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(Energy Conservation : It Doesn't Cost. It saves)

19.12.2018

Tangedco stares at power deficit this summer

The Hindu : December 18, 2018

It plans to procure 1,500 MW

Tamil Nadu Generation and Distribution Corporation (Tangedco) has said there will be power shortage in summer season due to issues such as coal shortage and delay in completion of projects.

To overcome the problem, Tangedco is planning to procure 1,000 MW of power on a short-term basis and 500 MW of peak-hour power from March to May 2019. The proposed quantum is higher than 650 MW short-term power procured in 2016-17 and 500 MW short-term power procured in 2017-18 respectively.

"As per the long-term demand-supply projection (without considering the renewable), there will be a deficit of 1,391 MW for 2018-19," Tangedco said in its petition to the Tamil Nadu Electricity Regulatory Commission (TNERC). Based on short-term demand availability, TANTRANSCO has forecast a deficit of 125 MW to 680 MW during morning peak hours (06:00 to 9.00 hrs) and 600 MW to 1800 MW during evening peak hours (18.00 to 23.00 hrs) from October 2018 to May 2019, it added.

"To meet the anticipated deficit and to avoid load shedding in view of Parliamentary elections scheduled in 2019, 1,000 MW round the clock power and 500 MW peak power from October 2018-May 2019 is to be procured. Therefore, a short-term tender is proposed to be floated for procurement of 1000 MW RTC power and 500 MW peak power for supply from March 19 to May 19," Tangedco said.

The financial commitment under short-term purchase will be around 2,700 crore for seven months at 5.29 per unit, while the rate for peak-hour power is yet to be worked out, it added.

Maintenance work

Further, Tangedco said, the Kadamparai hydro electric station proposed to be shut down during December 2018 and January 2019 to attend flap gate problem and other maintenance work. As a result, the station, which supported 400 MW of peak demand, will not be available.

"The non-supply under long-term agreement from Ind Barath Utkal (500 MW), non-commissioning of 660 MW Ennore Thermal Power Station Expansion, which was scheduled for commissioning in January 2018, uncertainty in availability of at least one unit of Kudankulam most of the time in a year and anticipated increase in demand of around 500 MW to 750 MW in this FY 2018-19 compared to last year has resulted in round-the-clock power deficit in existing availability by around 2,500 MW," it said.

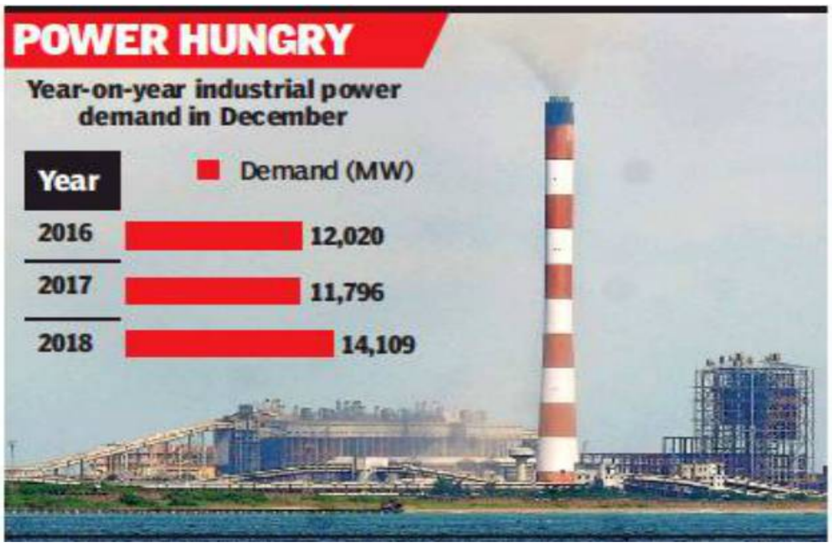
TNERC has approved the proposal for procuring short-term power and modify its on going short-term tender for the restricted period of March 2019-May 2019.

Industrial power demand increases by 3,000MW

Times Of India : December 19, 2019

Tamil Nadu's power demand has increased by more than 3,000MW this December, compared to the same period last year. The demand has been 14,500MW in recent days, mostly owing to higher consumption in the industrial sector.

On the other hand, domestic consumption has come down in the last two months due to cool weather. Agriculture demand is also low, said Tangedco officials. Economic growth triggers rise in power demand. "The higher consumption by industries is because of new industries setting shop in Tamil Nadu and old ones functioning to their full capacity," said state industries secretary K Gnanadesikan. The state has received projects worth Rs 10,000 crore through single window clearance alone in the last one year. "It is good to know that the increase in power consumption is due to industrial demand," said Confederation of Indian Industry (CII) state president M Ponnusami



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Textile industry as well as many small and medium enterprises are active. "Depreciation of rupee against the US dollar has increased business for textile companies that are dependent on exports. Due to this, their power demand has also gone up," said Ponnusami. MSMEs have also become active owing to higher demand for their products and services. "New companies are slowly but definitely looking at Tamil Nadu and in the coming months more investments will be coming our way," said Ponnusami. On the power generation side, the discom is using imported as well as local coal to generate power from its own thermal units. "As of now, we are running our thermal units to their full capacity with local and imported coal. There is no wind power generation. Tangedco evacuated 1,540MW solar power on Monday," said the official. Power demand is high during morning and evening hours. "Shops also use more power these days owing to festival season. It is likely to go on like this in January also," said the Tangedco official.

India loses $86 billion annually to power sector distortions: World Bank

Energy World : December 17, 2018

The World Bank report focuses on the cost of power outages, its causes and impact on the South Asian region, including India

What could be the total economic cost imposed by distortions in the power sector on the Indian economy annually? The figure was a staggering $86.1 billion, or roughly 4.13 per cent of the gross domestic product (GDP) in financial year 2015-16, according to the World Bank.

The economic cost of distortions was one order of magnitude higher than the fiscal cost of subsidies to distribution utilities which was worth $8.8 billion (0.42 per cent of GDP) in 2015-16. The excessive health cost borne by the population and external costs due to excessive emissions of global warming gases are estimated at $35.4 billion a year.

The report titled "In the Dark: How Much Do Power Sector Distortions Cost South Asia" was released today. It is authored by Fan Zhang, senior economist in the Office of the Chief Economist of the South Asia Region at the World Bank. It focuses on the cost of power outages, inefficiencies of utilities, subsidies, their causes and impact on the South Asian region, including India.

"The greatest source of waste is excessive coal-fired power generation, which leads to substantial health and environmental damages. The impact of power shortages on downstream rural households and firms is the second-largest source of economic cost estimated at 1.42 per cent of GDP a year. The third-largest cost is downstream social distortions from the use of kerosene lamps, which are estimated to cost the economy the equivalent of 0.31 per cent of GDP," the report said.

TABLE 4.2 Cost of power sector distortions in India at a glance
percent of GDP

		Core					
Type of cost	Upstream	Generation	Dispatch	Transmission	Distribution	Downstream	Total
Fiscal	0	0	0	0	0.42	0	0.42
Institutional	0.06	0.10	—	0.02	0.10	1.42	1.70
Regulatory	0.19	0	—	—	0.02	0.10	0.31
Social	1.69	0	—	—	0.12	0.31	2.12
Economic	1.94	0.10	—	0.02	0.24	1.83	4.13

Source: World Bank estimation.
Note: — = Not available. Estimation is for fiscal 2016.

These distortions are followed by regulatory distortions upstream, including the under-pricing of coal and the cross-subsidisation of passenger railway service from freight, both of which exacerbate coal shortages, resulting in a combined welfare loss of 0.19 per cent of the GDP.

Further, groundwater depletion induced by electricity subsidies costs 0.12 per cent of GDP; inefficient electricity generation and distribution cost the economy an estimated 0.1 per cent of GDP a year; and electricity cross-subsidies, which undermine the international competitiveness of manufacturing, cost 0.1 per cent of GDP, the bank said.

It added that the analysis only provides a qualitative discussion of the social cost of coal mining and captive power generation because the data needed for an economic valuation of these impacts do not exist. “In addition, non-performing power sector loans threaten the stability of India’s financial sector. Their impact on economic growth was not quantified due to lack of data, however,” the report said.

Pointing out lack of latest data, the bank said some of the analysis, including plant-level analysis on generation efficiency, is based on data from fiscal year 1999-2000 to fiscal year 2011-2012, the latest year in which data were available at the time of the analysis.

Simulation on potential increase in electricity supply from improving generation efficiency is based on data for fiscal year 2014-15. “Overall, for various reasons described in the chapter, the estimate of the total economic cost of distortions may represent a lower-bound estimate of the actual cost,” the report said.

Get cash for using electricity: LPG-like direct benefit scheme in works; check what World Bank plans
The Financial Express : December 18, 2018

In order to provide electricity at an affordable price to the poor households in India, the World Bank is holding discussions with state power distribution companies in the country to emulate DBT scheme for LPG in the power sector too.

Indians may soon get cash for using electricity, if a new model along the lines of LPG Direct Benefit Transfer works out. In order to provide affordable electricity to the poor households in India, the World Bank is working with state power distribution companies in the country to emulate LPG DBT scheme, under which consumers are given cash subsidy for buying LPG at market price.

While praising the central government’s LPG reform, Fan Zhang, a Senior Economist in the Office of the Chief Economist of the South Asia Region at World Bank, told The Indian Express that removal of price distortion due to subsidies and then the introduction of real-time cash transfer is “a good example of how to give subsidies and protect poor households.”

“The World Bank is already working with some state distribution utilities in deciding new ways of providing direct cash transfer, rather than create a distortion in electricity price, to protect the poor. Right now, under the current structure, they overcharge industry so that they can provide electricity to agricultural households at the low price. There are experiments being done on the ground on what are the ways to protect the consumers well from such distortions,” she added.

Further, Zhang said that subsidies are not the main cause of distortion. According to the analysis by the World Bank, institutional distortion like coal supply at a higher price due to an uncompetitive market is having a larger effect on the power sector in India than the distortion by subsidies, Zhang said. She also added that the important thing here is to protect poor households in the country and provide electricity to them at an affordable price.

On Monday, the World Bank released a report titled “In the Dark: How much do power sector distortions cost South Asia. In the report, the World Bank said that distortions in India’s power sector had imposed a total economic cost of around $86.1 billion or 4.13% of the country’s GDP in the financial year 2015-2016. The fiscal cost, consisting of subsidies to distribution utilities, was reported at $8.8 billion or 0.42% of GDP in fiscal 2015-16.

Cross-border power trading through exchanges on cards

Financial Chronicle : December 18, 2018

With India fast turning into a surplus power market, the government is looking at throwing open the short-term electricity market to consumers in neighbouring countries, allowing them access to Indian power exchanges for meeting day-to-day requirements.

Sources privy to the development said the central electricity regulatory commission (CERC) is vetting draft regulations on the cross-border power trading and will soon finalise it, allowing Indian exchanges to trade power in the short-term market overseas. This could begin as early as the next financial year after the new government takes office at the Centre.

The mechanism would give fillip to power exchanges, like India Energy Exchange (IEX), which are also battling subdued demand in the domestic spot market and depressed average tariffs.

Though both demand and tariffs have picked up in recent months, it's yet to expand the short-term market that has remained stagnant at about 10 per cent of the total electricity generation in the country.

"While the cross-border transactions in the TAM (term ahead market) segment is allowed, the same is not permitted for short-term power purchase through exchanges. The changes by CERC will allow power producers to offer electricity directly to distribution entities in neighbouring countries through Indian power exchanges," said Satyanarayan Goel, managing director and CEO of IEX.

He, however, added the cross-border transactions would only be successful once the monopoly of state distribution entities is broken and a multi-buyer, multi-seller market is developed. "Only this model will allow for trading of power and efficient price discovery," Goel said.

Sources said the cross-border trading facility through power exchanges might initially be available for countries like Nepal, Bhutan and Bangladesh.

India has transmission links with them and medium-term transfers are permitted after the government approval. It could be extended to other neighbouring markets like Myanmar and Sri Lanka once necessary infrastructure is created. Though correct estimates are yet to be made, industry sources said there could be demand for 300-400 MW from the cross-border trade in the spot market initially.

IEX is country's largest power exchange and trades about 5,000 MW per day in the domestic market.

A vibrant power exchange mart with ability to trade in the spot market for consumers in domestic as well as overseas markets would also be good news for power generators as they could be able to tide over the low demand situation in the domestic market to transfer capacities overseas.

Moreover, option sell outside could also allow a fresh lease of life to several stranded power projects, which have put the banking sector under strain. Domestic power traders have already shown interest in striking overseas deals.

Opening of Indian power exchanges to overseas entities will also allow countries like Bhutan, having surplus hydro capacity, to trade on the exchange with Indian consumers. This could help India increase the share of renewable power in its generation mix. The export market for electricity is picking up in India, a fact that was also acknowledged the central electricity authority (CEA), the country's apex power sector planning body, in a report. According to CEA, India has turned around from a net importer to net exporter of electricity.

CEA yet to develop norms for 'establishment costs' of discoms, 12 months after power minister's order

Indian Express : December 17, 2018

The Ministry of Power stated on Wednesday that more than Rs 34,000 crore interest cost has been saved by discoms under UDAY within two years.

Over twelve months after Union Power Minister R K Singh asked the Central Electricity Authority (CEA) to develop norms regarding “establishment costs” of power distribution companies (discoms), the CEA — the apex policy advisory body in the electricity sector that works under the Ministry — is yet to come up with the norms.

The minister had given the CEA a week’s time to come up with these norms — which include office cost, metering cost and employee cost and is significant as establishment cost currently varies across the states due to factors such as vintage infrastructure, scattered population and difficult terrain.

During a conference of state power ministers on December 7, 2017, a senior official of Ministry of Power stated that the average establishment cost of states, which are participating in the UDAY scheme, was Rs 0.67 per unit – 13 per cent of the average revenue realised (ARR). However, for many states, it was higher than the average – upto Rs.1.73 per unit.

Therefore, it was discussed at this conference that the establishment cost has to be controlled in order to improve the financial health of discoms across the country. Most discoms across the country work under respective state governments and the central government started the UDAY scheme in order to improve their financial health as they have huge debt. Discoms supply power to consumers after purchasing it from generating companies.

At last year’s conference, after deliberation and discussion, Singh directed CEA to work out the norms for establishment cost and submit the details within a week. However, even though more than year has passed, no norms have been developed as yet. CEA works under the Ministry of Power.

“The establishment cost for a discom depends upon several factors such as area of jurisdiction, its location, type and category of consumers and vintage infrastructure. Further, nowhere any such database or study, nationally or internationally, is readily available to analyse and evolve a methodology to standardise the norms for establishment cost. However, CEA is still endeavouring to develop some norms. It is under process and will be submitted in due course,” a CEA official told The Indian Express.

At the state power ministers’ conference on December 7 last year, Joint Secretary (Distribution), Ministry of Power, informed that average power procurement cost of the UDAY participating states in the 2016-17 was Rs 4.22 per unit. “Further analysis shows that some States have even lower procurement cost but their establishment cost was higher,” the minutes of the conference said.

“The average establishment cost of UDAY participating states was Rs 0.67 per unit (13 per cent of ARR) but for many states, it was higher than the average – upto Rs.1.73 per unit. This brings opportunity of potential savings of about Rs 10,000 crore, if the establishment costs were reduced to the extent of average of UDAY States,” the minutes added.

“Himachal Pradesh raised the issue of higher establishment cost due to hilly terrain and scattered population. Some of the states were of the view that norms for establishment cost for providing electricity per 1000 consumers needs to be worked,” the minutes stated.

The Ministry of Power stated on Wednesday that more than Rs 34,000 crore interest cost has been saved by discoms under UDAY within two years. “Revenue gaps have been bridged by 72 per cent within two years of operation of UDAY scheme. The national level ACS-ARR gaps are at 17 paise per unit in FY18 as compared to 60 paise per unit in FY16,” the Ministry added. ACS means average cost of supply.

Uttar Pradesh govt to regularize illegal power connections

Times of India : December 19, 2018

Following orders from the state government, the Uttar Pradesh Power Corporation Limited (UPPCL) has devised a special scheme to support financially weak power consumers of rural and slum areas using katia (illegal power connection). Such connections will now be replaced with regular connections. No penalty will be charged from the beneficiaries. The scheme, called "Katia Hatao, Saiyojan Pao", will be run across the state till January 31. To avail the scheme, those using illegal connections have to declare themselves before January 31. If they are caught after that, they might face action. Also, those who have already been found stealing electricity cannot avail the benefits of "Katia Hatao, Saiyojan Pao". The scheme will be applicable to those living within 40 meter distance of the power supply line.

Sudhir Kumar Verma, managing director of state-government owned discom – Dakshinanchal Vidyut Vitran Nigam Limited (DVVNL) said, "Following orders of the state government, financially weak people will be allowed to self-declare their illegal power connections by January 31. They will be provided a regular domestic connection of one kilowatt without any penalty or action against them. " He said, "Soon, special camps will be organized under the Katia Hatao, Saiyojan Pao scheme. Application of poor people will be accepted in these camps. Applications made through consumer helpline umber 1912 will also be entertained. Those who have cases of power theft pending against them or have dues pending on them will not be allowed to take benefit the scheme."

DVVNL staff officer SK Baghel said, "Under the special scheme only those applicant who live within 40 meter distance from the supply line will be benefitted. Applicants in the rural areas will be provided connection as per the norms of the pro-poor Saubhagya scheme of the central government. People like jhuggi dwellers, who don't have a permanent address, will have to pay for a legal power connection."

Troubled power sector — the way forward By ANIL SWARUP-Former Coal Secretary

Business Line : December 11, 2018

The power sector is stuck in a vicious cycle. The revival must starts with restoring the financial health of the Discoms'

Most of the problems of the power sector emanate from the poor health of the Discoms. Launched in 2015, "UDAY" (Ujwal Discom Assurance Yojana) was to provide much needed relief to these Discoms. However, it provided only a temporary relief, UDAY itself was a brilliant idea.

The approach outlined under UDAY had been successful in Gujarat. It turned around the power sector in that State. It was a model to be implemented in rest of the country and "UDAY" was an instrument to deliver that. But it didn't happen, at least in the manner it was expected to.

Under UDAY, States were to take over 75 per cent of Discom debts as on September 30, 2015. This was to provide fiscal space to the Discoms and "improve" their balance sheets. However, certain important aspects of "UDAY" didn't come to be highlighted or pushed. These included critical activities like reduction of AT&C losses, elimination of ACS-ACR gap, feeder metering, DT metering, price rationalisation etc. The debt transfer was supposed to provide time to Discoms to carry out the more critical part that was supposed to revive them in the medium term.

The Discoms got on board and utilised the facility of transferring the debt to the State government. This brought about an improvement in their financial health with some of them even showing profits. However, this transfer of the debt burden to the States can hurt them in the near future. Last year's Economic Survey revealed that "due to these bonds, the States' Gross Fiscal Deficit to GDP Ratio got increased by 0.7 per cent".

Most of the Discoms failed to carry out mandates relating to reduction of AT&C losses, elimination of ACS-ACR gap and the like. Ironically, out of all UDAY States, 13 have actually reported higher AT&C losses as compared to previous year.

Most of the Discoms continue to be in trouble. The fundamental issues remain unaddressed. On account of such poor financial condition of Discoms, no new PPAs are being floated even though there is demand for power (incidentally, per capita consumption of power in the country is one of the lowest in the world and equivalent to the consumption in late 19th and early 20th century in the US). There is demand but the Discoms do not have the money to buy power.

Pricing dilemma

The pricing of power leaves Discoms with a peculiar dilemma. The more they sell, the more they lose. Consequently, this “lack of demand”, in turn, is impacting the health of power generating companies.

The poor financial condition of the Discoms has resulted in mounting dues that they have to pay to Gencos. Discoms owe Gencos more than ₹36,000 crore and the number is increasing by the day. As mentioned earlier, poor financial condition of the Discoms has also resulted in their failure to articulate the demand for electricity in the form of PPAs.

There are other factors as well that are impacting the finances of Gencos, but these two contribute substantially. They are unable to service their debt. Around ₹1.7 lakh crore could soon become NPA. This would impact both the coal and banking industry. As Gencos are not getting their dues from Discoms they are unable to pay regularly to Coal India where the dues have gone beyond ₹10,000 crore. The banking industry, already under pressure, is saddled with the additional problem of potential NPAs on account of non-performing Gencos.

Thus there is a vicious circle that has afflicted the energy sector and if the issues are not addressed expeditiously, there could be a serious crisis at hand that can impact the entire economy. A beginning has to be made with the Discoms. Without improving their financial health not much can be achieved.

Issues like separate feeder lines, auditing, strong action against defaulters and pricing will need to be addressed. It would require time and effort and it may not provide material for “headlines”. Other State officials will be required to sit with those from Gujarat and after understanding the “how” of this success story, make out their own plan. These plans cannot be “made” or “monitored” in Delhi. Intensive discussions will have to be held with all the stake holders to get their “buy-in”. This is critical for the success of any plan.

Comprehensive package

Only financial restructuring will not help. The package has to be a comprehensive one. This could even entail change of ownership/management and/or adequate sanction of funds that are required for the projects. The committee should also be empowered to settle disputes, if any. Until and unless such a central mechanism is created, the issues will not be resolved.

The Gencos should also not be saddled with burden of cross subsidising the renewable energy sector. Promoting renewable energy is laudable. But it has a cost. This has to be borne by the society (through taxation) and not be entities that are already in trouble.

The power sector needs immediate attention before the country becomes “powerless”.

Save Energy. Save Money. Save the Planet