas field reserves in KG-D6

RIL had filed a revised field development plan (RFDP) for discoveries Dhirubhai-1 and 3 (D1&D3) in KG-DWN-98/3 cutting gas reserves to 3.10 tcf from 10.03 tcf approved in 2006. The Directorate General of Hydrocarbons (DGH) in its initial comments on the RFDP stated that such drastic reduction of reserves was unprecedented and unconvincing. The DGH wanted RIL and its partners to support the reserve downgrade with sufficient technical and geological data. According to DGH RIL has drilled 22 wells out of the approved 31 wells. Of the 22 wells drilled so far, 20 are in the main channel area and only two wells are drilled in periphery of the main channel. The DGH in its assessment of RFDP stated that the development of area outside the main channel area, as envisaged in approved plan of 2006, had not been carried out and no adequate technical justification had been provided.

Cairn India to drill deeper wells in KG Basin

Cairn India and its joint venture partners of Ravva fields are planning to invest about USD 100 million to drill a deeper well in the Krishna-Godavari basin. The JV plans to drill the exploration well to 4,000 meters deep, and estimates that the deepwater prospect in the Ravva Oil Fields may hold about 350-billion cubic feet of 'recoverable gas. The Ravva JV has approved the operator's proposal to drill one exploratory well with an estimated investment of USD 90 to USD 100 million. Ravva has already completed over 17 years of production. Against the original estimate of producing 101 million barrels of crude oil, the field has to date produced more than 249 million barrels and sold 310 billion cubic feet of gas.

Japan's INPEX Corporation picks stake in ONGC's KG Block

ONGC and Japan's largest oil company, INPEX Corporation (INPEX) have entered into a partnership for exploration of hydrocarbons in one of the acreages in KG Basin. According to the deal, INPEX has acquired a 26 per cent participating interest in ONGC's exploration block KG-DWN-2004/6, located in the deep waters of the East Coast. The block, awarded under the NELP-VI licensing round, is located some 300 km off the Andhra Pradesh coast. Operator ONGC has completed most of the phase-I exploration programme in the block except drilling of one well which is to be taken up.

RLNG TERMINAL

Kakinada RLNG terminal to be ready by 2013-end

The floating storage and re-gasification unit (FSRU) off the Kakinada coast is expected to commence operations by December 2013. The FSRU/LNG terminal, the first such facility on the East Coast, is planned with an initial capacity of 3.5 million tonnes a year and could generate 14 mmscmd gas every day, translating into additional power generation of 2,800 MW by the gas-fired power projects. The proposed facility is planned with an initial investment of Rs. 1,000 crore. The development follows a MOU signed with GAIL Gas Limited, a wholly-owned subsidiary of Gas Authority of India Limited. A joint venture, A. P. Gas Distribution Corporation, has been formed to execute the project.

PNGRB to invite fresh bids for four gas pipelines

The downstream oil and gas regulator Petroleum and Natural Gas Regulatory Board (PNGRB) was reported to be preparing to invite fresh bids to build four gas pipeline projects originally authorised to RIL's group company Reliance Gas Transportation Infrastructure Ltd - Kakinada-Haldia, Kakinada-Chennai, Chennai-Tuticorin and Chennai-Bangalore-Mangalore. RGTIL, a subsidiary of Reliance Gas Transportation, had won government authorisation nearly five years ago to lay the four trunk pipelines with a length of 2,175 km. But that was cancelled last month after the regulator determined that the company had made scant progress. RGTIL built only the 1,300-km East-West pipeline linking Kakinada in Andhra and Bharuch in Gujarat. RIL contented that there was no gas available in the first place to lay the remaining pipelines. But the regulator felt that RIL was not keen on doing it.

CAG & RIL

CAG brushes aside terms set by RIL

The office of the Comptroller and Auditor General of India (CAG) made it clear that it would have unfettered right of access to all records of Reliance Industries (RIL) during its audit of operations in the Krishna-Godavari basin and would override any conditions sought to be imposed on the process. Last month RIL in a letter set some terms and conditions for a proposed CAG audit which included confidentiality of records, no performance audit and audit report to be submitted to the ministry but not to the parliament. . In a statement CAG clarified, "CAG does not conduct performance audit of private operators. This has been clarified to the Ministry on 26th October that CAG's audit would not be a performance audit of the operator and would be conducted on the same lines as done earlier", and "It has been the consistent stand of CAG that performance audit of PSCs (production sharing contracts) is covered under Section 16 of the CAG's (DPC) Act, as Profit Petroleum is non-tax revenue credited to the Consolidated Fund of India and such audit would involve examination of all records, including those of the operator which are relevant to our audit. This provision of CAG's (DPC) Act gives CAG the unfettered right of access to all records required for such audit and would override any conditions sought to be imposed on our audit process. "

Referring to media reports about the ministry giving nod to RIL's annual capex for KG-D6 the CAG has asked Oil Ministry not to approve any of Reliance Industries' investment plans for the flagging KG-D6 gas field unless the company gives it unfettered access to audit its spending.

According to CAG any increase in capital expenditure is likely to have significant adverse impact on government's financial interests. The Ministry reported that it wanted RIL to give CAG "unfettered access to account books" and pending that it had not approved the firm's investment proposals including annual budget for three years.

The Petroleum Ministry asked RIL to submit itself to CAG audit. It warned RIL that any further delay would be seen as reneging on contractual provisions by the contractor. It also rejected RIL’s contention that the audit report of CAG related to the KG-D6 block should not be placed in Parliament. It also clarified that the proposed audit is not a performance audit of the contractor. It asked RIL to cooperate with CAG and provide all records/information requisitioned by them immediately.

RIL has agreed to a scrutiny of its expenses in the KG-D6 gas block by the CAG even after expiry of the contractual period. Reports indicate that RIL agreed to cooperate in the audit even after a lapse of two years. According to it the Production Sharing Contract (PSC) provides for audit within two year of the period being scrutinised and only under exceptional circumstances can it be done even after lapse of the mandated period.

TRANSMISSION

APTransco bags award for best performance

APTransco has bagged the award for best performing transmission utility. The Jury Panel of the 5th India Power Award-2012 declared APTransco as the “Best Performing Transmission Utility” in the country for its operation excellence and reducing transmission losses. The corporation brought down the losses to 4.22 per cent during 2011-12 as against 4.50 per cent in the previous year apart from increasing the system. Along with this K. Ranganatham, Joint Managing Director was selected for leading personality award.

APTransco plans to invest Rs 8,500 crore over the next four years in strengthening the transmission infrastructure.

Japan-aided power project to be completed by June 2014

The Rs 940-crore Japan International Co-operation Agency (JICA)-funded power transmission project in the Hyderabad metropolitan area is expected to be completed by June 2014. Under this transmission system modernisation and strengthening project new sub-stations including gas insulated sub-stations, augmentation of extra high tension transmission system by setting up an underground cable network are being taken up. This was expected to significantly improve the city transmission network. To improve the network in the Hyderabad metropolitan area, several sub-stations and new transmission have been laid. Dedicated lines are also being set up to support the IT sector, special economic zones (SEZs), and upcoming residential and commercial loads in and around the twin cities.

DISTRIBUTION

High Court directs APERC to review R&C measures

Justice C.V. Nagarjuna Reddy of the Andhra Pradesh High Court while disposing off a writ petition filed on behalf of Mahadev Sitharam Cotton Mills contending that the regulator has not taken rational view of imposing power restrictions on seasonal industries directed the AP Electricity Regulatory Commission to reconsider its decision regarding imposition of power restrictions on the seasonal industries across the State. The Commission was directed to give a general notice to all the seasonal industries in the State and after hearing their views it shall take a fresh decision within a period of one month.

EPDCL to pay Rs. 1.63 lakh compensation for cutting power without notice

The National Consumer Disputes Redressal Commission (NCDRC) directed the Andhra Pradesh Eastern Power Distribution Co Ltd (APEPDCL) to pay Rs 1.53 lakh as compensation to one of its customers for disconnecting his power supply without prior notice. The NCDRC also imposed a fine of Rs 10,000 on the state-run DISCOM while dismissing its plea challenging the orders of the state and district consumer fora which had directed APEPDCL to pay the damages to its customer, who used to run a photo studio and power supply to which had been disconnected by it.

AP power consumers to pay more towards FSA

The Andhra Pradesh Electricity Regulatory Commission has approved the FSA to the extent of Rs 1,741 crore related additional power purchase during the first quarter of (April-June) 2012-13. Consumers have to pay Rs. 1.32 per unit more for power consumed during these months. This FSA will be recovered through bills to be served in November, December and January.

AP industry asked to submit power requirement details

According to Restriction & Control measures issued by the Andhra Pradesh Electricity Regulatory Commission, industries are allowed to draw power limited to 60 per cent of demand. Industries may need to buy additional power by 40 per cent of demand. The industrial consumers willing to purchase additional power to offset the power shortage have been called upon to submit their requirement of power with details of service number, location and type of feeder. This will enable them to make necessary arrangements for fuel supply. The Federation of Andhra Pradesh Chambers of Commerce and Industry has called upon industrial consumers willing to purchase additional power to offset the power shortage for their requirements. The State trade and industry chamber has been interacting with APTransco to get additional power to tide over the present power shortage. APTransco has received approval for the purchase of 2 mmscmd of RLNG to generate 400 MW power. The cost per unit thus generated works out to about Rs 8.50-Rs 9.50 based on the spot purchase cost of RLNG. The charges will depend on the location of the unit.