

Power Sector in Andhra Pradesh during October 2012

POLICY

State Government plans three-part strategy for power management

The Andhra Pradesh Government proposes to adopt a three-part strategy to tackle the severe power crisis in the State. The three part strategy to tide over the present power shortage and overcome the demand supply gap include optimization of power generation in the state, reducing aggregate technical and commercial losses and implementation of energy efficiency and conservation programmes. Emphasis would be on energy efficiency and conservation as a part of the three-part strategy.

Inadequate coal and natural gas supplies, reduced inflows into hydel reservoirs, and limited transmission corridor facility are recognized as major challenges phasing the power sector in the state. Due to inadequate coal and natural gas supplies out of total installed capacity of around 16,000 MW only 10,400 MW capacity could be utilized. Completion of connectivity between the southern and north eastern and western grid by the end of 2013 is expected to ease the situation. As a part of generation capacity addition APGenco was directed to expedite its work on creation of 4,000 MW additional generation capacity. This capacity was expected to be completed by 2014. As a short-term measure, to meet the requirements of the consumers DISCOMs in the state had finalised orders and entered agreements for procurement of 1,500 Mw of power per month till May 2013, But abnormal increase in power demand has made the situation difficult to manage. This signifies the need for focus on energy conservation programmes.

AP to focus on early clearance for solar projects

As a part of implementing the newly announced Solar Power Policy the Government of Andhra Pradesh directed the New and Renewable Energy Development Corporation of AP (NREDCAP) to complete registration process of solar projects within five days. It directed the AP Transco and DISCOMs to clear the proposal for evacuation of power produced from solar projects within 21 days.

State to finalise norms for wind farms soon

The Government of Andhra Pradesh may shortly come out with norms to encourage wind and solar power generation in the State. The private power developers of wind and solar have been pleading with the Sate to come out with norms that will incentivise setting up of projects. Following a review of the power situation in the State, it was decided to take up the recommendations of Group of Ministers on wind and solar power for consideration and approval. The independent power producers of wind and solar have been pleading with the Sate to come out with norms that will incentivise to set up projects. GoAP directed AP Transco to gear up to meet additional power requirement and it was assured of release of about Rs 600 crore to meet immediate funds requirements. The Finance Department was also directed to consider immediate

requirements of AP Transco to manage the present situation. AP Transco was asked to explore all possibilities to buy power both within and near the State.

FAPCCI urges Govt to remove VAT on diesel

The Federation of Andhra Pradesh Chambers of Commerce & Industry (Fapcci) has urged the GoAP to remove VAT on diesel used by captive power plants to help the industrial sector which is facing crisis due to power problems.

GENERATION

The state government of AP had ordered release of Rs. 600 crore to purchase power from open market. Out of this Rs. 300 crore would be meant for LNG based power. The remaining amount would go towards clearing electricity bill arrears due from local bodies to DISCOMs in the state.

The 500 MW fourth unit of NTPC Simhadri started commercial operation.

Ranga Reddy Administration Plans to tap Solar Power

Ranga Reddy district administration with the approval of the State government had taken up initiatives to promote solar power. The solar power equipment will be installed at four area hospitals in the district located at Tandur, Chevella, Vikarabad and Kondapur. Solar photovoltaic devices will be installed not only for lighting requirements, but also for heating of water, as the hospitals would need hot water for pregnant women at the time of deliveries. At the same time the buildings will not be completely dependent on the solar power, as the regular supply through DISCOM will still be there. As long as the sun lasts, the supply will be through solar panels, after which a battery backup of four to eight hours would still be there to face emergency blackouts. The estimated cost could be about Rs.3 lakh to Rs.5 lakh per hospital depending on the size of the premises and its lighting and water heating requirement. While the Tandur area hospital has already received the sanction from the government, the same is awaited for other hospitals.

There are also plans to use solar power in the Ranga Reddy district Collectorate complex for lighting purpose. This will be combined with LED lighting. As and when the existing bulbs are to be replaced, they will be replaced with LED clusters. The New and Renewable Energy Development Corporation (NREDCAP) has already conducted energy audit of the buildings to arrive at the power requirements and the equipment needed. Proposals have been sent through NREDCAP for the sanction of 30 per cent Central government subsidy on the solar energy equipment as applicable to government buildings.

FUEL

Decline in gas production from KG Basin

The ministry of petroleum and natural gas has informed the Prime Minister's Office (PMO) in the middle of the month that approvals for future investment in the RIL's KG Basin offshore gas field were put on hold because of its refusal to allow the Comptroller and Auditor General (CAG) to audit the accounts related to the block. Though the management committee (oversight panel under the ministry's control) agreed to all the development proposals made by RIL a final decision is pending due to the firm's refusal to allow audit by CAG. The Company was told that approvals for budgets and work programmes for 2010-11, 2011-12 and 2012-13 for KG-D6 will be given only if the company files details to the Comptroller and Auditor General for a performance audit which goes into appraisal and drilling programmes for the field. RIL's contention was that CAG's 2009 audit, which it had agreed to as a one-time exception, turned out to be a 'performance' audit which was contrary to the provisions of the Production Sharing Contract (PSC). According to it the PSC provides for checking of the contractor's accounts in order to verify the charges and credits but not questioning efficacies of processes or technology used in the complex deep sea operations. The CAG had in its first round of audit questioned the 'reasonableness' of costs incurred in the gas field development and said the government should revisit the profit sharing mechanism. CAG, in the second round, is to audit spending made by RIL during 2008-09 and 2011-12. While RIL was demanding quick approvals for fresh investments to develop other gas finds in the area, on the ground that these were needed to shore up output and stop the producing fields from dying the ministry was hesitating given the findings of CAG in earlier audit of expenditure in this basin by RIL

But within a few days the ministry communicated to RIL that all government nominees on a statutory panel overseeing the D6 block have endorsed the budgets and asked the consortium to take necessary steps to boost production. The ministry also approved a revised field development plan for the MA field. The ministry also reportedly accepted the company's suggestion that the CAG audit had to be a financial one as per section 1.9 of the accounting procedure in the production sharing contract between the company and the government. Under this, the company cannot be asked to produce documents, clarifications or information on matters outside the scope of what has been prescribed under section 1.9 of the contract.. The move is expected to lead to a reversal in the steady fall in gas production from the block, which is yielding only 29 million cubic metres a day (mmscmd) now against 60 mmscmd in March 2010.

According to investment analysts this approval to RIL to further develop KG-D6 gas producing block was a positive development for the company. The KG-D6 block accounted for more than 80 per cent of RIL's total oil and gas production.

Earlier RIL and its partner BP Plc have warned of their KG-D6 gas field shutting down in 2015-16 if the government does not approve investments needed to keep the gas fields alive. While RIL and -BP said that output at KG-D6 will continue to fall in absence of interventions needed to revive some of the seven wells that had been shut due to water and sand ingress government sources maintained that in a do-nothing scenario, production would keep coming down. Through the annual investments were agreed by the block oversight committee in August, the related resolutions were not signed due to unwillingness of RIL to subject its investments to the scrutiny of CAG. Reliance Industries was reported to have scaled down investment on the flagging gas fields in KG-D6 block by almost USD 3 billion to USD 5.92 billion on back of an unexpected drop in reserves.

Canadian company Niko Resources which has a 10 per cent stake in the KG Basin's D6 block estimated that total proved plus probable reserves at the block had decreased to 1.93 trillion cubic feet as of March 31. If this gas is used at present rate it could be exhausted in five years. The gas output from the D6 block was projected to decline to 20 million standard cubic metres a day (mmscmd) in 2014/15, less than half the 60 mmscmd it produced in 2010 and well below planned peak capacity of 80 mmscmd. It was reported that Reliance has not yet developed 10 other discoveries in the block.

The Petroleum Ministry as well as the Directorate-General of Hydrocarbons are reported to be not convinced by the arguments put forth by the Reliance Industries-led consortium for decline in gas output in the D6 block. RIL attributed the decline in gas output to 'geological complexity'.

Pricing issues impact D6 block investments

It has been alleged that RIL and its partners in KG Basin D6 block were not doing enough to increase output from the gas fields as they want the gas price to be increased. RIL and its partners argued that the investment needed to increase output from the KG-D6 fields was not sustainable at the current price of \$4.2/mmBtu. They point out that the current price from the fields is de-linked from the market and that it was below all benchmark prices. They were seeking a price of close to \$12.9/mmBtu. The present price is valid up to 2014.

The government of India was reported to have decided in principle that Reliance Industries (RIL) can raise the price of gas from the Krishna-Godavari (KG) basin. At a recent high-level meeting convened at the Prime Minister's Office it was decided that RIL can begin negotiations with the petroleum ministry on fresh pricing for the gas currently being sold at \$ 4.2 mmBtu. According to a report "On the issue of price revision, the meeting required that the process of price discovery may be allowed as per the provisions of the (contract). "

Earlier the petroleum and natural gas ministry rejected RIL's request for revising price of gas from the company's KG Basin field before the due date of April 1, 2014. According to the ministry the new price being suggested by the company would push up the government's subsidy burden by \$6.3 billion. RIL has suggested a price of \$14.2-\$14.5 per unit, up from \$4.2. RIL has argued that the price suggested by it is the same as that of gas being imported in ships in the form

of RLNG. The ministry contended that at current production level of 25 mmscmd (million cubic metres per day), the government would get only \$0.5 billion more in the time left till a revision is due. Compared to this RIL's share would rise by \$4.1 billion during the same time. This hike would also adversely impact power and CNG tariffs.

Cairn India upbeat on Ravva fields in east coast

Cairn India reported that there were greater prospects in its oil and gas producing fields in Ravva in the east coast. Cairn has planned more exploratory drilling in the first half of 2013-14 in the region. Gas output from its Krishna Godavari Basin fields was 42 million standard cubic feet per day. The company, however, did not quantify the prospects.

AP wants Centre to divert gas to help tackle power situation

Andhra Pradesh Chief Minister N. Kiran Kumar Reddy, has requested the Ministry of Petroleum and Natural Gas was asked to divert 2.5 mmscmd of natural gas to the State independent power producers (IPPs) to tide over the power crisis in the state. He requested that the gas allocated from KG D-6 to some of the public sector units in Maharashtra, Gujarat and Rajasthan be temporarily diverted to the State till June 2013 and arrange necessary power for them from the northern region.

RGTEL loses rights to lay gas pipelines

The central government cancelled authorisations issued to Mukhesh Ambani's RIL group's Reliance Gas Transportation Infrastructure Ltd, (RGTEL) to lay down four gas pipelines totaling 2,175 km to transport gas from KG Basin citing inordinate delay in construction of the pipeline. The pipelines are — Kakinada-Haldia, Kakinada-Chennai, Chennai-Tuticorin and Chennai-Bangalore-Mangalore. RGTEL obtained the authorization to build these pipelines in 2007-08 along with east-west pipeline –Kakinada to Baruch. While it completed east-west pipeline it did not pay attention to the other four f pipelines on the pretext of non-availability of gas.

Coal production declines at Singareni

According to a report of CEA for the year 2011-12 constraints in coal availability had adverse impact on power generation in the country in general and in AP in particular. Singareni Collieries Company Ltd, (SCCL) coal production was 2.1 million tonnes in September 2011 against the targeted 3.7 million tonnes. During October 2011 it produced 3.03 million tonnes against 4.3 million tonne target. Coal production at SCCL declined drastically as most of the mining activities including coal evacuation and transportation came to standstill at many mines in the Telangana region. In this region most of SCCL employees joined 42-day strike called 'Sakala Janula Samme' in support of the movement demanding formation of separate Telangana State.

Coal Block in Madhya Pradesh for APGENCO

A coal block at Suliyari Belwar in Madhya Pradesh which was allotted to the AP Mineral development Corporation (APMDC) had been reserved by the AP state government for APGENCO. This block is expected to support 1,200 MW generation capacity. This block is estimated to have 150 million tonnes of coal reserves, with potential to extract about 5 million tonnes a year.

While APGenco has applied for coal linkage from Coal India Ltd and Coal Ministry, Government of India, it was expressed that it would not be possible to provide coal linkage during the XII Plan. The APGenco sought the Chief Minister's intervention in allocation of coal from APMDC mines in Madhya Pradesh to take up these projects. The fuel linkage will ensure financial closure and take up the projects. Most of other mandatory clearances are ready for these projects.

DISTRIBUTION

Power cuts drags down industrial production

For the period between April and August of the current financial year the index of industrial production registered a constant fall since June, resulting in overall negative growth of 1.7 per cent over the corresponding period of 2011-2012. In August, 2012 the general index stood at 261.1 which is 1.5 per cent less than the last year. During the same period the general index at national level registered 2.7 per cent growth. The manufacturing sector was the worst hit with a negative growth of 3.5 per cent followed by electricity sector with 2.6 per cent. According to a recent Reserve Bank of India report 9,600 industrial units worth `11,000 crore turned sick in the state during last one year. This dire situation is attributed to problems with power supply. Industries are closed for 18 days in a month because of power holidays in the state.

Power situation – from bad to worse

The gap between demand and supply of power , power deficit is increasing in the state. According to initial estimates deficit in power supply in October will be 49 MU per day. It might be 39 MU in November, 31 MU in December, 21 in January 2013, 40 in February, 79 MU in March, 74 in April and 40 MU in May. But this deficit may widen further. The estimated deficit in power supply in October was only 49 million units per day, but it reached 66 MU by middle of October. DISCOMs had supplied 231 MU against the unrestricted demand of 297 MU resulting in a deficit of 66 MU. This implies that power cuts being imposed by DISCOMs might continue for some more months.

Electricity bill payment through mobile

In collaboration with Bharti Airtel the Andhra Pradesh government launched a special mobile platform to facilitate consumers to pay their power bills through mobile phone. The service was initially available in Hyderabad and Ranga Reddy districts. This will be gradually extended to other parts of the state. This service works on any basic mobile phone and there are over 1,000 retail points in the city where customers can load cash in their "mobile wallets."