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Tangedco to collect higher tariff for digital advt. boards

The Hindu : June 18, 2018

The Tamil Nadu Generation and Distribution Corporation (Tangedco) is inspecting commercial outlets that have additional digital display boards and is levying tariff that is applicable for lavish illumination.

An official of the Corporation said commercial outlets were permitted to have name boards and special illuminations on these boards at the regular commercial tariff. However, there were many outlets now that installed digital display boards with scrolls and advertisements and these boards were placed on rooftops or on roadsides. Retail outlets that had even serial lights would have to pay charges applicable for lavish illumination for it. So, the display boards would also come under higher tariff.

K. Kathirmathiyon, secretary of Coimbatore Consumer Cause, said there was an increasing trend of retail outlets having digital display boards with continuous scrolls just outside the outlet and on roof tops. This not only attracted higher electricity tariff, but was also not permitted under the Indian Road Congress norms. These were advertisements and would divert the attention of the road users.

The Tangedco should identify such boards and bring them under illumination tariff. The retailers should also go in for separate connection for these boards, he said

Government admits coal shortage, asks discoms to import

Times of India : June 19, 2018

The power ministry has advised all state governments and private power distribution companies (discoms) to import coal as Coal India was unable to meet the growing demand. To add to problems, there was also a shortage of rail rakes to evacuate coal. The advisory comes in the wake of states demanding more coal to run their thermal units in face of growing demand.

In Tamil Nadu, power demand shot up by 2383MW this summer. If Tangedco is to import five million tonnes of coal to meet the shortage, it would cost the state discom around $5,000, said officials.

Across the country, hydro power generation came down this summer because of low water level in reservoirs, mostly in the Himalayan states. It was after the NDA government took charge, the power ministry asked all government discoms to stop importing coal. Tamil Nadu alone was importing 5.5 crore tonnes to meet its demand in all thermal units.

"The power ministry, in coordination with ministry of railway and ministry of coal, has been closely monitoring coal supply to thermal units. During 2017-18, we faced acute shortage. Coal stock in power stations depleted to 7.26 million tonnes in

October 2017," said power ministry chief engineer Ghanshyam Prasad in a letter to all discoms.

The coal consumption during April 2018 increased by 3.9% compared this year. "The hydro generation has also come down by 26% in April as compared to last year. In the coming months too, hydro generation will be less due to low storage level in reservoirs," said Prasad.

Importing coal has helped us not just in meeting the huge summer demand without interruption, but also to gradually build up buffer stock for nearly seven days of consumption," said Tangedco chairman Vikram Kapur.

Tangedco started importing coal regularly from 2004-05. "It requires 26 million tonnes of coal for full capacity generation of North Chennai, Mettur, Ennore and Tuticorin thermal units. Of this, 20.445 million tonnes of coal is met by indigenous stock and the balance 5.50 million tonnes is being imported," said a Tangedco coal wing official.

The imports started in 2004-05 at one million tonne but as the demand for power increased and more thermal units were commissioned, the amount of coal imported also increased. In 2016, Coal India Limited requested Tamil Nadu government to advise Tangedco to stop imports and use indigenous coal available with CIL.

"Following this, the Union ministry of coal convened a meeting in New Delhi, where CIL, in principle, agreed to provide the additional five million tonnes to Tangedco, whenever it required the entire quantity," said the official. "It is back to square one and we have started to import coal," he said

New Electricity Act changes a big boost – Here is why-

By Abhimanyu Ghosh & Shikha Rastogi

Financial Express : June 19, 2018

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The Electricity Act, 2003, empowers the Union government—in consultation with the states and the Central Electricity Authority—to formulate a national tariff policy from time to time that serves as a guideline for the central and state electricity regulatory commissions while framing their regulations. The ministry of power (MoP), on May 30, released the draft amendments to the existing National Tariff Policy (NTP) that was notified in 2016 and has invited comments from stakeholders by June 20. The NTP 2016 mandates that all future requirement of power (with some minor exceptions) will be procured by distribution licensees through competitive bidding. However, the draft amendments have sought to exempt Central public sector undertakings from this requirement of carrying out the bid process, and have proposed to allow such entities to sell power by way of a cost-plus power supply arrangement.

Considering this will be an advantage to Union government power companies, it is likely that private players will seek to challenge this amendment. Many changes in the draft amendments are pro-consumer, and if the changes are notified, will certainly bring cheer to the consumers. A key change in this regard is that the draft amendments have proposed that in case of power cuts, other than due to force majeure conditions or technical faults, an appropriate penalty will be levied on the distribution company and credited to the account of the respective consumers. In another major change, the draft amendments have proposed that the benefit of reduced tariffs after assets have fully depreciated should be mandatorily passed on to the consumers. Typically, these benefits are retained by the generating companies, and do not result in a lowering of tariff, and therefore, it will be interesting to see what approach the power industry takes with respect to this proposed change.

If the changes in the draft amendments are notified, the tariff policy will make it mandatory for all distribution companies to purchase power via long-term or medium-term power purchase agreements to meet the annual average power requirement in their area of supply, failing which the distribution company's licence may be suspended. This change will thus ensure better quality, stable power for consumers in every region and is also welcome news for stranded power assets which will have a chance to sell power through these arrangements. In the same spirit of benefiting consumers while at the same time encouraging distribution companies to be efficient, the draft amendments have proposed that inefficiencies of the distribution companies should not be passed on to the consumers, and as a result, the relevant commissions shall not be allowed to pass on more than 15% of the technical losses into the tariffs after March 2019.

This figure is proposed to be further reduced to 10% by 2022. The draft amendments also require the state commissions to notify the standards of performance of licensee with respect to quality, continuity and reliability of service for all consumers within 60 days of the issue of the amended tariff policy. In addition to the above, the draft amendments aim to align the changes in the electricity sector, among other things, by requiring the appropriate commission to shift to pre-paid smart meters (thus ensuring better billing recoveries) and providing trajectory for progressively reducing cross subsidies for consumers. The draft amendments appear to be a worthy successor of NTP 2016 with many positive changes. If the amendments are notified, they will surely benefit both, the consumer in terms of stable and reliable power at possibly lower costs, and the industry, considering the promotion of long/medium term power purchase agreements, improving billing recoveries and the like. The wrinkles in the Draft Amendments stated before may get resolved by the time the final amendments are issued.

(Ghosh is associate partner and Rastogi is associate, Khaitan & Co)

Power discom losses down 70 per cent to Rs 17,000 cr in two years

Times of India : June 18, 2018

According to the Deutsche Bank Market Research report, UDAY scheme has also helped discoms cut aggregate technical and commercial losses by 5 per cent.

The UDAY scheme has helped debt laden discoms reduce annual losses by 70 per cent to around Rs 17,350 crore in last two years, according to the Deutsche Bank Market Research report.

The scheme for restructuring power distribution companies has also helped them cut aggregate technical and commercial losses by 5 per cent.

The report said however that the net results of UDAY scheme have not been keeping pace with the stringent targeted trajectory.

It also said that the gap between ACS (actual cost of supply of power) and ARR (Cost & Tariff rate) has reduced to Rs 0.24/kWh or by 57 per cent over two years.

The government had launched Uday reforms for the power distribution sector in November 2015, to turn them around from deep financial and operational losses. At that time the accumulated losses of these discoms amounted to Rs 4.3 lakh crore with annual incremental losses of Rs 60,000 crore.

It said that electricity demand revival is partly showing up in elevated exchange tariffs as well as better health of state utilities and 'Saubhagya' household electrification led growth.

As per the study, top 5 states which saw maximum reduction in A&TC losses in 2017-18 over 2016-17 were Manipur, Jammu & Kashmir, Assam, Rajasthan and Bihar, while bottom 5 performers were Mizoram, Madhya Pradesh, Punjab, Tripura and Uttarakhand.

Centre plans to set up national discom

The Economic Times ; June 18, 2018

The Union government plans to set up a national power distribution company that will handhold state discoms in electricity distribution activities and ensure time-bound implementation of central schemes. The proposed company will compete with private firms and contractors to bag contracts of state-run distribution companies for appointing franchisees or engineering tenders, officials said.

Apart from small distribution consultancy wings in Rural Electrification Corporation, Power Grid Corporation and NTPC, the central government has no presence in electricity distribution sector.

“The Union government has presence in all the power sector segments, be it financing, generation or transmission, but power distribution has always been out of focus and a laggard in the entire system,” said a senior government official, speaking on condition of anonymity.

“There has been demand from sections of society to have a national level distribution corporation that may work in joint ventures with state governments for implementation of various power distribution activities. The proposal is at a drawing board stage,” he said.

Girishkumar Kadam, sector head-corporate ratings at ICRA Ltd said, “Such an entity could also benefit the discoms in cost competitive power procurement as nodal agency through bidding route with backto-back power supply agreements with the interested discoms.”

The proposed company may or may not obtain a distribution licence, said another government official, adding it will not interfere in the working of state power distribution companies given the federal structure.

“But the utility will ensure implementation of central schemes for power sector in a time-bound manner. It has been widely felt that there is a need for handholding and guiding state distribution companies, and a national distribution corporation may fill the gap,” he said.

Experts said this would be a smart move, particularly for fulfilling the Narendra Modigovernment’s “power for all” promise ahead of the 2019 general election.

The government proposes to electrify all households and provide reliable electricity supply by March next year. The draft Electricity Act, likely to be circulated for comments this week, provides for separation of distribution infrastructure ownership from power supply licences and also penalties on discoms for gratuitous load-shedding. India has also been trying to achieve smart metering and smart grid

Wind energy tariffs likely to be sustainable at Rs 3 per unit in current fiscal

The Economic Times : June 19, 2018

Such tariffs will be 28 per cent lower than the lowest under the erstwhile feed-in-tariff regime but will still offer developers a healthy and sustainable 12-14 per cent equity Internal Rate of Return (IRR).

Wind power in India is likely to be sustainable at around Rs 2.9-3.0 per unit in the current financial year ending March 2019 because of reduction in payment and offtake risks, lower capital cost per generated unit, and conducive debt financing.

Such tariffs will be 28 per cent lower than the lowest under the erstwhile feed-in-tariff regime but will still offer developers a healthy and sustainable 12-14 per cent equity Internal Rate of Return (IRR), according to research and ratings agency CRISIL.

With state-owned Solar Energy Corporation of India (SECI) increasingly taking up the role of the principal counter-party, payment risk in projects has reduced. This would have otherwise hinged on discoms, some of which are in financial distress and unable to make payments on time. Average payment delays by SECI have been less than one month compared with around 4 months by discoms of major wind power purchasing states.

A deemed generation clause in recent power purchase agreements (PPAs) is also providing relief to developers that offer payment for generation rather than offtake. “Also, tariffs of around Rs 3 per unit would be at least 10 per cent lower than the average power purchase cost of 12 out of 14 major power consuming states in fiscal 2017, and competitive versus other sources of power, which allay the risk of back-downs,” said Subodh Rai, Senior Director, CRISIL Ratings.

Waiver of inter-state transmission charges is also set to make wind power more attractive for non-windy states such as Delhi, Uttar Pradesh, Jharkhand and Bihar. This may not only reduce offtake risks, but also provide up to 15 Gigawatt (GW) demand opportunity over the next 4 years through unmet non-solar renewable power obligations for non-windy states.

“Technology has been playing a part, too. Capital cost per unit of generation has declined by over 10% in in the past three fiscals because of improvement in turbine technology such as higher hub-height machines that capture more wind at higher altitudes. This has improved the viability math of wind projects,” said Manish Gupta, Director, CRISIL Ratings.

Also, improving scale and track record will enable developers to pool operating capacities and access innovative financing with tenures as long as 20 years along with lower interest rates – which are basic to infrastructure projects, CRISIL said. An improving ecosystem for wind power sector lends more stability to cash flows of future projects. Hence, wind power companies are expected to sustain stable credit outlook despite lower cushions for debt servicing rendered on account of lower tariffs.

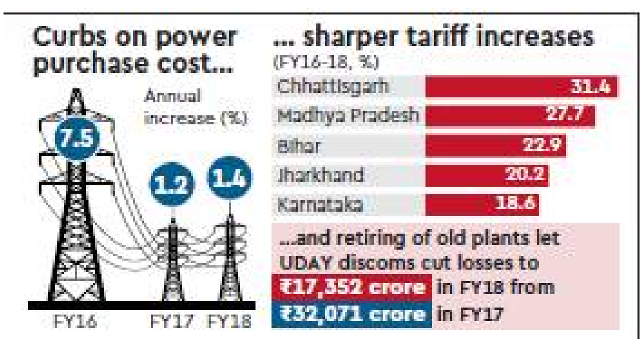
The agency also said that the bid-out tariffs could even be lower than Rs 2.9-3.0 per unit seen in the recent bids. Bids were as low as Rs 2.43 in December 2017 and Rs 2.51 in April 2018. This is likely as high competitive intensity among wind developers and lower capital costs may prevail for some time as wind turbine manufacturers are continuing to offer discounts to gain market share. However, going forward, with these discounts expected to reduce, tariffs are likely to be sustainable at Rs 2.9-3.0 per unit.

Discom’s loss reduction: Cost curbs, tariff hikes held the key

Financial Express : June 18, 2018

A reining in of the costs of electricity generation at state-owned power plants, tariff hikes and digital billing-and-collection have enabled state-owned electricity distribution companies (discoms) under the Ujwal Discom Assurance Yojana (UDAY) to halve their losses to Rs 17,352 crore in FY18.

A reining in of the costs of electricity generation at state-owned power plants, tariff hikes and digital billing-and-collection have enabled state-owned electricity distribution companies (discoms) under the Ujwal Discom Assurance Yojana (UDAY) to halve their losses to Rs 17,352 crore in FY18. According to official data reviewed by FE, average power purchase costs (from non-renewable sources) increased at much lower rates after UDAY implementation. The cost rose just 1.2% in FY17 and 1.4% in FY18, compared with a sharp 7.5% in FY16. Andhra Pradesh and Bihar even managed to marginally reduce their power purchase costs in FY18 over the previous year.



For many years until FY16, the discoms’ power purchase cost had steadily gone up. On the tariff side, Chattisgarh, Madhya Pradesh, Bihar and Jharkhand have raised power tariffs by 31.4%. 27.7%, 22.9% and 20.2%, respectively, between FY16-18.

Rajasthan discoms hiked tariffs by 9.5% in September 2016 and Karnataka increased them by 8% in FY18, steps that helped reduce the gap between the discoms' cost of power supply and revenue realised. Shutting down of old state-run plants was another strategy that helped discoms' loss reduction. While Gujarat retired more than 600 MW of state-owned power plants in FY18, Maharashtra shut down 410 MW capacity and Uttar Pradesh retired 360 MW. UDAY was adopted by a few states in October 2015 and through FY16, most states had embraced the scheme.

What enabled the discoms to control the rise in power purchase cost is the coal linkage rationalisation policy unveiled by the Centre. Under the policy, thermal power plants are allowed to transfer existing coal linkages to generation units nearer to mines, shutting down old inefficient power plants. Many plants run by the state governments have made use of this policy, which also encourages discoms to buy power from the cheapest source available. Coal minister Piyush Goyal recently said that annual savings to discoms through coal linkage rationalisation, which shortened transportation distances for 55.7 million tonne of the fuel, was around Rs 3,360 crore. The option to rationalise coal linkages was earlier available to central and state-owned power plants, but in May the government provided the facility to independent thermal power plants as well. Rajasthan also gained from the public-private partnership model for electricity distribution in key cities like Kota, Bharatpur and Bikaner.

Aggregate technical and commercial (AT&C) losses of Rajasthan discoms in FY18 were brought down to 19.7% from 23.8% in FY17. Rajasthan discoms could curb their power purchase costs as state-run gneration units reduced the heat rate (efficiency parameter) by about 400 kilo-calorie per unit or 15%. Technical improvements such as distribution transformer metering and GPS tracking also helped the discoms cut down losses. "Operational efficiencies have translated into significant financial gains for many discoms," a senior government official told FE. For example, Madhya Pradesh implemented an energy audit software for the accurate measurement of line losses at distributed transformer level. After the software was put in use, AT&C losses reduced from 37.3% to 22.2% in 14 high-loss distribution areas in the state.

Higher RPOs to help India meet 175 GW renewable target: Greenpeace

Business Standard : June 19, 2018

Greenpeace India today said renewable purchase obligation (RPO) target of 21 per cent by 2022 will help India meet 175 GW renewable energy goal by 2022, but RPO compliance by discoms is critical.

"The Union government's decision to increase RPO of state distribution companies from 17 per cent in 2019 to 21 per cent by 2022 has been welcomed by Greenpeace India, while also warning that ensuring the Discoms compliance is critical. The RPO target will help India meet its 175GW renewable energy target under the Paris Agreement on Climate Change," a Greenpeace India statement said.

"Most state Discoms have failed to comply with existing RPO targets and do not seem to be serious about making the shift to clean energy.

"According to a 2017 Greenpeace analysis, only 6 states were able to meet the RPO targets, so it's great that the Ministry of New and Renewable Energy (MNRE) has now established an RPO Compliance Cell, though there is no clarity yet on what penalties could be imposed for non-compliance," Pujarini Sen, Climate and Energy Campaigner, Greenpeace India, said in the statement.

In order to realistically meet the new RPOs, state and private Distribution Companies (Discoms) will need to implement new & creative renewables projects and not rely on large solar or wind farms alone, it said.

The MNRE's recently announced Kusum scheme (Kisan Urja Suraksha evam Utthaan Mahabhiyan) to promote solar arrays connected to irrigation pumps can play a key role in helping states fulfil their RPOs, it added.

"The Kusum scheme will empower farmers to generate and sell clean electricity to the grid, generating additional income for the farmer, while also helping Discoms meet their RPO targets and reducing the burden on Discoms to supply subsidised electricity to the agricultural sector. It's a win-win for farmers, Discoms and state governments," says Sen.

As an example, Gujarat's Discom MGVCL could be earning up to Rs 2.97 lakhs per year from just 100 kW of solar pumps via the renewable energy credits these generate; they will save another Rs 6 lakhs in avoided costs by not having to supply farmers using these pumps with electricity, according to a recent study of the Dhundi pilot project in Central Gujarat.Grid-connected solar pumps have the potential to be a "remunerative crop" for both farmers and Discoms, it said.

The finance minister had mentioned the grid-connected solar pump scheme in his speech during the Union Budget in February this year. Minister of Power R K Singh had also reportedly said that the scheme will be rolled out in July, though disagreements with the Finance Ministry have also been reported, the statement added.

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