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

09.03.2017

What is Tangedco hiding behind proposal to not revise tariff?

Times of India: March 8, 2017

It is pertinent to note that the major expenditures of Tangedco, in fuel and power purchase — especially after the commissioning of the new thermal stations — have come down substantially. These savings may amount to at least `3,400 crore per annum — a 50% reduction compared to 2015-16 ARR. The benefits of the reduction in expenditure are not being passed on to the consumers.

The state government as stipulated in section 65 of the Electricity Act 2003 has to provide a subsidy to Tangedco to make up for its reported losses. Surprisingly Tangedco, in this ARR, has sought to forego the subsidy amount of `2,500 crore — which is a bizarre approach coming from a loss-making facility.

The ARR contains no information on station-wise cost of coal. The Tamil Nadu Electricity Board (TNEB) currently imports around 5 million tonnes of coal every year. In March 2016, the Directorate of Revenue Intelligence reported that the TNEB has imported coal at $ 82 per tonne against the actual average import prices of around $ 40-50 per tonne during 2015. However, no import coal costs have been given by the TNEB in the ARR although it is supposed to furnish import details for the entire period of tariff petition.

The petition also doesn't furnish details about the procurement of energy from solar power plants. The rationale behind the high price in the solar tariff order (issued in 2014) which offered `7.01 per unit continues to be unexplained especially when other states in the same period signed Power Purchase Agreement only for `5.40 per unit. By offering such a high purchase price, the commission has incurred a loss of `6,680 crores to Tangedco for 25 years and `267 crore per annum. The question is: Should consumers bear these baffling high costs which was not a unanimous decision of the three-member TNERC?

There are no details on the name of the generator, quantum of power as well as fixed and variable cost of power purchase by Tangedco. This is crucial as TNERC approved the procurement of 3,330 mw thermal power from private generators in violation of government guidelines in 2014, but approved the rate only in August 2017. Comparison of agreements signed by other states indicates that the consumer in TN will have to pay `3,000 crore more every year towards the generator for 15 years for no legitimate reason.

Tangedco also doesn't show any comparative analysis between average purchase price of wind power and that of thermal power. Inexplicably, TNEB absorbed less units of cheaper and readily available wind power in recent years than it had done in 2012-13. The estimated additional payment made by Tangedco of `840 crore for three years on this head should not be passed on to the consumer.

There is also inconsistency in data pertaining to transmission and distribution (T&D) losses. The ARR reports indicate a constant average T & D loss of around 21% over the years. These are mere notional figures as no methodology or meters have been used to calculate the actual losses. Recently, in the UDAY scheme, the TNEB has agreed to reduce the T & D losses to 13.5% in 2018-19. If the utility had done this before, as per earlier directions of TNERC, it would have saved thousands of crores.

Considering the above discrepancies, the TNERC had the powers to take action against TNEB /TANGEDCO. It has failed to do so. This raises the important question — if not TNERC then who will rein in the recalcitrant utility that is responsible for `50,000 crore per annum of public money?

'No plans to create regional DISCOMs'

The Hindu: March 7, 1017

Present framework is fine: Minister

Insisting that the existing institutional framework of Tangedco is functioning smoothly, State Electricity Minister P. Thangamani has said that the State government has no plans to carry out reforms, whereby the power utility would be divided into a power generation company and regional distribution companies.

Asked whether the State government intended to carry out these reforms in light of the outstanding loan of the distribution wing of Tangedco having been absorbed by the government, the Minister told The Hindu on Sunday that no such move was being contemplated, adding, "As of now, the existing institutional framework is functioning smoothly. There is no problem."

The idea of splitting Tangedco into a power generation company and regional distribution companies is nothing new. In October 2010, the Tamil Nadu Electricity Regulatory Commission (TNERC) advised the government to set up four distribution companies (DISCOMs) with headquarters in Tiruchi, Chennai, Madurai and Coimbatore, akin to the State Transport Corporation. Giving an account of how other States had progressed in implementing such reforms, the Commission argued that there would be "greater operational efficiency and consumer satisfaction" if these reforms are carried out. TNERC had emphasised that the proposed companies should be government-controlled.

However, a senior Tangedco official pointed out that with the free power supply scheme in place, benefitting around 20.6 lakh farm pumpsets, the establishment of regional DISCOMs would not garner the desired results, as the entities headquartered in Tiruchi and Madurai, with a huge base of rural consumers, would be perpetually making losses and only the ones in Chennai and Coimbatore would be profitable. Another official contended that it would only lead to additional administrative expenditure.

All these years, the idea was not pursued because there was either the problem of acute power shortage or the poor state of finances of the power utility, said another section of officers, including one former chairman and managing director of Tangedco.

They took the view that the current vertical organisational set-up is getting overstretched as the total customer strength has crossed the 2.7 crore mark, which includes nearly two crore domestic consumers.

No power shortage

At present, there is neither the problem of power shortage, nor the availability of funds. Capacity addition and free availability of contracted power, coupled with the sluggish demand for energy, has made the State's power situation comfortable.

By joining the Ujwal DISCOM Assurance Yojana (UDAY), a scheme meant for operational and financial turnaround of State-owned DISCOMs, Tangedco is expected to make savings of about Rs. 5,800 crore from the coming year and begin making profit by 2018-19.

The amount of savings has been worked out taking into account the State government absorbing Tangedco's debt of Rs. 22,815 crore, accounting for 75 per cent of the loan of Rs. 30,420 crore outstanding as on September 30, 2015, and the Corporation deciding to convert the remaining Rs. 7,605 crore into bonds. Also, the State government has granted approval

for converting its loan of Rs. 3,352 crore into equity share capital. With all these measures, Tangedco no longer has to make interest payments and principal repayment on its debts.

It would only lead to additional administrative expenditureTangedco official

Thermal power facing challenge from renewable energy

Telangana Today : March 9, 2017

Increase in the production of renewable energies is posing a threat to thermal power. In the wake of decline in natural resources and upsurge of pollution levels, government has been encouraging people to go for renewable energies such as wind and solar power.

While a few States are using wind energy in a big way, the usage of solar energy has also been enhanced. People are getting attracted towards solar energy since it is less expensive. However, it has become a big challenge for thermal power stations.

Seriousness of the situation can be understood from the power sale statistics of National Thermal Power Corporation (NTPC). Surprisingly, one of the navaratna companies and leading power giant, NTPC failed to sell 1,345 mw power last month.

Disclosing the details in an interactive session with media persons here at NTPC Township; NTPC Executive Director Dilip Kumar Dubey said there was less demand for thermal power in the wake of upsurge in the production of renewable energies in south Indian States such as Tamil Nadu. As a result, they failed to sell 1,345 mw power last month.

Answering a query whether there were bad days ahead for thermal power, Dubey said that situation would always not be like this. The demand for thermal power would automatically go down, if there was higher production of renewable energy. Otherwise, there would be change in the demand, he said.

The global per capital consumption of electricity was 3,000 kWh, but in India it was only 1,000 kWh, he said and added that both renewable energy and thermal power should go ahead parallelly to meet the demand.

UDAY Scheme Makes Power DISCOMs In Rajasthan, Haryana, Chhattisgarh Profitable Again

Swarajya : March 4, 2017

The Ministry of Power under Piyush Goyal had launched Ujwal DISCOM Assurance Yojana (UDAY) in 2015. The aim was to find a permanent solution to the financial mess that government-owned electricity distribution companies found themselves in.

The scheme has now started making a difference, reported *The Economic Times*today (4 March), and is moving towards realising its objective of a financial turnaround and a revival of DISCOMs, which have only accumulated debt over the past decades.

According to the report, the scheme has been adopted in 22 states and has helped DISCOMs there come out of the debt trap. Rajasthan, Haryana, Chhattisgarh and Punjab have emerged as the big gainers.

Dakshin Haryana Bijli Vitran Nigam in Haryana, as *Swarajya* reported earlier, has eliminated losses for the first time ever since its establishment. The DISCOM, which had reported losses of more than Rs 2,088 crore in 2014, registered a profit of Rs 78 crore. In Rajasthan, DISCOMs have projected a saving of Rs 4,697 crore.

Another major achievement is the announcement of power tariffs in 18 of the 22 states, which means they are maintaining financial viability. The Finance Ministry has allowed 12 of the 22 member states to issue bonds worth Rs 194,681.49 crore to alleviate the debt crisis.

The daily quoted an official as saying,

With coal rationalisation and import substitution, NTPC has been able to achieve savings of 32 paise/unit. Even considering coal price hike, increase in clean energy cess & railway freight, there is a net benefit of 6.5 paise/unit.

The ministry has taken other initiatives to restore the financial viability of these DISCOMs too, primarily by making their operations more efficient through training and streamlining of the bureaucratic red-tape. When UDAY was launched, there was ample scepticism about the scheme being yet another attempt to recapitalise loss-making businesses with no accountability. Its success seems to have alleviated some concerns.

Renewables purchase obligations: CERC to make it easier for discoms

Financial Express: March 8, 2017

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The Central Electricity Regulatory Commission (CERC) has proposed to decrease the floor prices of renewable energy certificates (RECs), making it easier for the state discoms to meet their renewable energy purchase obligations (RPOs).

For solar, the proposed floor price is R1,000 per REC, substantially lower than the current rate of R3,500. For non-solar RECs, the proposed floor price has been suggested to be R1,000, down from the current R1,500. The proposed reduction in REC floor prices are in line with the fall in renewable energy costs.

REC mechanism is a market-based instrument to promote renewable energy and facilitate compliance of RPOs. It aims to address the mismatch between availability of renewable energy resources in the states and the requirement of the obligated entities to meet their RPOs. One REC is treated as equivalent to 1 Mwh of green electricity. RPO mandates that all electricity distribution licensees should purchase or produce a minimum specified quantity of their requirements from renewable energy sources. The state electricity regulatory commissions fix the minimum RPO for the states.

The forbearance prices of RECs, or the upper price limit at which the RECs can be traded, have also been proposed to be cut. Forbearance prices for solar RECs may be slashed by more than half to R2,500 from R5,800. The same for non-solar RECs may come down to R2,900 from R3,300.

The average levelised bid tariff discovered in solar auctions between January 2016 to February 2017 has been R4.65/unit.

Since the price evolution in solar has been more pronounced, the fall in solar REC prices, both floor and forbearance, have been much steeper than its non-solar counterparts since 2010. The floor prices of solar RECs in 2010, 2011 and 2014 were R12,000, R9,300 and R3,500 respectively. Non-solar RECs' floor prices have been stagnant at R1,500 since 2010.

A total of 8.61 lakh RECs were traded in the REC trading session held in February at the Indian energy exchange. Out of this, 8.15 lakh were non-solar RECs and the rest were solar. In this quarter, the exchange has already traded 21.49 lakh RECs, 20% more than the trade done in first three quarters of this fiscal.

Apart from a hike in demand, lowering of prices are expected to have other implications as well. There are fears that it would be detrimental to the financial conditions of the established REC projects. It would also make it easier to reach the RPO targets set for the discoms, open access consumers and captive generators. Until February, 1,142 projects were registered in the REC framework.

Kameswara Rao, partner at PwC, said there's no doubt that lower rates will motivate better compliance, and hence will expand the entire market for renewable energy suppliers.

Improvement in RPO compliance by discom has been a key reason for trade of 39 lakh RECs this fiscal (till February) compared to 31.39 lakh RECs traded in fiscal 2016, an increase of about 24%.

Mytrah Energy, a wind power developer, however believes that there would be a short-term rise in REC trading with falling floor prices. The surge in trading would not be significant as purchase of wind and solar power through the bidding route has become a viable option, the company said. Mytrah was one of the successful bidders at the first-ever tariff-based reverse auction for wind energy, where rates touched a historic low of R3.46/unit.

CERC has invited stakeholders' suggestions on the proposal. The quasi-judicial body would hold a hearing later this month before taking a final decision.

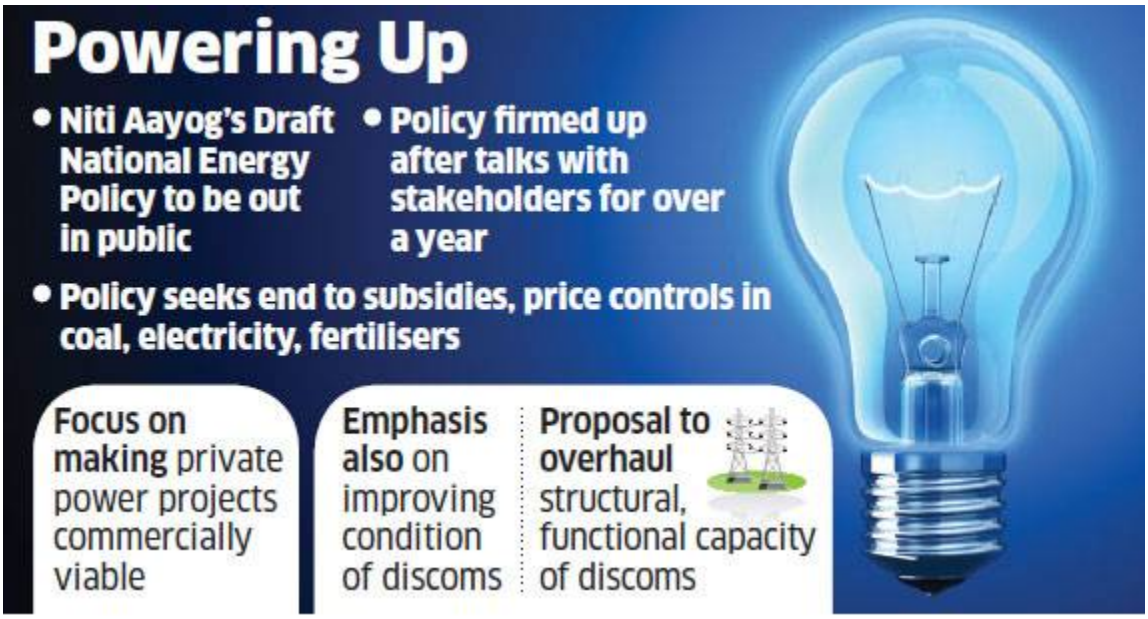
Energy policy may bring subsidy cut, price control in power, fertilisers

The Economic Times: March8, 2017

The government will soon outline comprehensive energy sector reforms that could free up sectors such as coal, electricity and fertilisers of subsidies and price controls, helping produce more power and make generation projects commercially viable for private companies.

The policy could also give greater emphasis towards improving the financial condition of power distribution companies (discoms), which are bogged down by debt, to make the sector profitable in the medium to long term.

Key suggestions being considered include overhauling the entire structural and functional capacity of discoms so that they operate more professionally.



Official sources told ET that after intense deliberations held for more than a year with stakeholders, the government's premier think-tank Niti Aayog has firmed up the National Energy Policy and the first draft will soon be made public.

According to people who spoke to ET requesting anonymity, the electricity and fertilizer sectors are heavily subsidised, which is why their input costs cannot be increased as of now.

"There is a need to bring down subsides in such sectors and the energy policy is expected to lay out a clear roadmap for lowering subsidies and aligning their prices to that of the market," one of the people said.

State discoms should run on commercial lines, either be privatised or run in private-public

partnership mode or as a franchise to become profitable, according to Praveer Sinha, managing director of Tata Power Delhi Distribution.

“While the Central government policies related to the sector are in the right direction, state utilities have to transform in a big way. Enough manpower capacity should be created to run them professionally and there should be integration of technologies between discoms,” said Sinha, who was part of the initial deliberations on the proposed policy.

Ajay Mathur, director general of research institute TERI, is of the view that electricity reforms and coal supply are important to make the power sector commercially viable as well as available to all.

“India’s energy sector needs continuation of strategic procurement policy for oil and gas while harmonising the domestic market.

“Besides, the policy should focus on long-term strategy in the electricity sector to move towards renewables,” said Mathur, who too took part in the initial discussions on the policy.

The Central government rolled out the Ujwal DISCOM Assurance Yojana (UDAY) to help discoms become profitable while finding a permanent solution to their financial mess. The scheme aims to provide a permanent solution to their legacy debt of about Rs 4.3 lakh crore and address potential future losses. ..

The scheme comprises four initiatives for discoms – improving operational efficiency, reducing cost of power, lowering interest costs and enforcing financial discipline through alignment with state finances.

The turnaround scheme allows state governments, which own the debt-laden discoms, to take over 75% of their debt, as of September 30, 2015. Discoms are expected to issue bonds for the remaining 25% of their debt.

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