

Power Sector in Andhra Pradesh during September 2012

POLICY

The state government of Andhra Pradesh (GoAP) has come out with "Andhra Pradesh State Solar Policy (APSSP) 2012" on September 26th, 2012. This policy will be in operation for the next five years. The GoAP adopted the solar policy as a means to address shortages in electricity supply in the state. At the time of the policy announcement power deficit in the state stood at 17.3 percent. The policy is designed to operate through Renewable Energy Certificates (REC) and following this enforcement RPPO becomes crucial for success of this policy. Under this policy the solar power developers will be required to apply for accreditation to the state accreditation agency and thereafter to the central agency for registration and issue of RE (solar) certificates under the REC mechanism. The State Load Dispatch Centre has to give clearance for REC applications within 15 days from the date of application. The power generated from these plants will be sold to DISCOMs in the state at pooled cost of power purchase as determined by the APERC. The solar developers have to recover the balance expenditure through sale of RECs through energy exchanges in the country. As a part of the policy 100% banking of energy is allowed from January through December with some exceptions with a charge of 2% of the banked energy. This policy also provides for some incentives. These include no wheeling and transmission charges for the wheeling of power generated from solar power projects for captive use or third party sale within the state, no cross subsidy charges, exemption from paying electricity duty for captive consumption and third party sale within the state, refund of VAT on components used in solar power plants, and also refund of stamp duty and registration charges. These incentives will be applicable to plants built by June 2014 for seven years. New and Renewable Energy Development Corporation of Andhra Pradesh (NREDCAP) will be the State nodal agency for clearance, facilitation and implementation of the solar policy. The power generated from solar projects set up under this policy will be injected to the nearest sub-station of the APTRANSCO or DISCOM. At the same time the policy did not set any target in capacity addition under solar power category.

AP Government forms body to promote energy conservation

The GoAP constituted The State Energy Conservation Mission (SECM) with 12 members. This Mission will be chaired by the Chief Secretary. The members will be drawn from departments of energy, municipal administration and urban development, panchayat raj, industries, agriculture, and experts from the non-conventional energy. The Member Secretary, Energy Coordination cell will be the CEO of the Mission. The aim of this Mission is to promote efficient use of electricity in the state. This Mission is expected to promote necessary measures to create awareness and bring about sustainable behavioural change leading to conservation of electricity. Special attention will be paid to efficient use of electricity in Government and Government-supported institutions. The functions of the Mission include developing best practices and methods to reduce electricity consumption in all sectors. The Mission would also formulate measurable goals with a clear action plan with the participation of the power utilities and other organizations.

Financial Restructuring Scheme

The Government of India (GoI) has come out with a financial restructuring scheme for debt ridden electricity utilities in the country. The debt of electricity utilities at the end the March 2011 was Rs. 1.9 lakh crore. Andhra Pradesh will also be one of the states that will be covered under this scheme. The scheme will be linked to performance. Under the scheme, half the outstanding debts for each state board will be taken over by the state government. The other half will be loaned to the boards at the easiest possible terms. The new package will be open to states till December 31 of this year to accept. One of the conditions is that SEBs will revise tariffs every year. The revised tariff will have to be announced by each SEB before its financial package is approved. The revised tariff will also have to be approved by the SERC every year. The conditions also include bringing down T&D losses and along with it illegal power connections. The new scheme also aims to increase private sector role in distribution of power. This scheme also makes pre-paid electricity meters mandatory by March 31, 2013, for all government buildings and large consumers (1 MW and above) who have defaulted in the past.

State to release energy conservation code by October

The GoAP a part of its attempts to save energy is in the process of preparing an Energy Conservation Building Code. This Code would emphasise on minimisation of energy consumption levels and avoid wastage of energy in large buildings, establishments and public places. Thos Code aims to save around 10,000 to 15,000 million units a year through energy conservation measures.

GENERATION

High Court Issues Notices in Hinduja Power Plant Case

The Visakha Zilla Sampradaya Matshya Karmika Union in a petition before the Andhra Pradesh High Court complained that Hinduja National Power Corporation Ltd., had taken up illegal constructions on the seashore for its thermal power plant. The petitioners pointed out that the constructions were going on without permission and that the Greater Visakha Municipal Corporation (GVMC) and the Visakha Urban Development Authority (VUDA) have addressed letters declaring that these constructions in Devada village of Peda Gantiyada Mandal are illegal. The fishermen had been adversely affected due to these illegal constructions on the sea shore. They brought to the notice of the court that this is an agricultural and recreation zone and constructions violate the zonal regulations. Responding to this petition Justice G. Bhavani Prasad of the Andhra Pradesh High Court ordered notices to be served.

AP to infuse Rs 4,071-cr equity into Genco expansion projects

The GoAP will provide Rs 4,071 crore equity support to APGENCO in taking up new thermal power stations coming up at Vijayawada, Kothagudem and Krishnapatnam (2x800 MW). This is in addition to the annual subsidy provided by the state government. The other plants that APGENCO is taking up include Kakatiya Thermal Power Plant (600 MW) and Rayalaseema Thermal Power Plant (600 MW).

DISCOMs have finalised tenders and entered into agreements with various power producers for procurement of about 1,300 MW power per month till May 13. The DISCOMs are also negotiating purchase of 2,000 MW from June 2013 to June 2016 under Case 1 bidding.

FUEL

State seeks more coal for APGenco, NTPC plants

The GoAP requested the Central Government and Coal India Ltd (CIL) to increase coal supplies to power plants in the state to generate additional power in the State. The GoAP also requested NTPC to step up power generation at its Simhadri project near Visakhapatnam. The state government also suggested import of coal for Simhadri plant. The GoAP also requested the Union Railway Ministry to provide sufficient railway rakes for transportation of coal to APGenco and NTPC projects. NTPC is supplying 800 MW to Andhra Pradesh from Simhadri plant as against the State's full share of 1,400 MW due to severe shortage of coal particularly from Mahanadi Coalfields, Orissa.

Government to restrict CAG's audit under pressure from RIL, BG and Cairn India

The GoI plans to restrict CAG's audit of private oil and gas fields to financial matters instead of full fledged performance audit under pressure from RIL. The private companies contend that their production sharing contracts prescribe only financial audit to check if the accounts are in order and not performance audit which examines if things are being done in the right way.

Market to set natural gas prices

Regarding natural gas pricing the 12th Five Year (2012-17) Plan document states "Natural gas prices must be determined by market forces...There is need for clarity on fiscal incentives on exploration of natural gas under New Exploration Licensing Policy (NELP)...Eliminate the uncertainty that has arisen regarding gas pricing for NELP production sharing contracts by implementing a new design of contracts based on the recommendation of the Rangarajan Committee...Appropriate steps should be taken to resolve conflicts in existing contracts where the interpretation of the contract term is open to multiple options." The plan document also

recommended incentivising exploration and production of domestic non-conventional fuels like shale gas and CBM. It also suggested natural gas/LNG to be given the 'Declared Goods Status' so that a uniform central sales tax can be levied on the environment friendly fuel rather than present practice of varying state VAT leading to uniform price of gas all over the country. These recommendations acquire importance in the background of Reliance Industries' demand for higher natural gas price equivalent to imported LNG in the name of market determined price.

UK's BP, one of the partners with RIL in drilling gas in KG basin is also seeking import equivalent price for natural gas from KG-D6 fields. According to it current gas prices in India are "artificially depressed" that do not encourage investments. They want that prices should be left to forces of demand and supply instead of leaving them to the government. RIL – BP feel that the present rates are lower than market price and are seeking rates equivalent to the rate at which India imports LNG from Qatar on a long-term contract. At USD 100 per barrel oil price, the KG-D6 gas, according to the formula proposed by RIL-BP, will cost USD 12.93 per mmBtu.

Reliance Industries Ltd may see larger drop in KG-D6 gas

RIL's flagging KG-D6 gas fields may experience larger than previously projected drop in production due to water and sand ingress. RIL at the beginning of the current fiscal year projected an output of 27.6 mmscmd for 2012-13. This is expected to further decline to 22.6 mmscmd in 2013-14 and then to 20.4 mmscmd. These fields have already seen the output drop to 27.65 mmscmd before the end of August 2012.

The state government of Maharashtra being seriously concerned over the drastic fall in the power generation for want of fuel from the former Dabhol power project has appealed to the Centre to take over the project and declare it as a national asset. This will help increase necessary investments in the KG-D6 gas fields and thereby boost production. The generation at this plant had fallen to 550 Mw against the total capacity of 1,967 Mw. Supply of gas from KG basin declined from 7.6 mscmd to 2.3 to 2.6 mscmd.

ONGC to start gas production from its KG Basin blocks by 2016-17

ONGC is planning to start natural gas production from its new blocks in KG Basin by 2016-17. ONGC has found 4.85 trillion cubic feet of gas reserves in nine gas discoveries it has made in the

KG basin block KG-DWN-98/2. They plan to produce 22 mmscmd by 2016-17. Seven of the finds are in Northern Discovery Area (NDA) of KG-DWN-98/2 consisting of the Padmawati, Kanakadurga, Annapurna, D/KT, U, A, W and E. Gas from these is proposed to be produced by combining them with a gas discovery in the adjacent block, G-4 The gas finds are in water depths ranging from 594 metres to 1,283 metres. The Southern Discovery Area consisting of the UD-1 discovery falls in ultra-deepwater with a depth of 2,841 metres. The firm plans to drill 8 wells to appraise or re-ascertain the commerciality of the finds – six in NDA and two in SDA.

AP wants Centre to allocate more gas to power plants

The Chief Minister of AP requested the central government to divert RLNG to gas-based power plants in the State. The Chief Minister requested the GoI to divert 2.5 MMSCMD of natural gas from the Government/public sector gas projects located in west zone to independent power producers of Andhra Pradesh to generate additional power. This will help add about 500 MW, equivalent to 12 million units per day. Equivalent power can be provided to these States through power exchanges at about Rs 3 to Rs 3.50/unit. Andhra Pradesh now spends about Rs 7/unit.

TRANSMISSION

AP Transco to strengthen, expedite network

APTRANSCO stepped up efforts to execute high tension transmission lines and sub-stations in the State to augment transmission capacity in the state in the background of increasing electricity demand and corresponding power generation capacity addition. The works taken up include 400 kV sub-station at Shankarpally, Bhoopalapally-Gajwel transmission line, Vijayawada thermal power station -Malkaram transmission line, Krishnapatnam Nellore Quad-double circuit line and Yeddumailaram-Gajwel transmission line. The APTRANSCO also directed the contractors to complete these works as per schedule and also warned that defaulting contractors would be blacklisted.

DISTRIBUTION

Fuel surcharge: Additional burden on AP power consumers

The APERC through an Order allowed the DISCOMs in the state to collect Rs 2,068 crore for 2010-11 and Rs 3,957 crore for 2011-12 towards Fuel Surcharge Adjustment (FSA). While the DISCOMs had proposed Rs 3,062 crore and Rs 4,761 crore, working out to a total of Rs 7,823 crore the APERC approved Rs 6,025 crore. The consumers will have to pay these FSA charges through their monthly bills from October 2012 up to September 2013 for 2010-11 and from October 2013 up to September 2014 for 2011-12. The DISCOMs sought FSA charges for the additional expenditure incurred due to price hike of coal and additional purchase power.

IT industry evolves guidelines to save power

The ITsAP (Information Technology industry association in the State) the representative body for information technology industry in AP has come out guidelines on conserving electricity in IT industry. These guidelines are categorised into five categories. One of them is on saving power while using IT servers, systems and monitors. These include virtualisation techniques to reduce burden on the IT infrastructure, introducing thin computing (using a common CPU that can be shared by many users), and replacing the old monitor with TFT monitors. It also suggested deployment of solar energy. Other measures suggested include use of motion sensors for the lighting systems and efficient management of air-conditioning systems.