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21.08.2017

TNERC tariff proposals to give relief to industries

The Hindu: August 18, 2017

Some of the changes in the tariff revision proposals of the Tamil Nadu Electricity Regulatory Commission (TNERC) are expected to give relief to the powerloom units and some of the micro and cottage industries here. However, the High Tension (HT) industries feel the commission has missed an opportunity to reduce the tariff for these industries.

The load limit has been increased to 12 KW from 7.45 KW (10 HP) now for smaller industries and this would benefit the powerloom units, cottage and tiny units. A worker can operate 20 looms. However, now he operates just about 10 looms. With installation of digital meters, even if the unit had 10 HP and the load limit exceeded 7.45 KW, the powerloom units had to pay higher amount. Now, the units can go up to 24 looms, said M. Kumarasamy, secretary of Coimbatore District Jobworking Powerloom Unit Owners' Association.

According to K. Illango, secretary of Tamil Nadu Electricity Consumers' Association, the cross-subsidy surcharge has been reduced for third party power purchase by HT industries and this is a benefit. Similarly, the TNERC has recognised the recent order by High Court and decided that Harmonic control system is not needed for for 11 KV and 22 KV consumers.

There are several litigations as the Tamil Nadu Generation and Distribution Corporation (Tangedco) earlier said that these industries should also have Harmonic control systems, Mr. Illango said.

Currently, industries get 5 % rebate for power consumption during night hours. But, they pay 20 % more for peak hour consumption.

The HT industries wanted removal of peak hour charges for morning peak hours and also sought higher rebate for night consumption. The Tangedco had proposed extending the peak hour to 10 p.m. It is between 6 p.m. and 9 p.m. now. The TNERC has not accepted either the demands of the industry or the proposal of the Tangedco, Mr. Illango said.

The commission should have used the opportunity to reduce the tariff for the industries, he added.

Industries to benefit as Tamil Nadu cuts cross-subsidy surcharges

Times of India : August 17, 2017

The Tamil Nadu Electricity Regulatory Commission (TNERC) has brought down cross-subsidysurcharges (CSS) in the range of Rs1.6 to Rs2.5 per unit and directed the state's power utilityTangedco to reduce power tariffs for industrial and commercial consumers. The high cross-subsidy surcharge was one of the frequent complaints of the industry and commercial establishments.

The revision follows the National Tariff Policy 2016 suggesting a new formula for determination of CSS at a maximum of 20% of the tariff. With the new CSS, industry will be



able to purchase power at a lower rate compared to the present rate even from outside the grid.

Cross subsidy surcharge is levied by state discoms to recover the cost of supplying subsidised power to a section of the population. In Tamil Nadu, subsidised power is supplied to domestic consumers up to a certain slab of consumption, besides hut dwellers and farmers.

"CSS determination should not be violated by the commission at least in this tariff order. The tariff should be designed in such a way that it supports the development of industries in the state," the TNERC said. The per-unit cost for industrial consumers was around Rs7.48 out of which CSS was Rs3.51.

"According to the load generation balance report, the state has surplus power. Thus, the power cost has to be reduced instead of Tangedco's proposal for maintaining the tariffs at the existing level," said the commission.

Industrialists and power experts are elated with the lowering of the CSS. "The TNERC has reduced CSS and aligned it with the National Tariff Policy 2016 and other state discom rates. TNEB will be the first entity to benefit from the lowering of CSS as it will be able to sell power, especially renewable power, to states which are in need," TVS Capital Funds MD Gopal Srinivasan told TOI.

The commission said the base tariff of Rs6.35 per unit for industrial consumers was very high compared to tariffs for other consumers. Moreover, the CSS made it impractical for industrial consumers to buy from power exchanges or generate within the state under the captive power scheme at Rs5.25 a unit, it said.

Tamil Nadu's power loss pegged at 13%, Trichy tops list

Times of India : August 20, 2017

Trichy region has the maximum distribution loss (19.08% - 51.11 million units) in the power sector in Tamil Nadu. Tirunelveli stands second at 15.16%, South Chennai has 13.99% loss and North Chennai 11.50%.

These are the findings of the first-ever region-wise analysis of power distribution loss in the state. Distribution loss occurs owing to old meters, old cables as well as power theft. The total distribution loss in Tamil Nadu is estimated to be 12.91%. With the changing of old meters with digital ones, the loss is likely to reduce in the coming years.

Trichy region comprises Cauvery delta region and Karur district.

"Farmers' connections in delta districts don't have meters and most of them use higher horse power pumps. For example, if a farmer has been permitted to use a 5 horse power pump, he would be using a 10 horse power pump. The extra power used is accounted for as distribution loss," a senior Tangedco official told TOI.

Tangedco estimates that farm power connections could be the main reason for Trichy region topping the distribution loss chart.

In urban areas, the loss is owing to old cables and meters.

"We have a target to lower the distribution loss in urban areas to single digit percentage, but in rural areas we hope to bring it down to 4%," said the official. In urban areas, apart from digital meters, the discom will also set up modern sub-stations to reduce distribution loss.

"Though the investment to set up modern sub-stations like gas insulated switchgear (GIS) is high, such infrastructure needs less land and it will also lower distribution loss. Such sub-



stations will be set up at least in urban areas where acquiring land is a problem," said the official.

Tamil Nadu Electricity Regulatory Commission (TNERC), in its tariff report, has asked Tangedco to differentiate between power theft and transmission loss.

Unless this is done, the distribution loss trajectory may not reflect the ground reality.

Post-UDAY, private sector may get a greater role in power distribution

Business Line : August 11, 2017

The current financial year is the first year of nationwide operation of the 'Ujjwal Discom Assurance Yojana', or UDAY, which aims to improve the financial health of electricity distribution companies (discoms). Experts see a big role for private sector participation in electricity distribution, thanks to UDAY.

Today, 27 states – all but Odisha, West Bengal and Nagaland – have opted to join the Centrally-sponsored UDAY, which works by getting state governments to take over three-fourths of discoms' debts, leaving the discoms with more funds for operations, and putting through incentives-backed measures to ginger up operations.

Tangible benefits

The scheme was launched in November 2015, but as many as 17 states joined it only in 2016-17, nine of them in the last quarter of the year. Yet, some tangible benefits of the scheme are, according to the rating agency India Ratings and Research, already beginning to show up.

Green shoots are seen on the two crucial measures of performance of discoms – in reducing the gap between average cost of electricity supplied and the average revenue realisation and reduction in 'aggregate technical and commercial' (AT&C) losses, which is basically the loss of energy due to inefficiency of equipment and theft of electricity.

The gap between cost and realisation narrowed by 15 paise. Bridging this gap can be done by either raising tariffs, which is politically tough, or by reducing AT&C losses. These 'line losses' have no doubt come down but a lot more needs to be done. AT&C losses came down by 4.22 per cent in the first nine months of 2016-17 over the previous financial year, but that is an average figure. In the first nine months of 2016-17, twelve states saw higher AT&C losses than in the previous year, showing that the picture is not rosy everywhere.

Structural changes

Devika Malik, analyst at India Ratings & Research, notes that the long-term success of UDAY will come only from "structural changes aimed at bringing down AT&C losses and improvement in billing and collection efficiency." This essentially means installing smart meters and making sure that every consumer pays his dues.

Data shows that India has a long way to go in this. Information provided by the Ministry of Power pertaining to 22 states, shows that only 3 per cent of five lakh consumers who consume over 500 kWhr a month and only 1 per cent of 17.5 lakh consumers who take between 200 kWhr and 500 kWhr, are measured using smart meters.

AT&C losses

In improving billing and collection efficiency experts see a greater role for the private sector. Recent experience has shown that in places where the private sector has been co-opted, things have gotten better.



For example, Feedback Energy Distribution Company (FEDCO), which operates distribution networks in four districts of Odisha, serving 5.45 lakh consumers, has been able to bring down AT&C losses by 23 per cent over the last four years.

Similarly, Torrent Power has brought down AT&C losses by 25 per cent in its area, Bhiwandi, in Maharashtra.

Companies such as FEDCO, Torrent Power and India Power (of SREI group, which operates in Gaya) are 'distribution franchisees', to whom the discom outsources operations.

FEDCO, as a distribution franchisee of the Odisha discom, CESU, is unique in that 90 per cent of the consumers in its area are rural. Yet, the company has been able to double collections to Rs. 400 crore in its area in the last four years of its operation, when the input energy increased 22 per cent, thanks to 67 per cent increase in 'average revenue per user'. This was done partly by installing smart meters that leave no scope for human intervention and hence prevent corruption by meter reading staff—a big problem in government-owned discoms.

Consumer resistance

But the issue goes deeper than just installing smart meters. The big challenge is to overcome consumers' resistance for metering. FEDCO's Managing Director, Devtosh Chaturvedi, says that the company maps the villages and segregates the 'problem villages' from the rest.

A separate team that specialises in community engagement takes over the 'problem villages' well before roll-out of meters starts. In the last two years, the number of 'most difficult villages' has come down from 91 to 31, Chaturvedi says. As for collection, FEDCO created a women's self help group, Sefali (for Society's Empowerment for Assured Livelihood), whose job is to collect dues, facilitate new connections and lookout for theft.

On top of all this rides data analytics to detect anomalies that flag frauds like tampering with the meters. This has come in handy many times.

How to privatise

The problem of privatisation of distribution is political. Until the Electricity Act of 2003, there were only two instances of privatisation. The first was Odisha, when the state was split into four; BSES (which became Reliance) bagged three and the American company, AES, got the fourth. The other was Delhi, which went to the Tatas.

However, the Electricity Act introduced the 'distribution franchisee' concept, where the assets remain with the government-owned discom, but the function is outsourced to a private company, which gets paid on the basis of the efficiency it brings into operations. This has made privatisation of distribution function less political.

PPP model

More variants of public-private partnership in distribution are emerging, such as 'management operator' where the key managerial positions of the discom are manned by the private sector, and models where the private sector co-invests.

The imperative of bringing down AT&C losses is giving scope for these many variants of PPPs. "Today discoms want any help in reducing AT&C losses," says Chaturvedi. "They want high accountability private sector participation."

India added more solar power in first half of 2017 than in all of 2016

Business Standard: August 15, 2017



Uncertainty over GST, utilities renegotiating to get better rates pose challenge for future addition

The Indian solar market added 1,869 megawatt (Mw) in the second quarter of 2017, bringing installations in the first half of the year to 4,765 Mw. This figure surpasses the 4,313 Mw installed in all of 2016.

Mercom India Research shows that in the first half of 2017, large-scale solar installations made up 4,290 Mw (90 per cent) and rooftop installations constituted 475 MW (10 per cent) of total installations. Cumulative solar rooftop installations crossed a significant milestone of 1 Gw at the end of Q2 2017.

The Indian solar market had its best first half and is on pace to have its best year, said Raj Prabhu, CEO and Co-founder of Mercom Capital Group.

However, uncertainty around Goods and Services Tax (GST) rates, utilities renegotiating to get better rates, and the recently initiated anti-dumping case has stalled momentum in the sector and could have a significant negative effect on installations in 2018, said Prabhu.

Andhra Pradesh became the first state in India to install over 2 Gw of solar power. Currently, seven states have exceeded 1 Gw of solar installations.

The pipeline of Indian utility-scale projects under construction is currently 12.2 Gw, with about 6.3 Gw of tenders pending to be auctioned.

Solar projects amounting to around 3.4 Gw were tendered in the second quarter of 2017, compared to 1.85 Gw in the first quarter this year. There were 2.5 Gw of solar projects auctioned in Q2 2017, compared to 1.3 Gw in Q1 2017.

The lowest bid in solar reverse auctions declined significantly by about 26 per cent from the first quarter to the second quarter of 2017 and average large-scale solar project costs in Q2 2017 were approximately Rs 4 crore (\$0.62 million) per Mw.

The research firm forecasts 2017 installations to reach 10.5 Gw, which would be a 144 per cent increase year-over-year compared to the 4.3 Gw installed last year.

While the GST rates applicable to the sector have been announced, there is still a lot of confusion and ambiguity surrounding them. Initially, a rate of five per cent was announced for all solar components, which was then clarified to be five per cent only for solar modules and 18 per cent or more for other components.

The second quarter also saw the lowest ever tariff of Rs 2.44 (\$0.037)/kWh in the recently conducted 500-Mw Bhadla Phase-III Solar Park auction. Most utilities now want a similarly low tariff, which has led to delays in power purchase agreement signings, tenders, and auctions.

"Most projects under construction will not be affected, but new tender and auction activity has stalled and most developers are taking a pessimistic view of the recent developments," said Priya Sanjay, managing director of Mercom Communications India.

While power distribution companies are looking for the lowest tariff, the anti-dumping petition filed by domestic manufacturers against solar imports from China, Taiwan, and Malaysia with the Directorate General of Anti-Dumping (DGAD) has been accepted. DGAD has officially initiated the investigation with the possibility of preliminary findings in as soon as two months.

Chinese module prices in India fell by about five per cent in the second quarter of 2017. As expected, module prices firmed up in June due to high demand in China before its feed-in tariff cuts at the end of June.



Chinese module prices are falling less dramatically than in Q3 2016 because the 5.5 Gw top-runner programme and poverty alleviation programme are keeping demand steady.

Meanwhile, developers in the US are looking to procure Chinese panels in anticipation of anti-dumping tariffs in the Suniva case. This presents a challenging scenario for Indian developers who are bidding lower and lower while anticipating that Chinese module prices will continue to decline indefinitely, said Sanjay.

DISCOMs save Rs 15,000 crore under UDAY scheme

The Indian Express: August 16, 2017

As of now, the participating DISCOMs have to issue Bonds worth approximately Rs 37,000 crores, which would be done in due course. Rest of the debt with DISCOMs is mostly in the nature of CAPEX, which pays for itself, or Scheme based debt.

Debt-laden power distribution companies in states which participated in the UDAY scheme, meant for their revival, have saved Rs 15,000 crore till March this year, the power ministry said today. The Ujwal DISCOM Assurance Yojana (UDAY) was launched in November, 2015 and has completed more than 18 months of operation. "The participating DISCOMs have achieved net savings of approximately Rs 15,000 crore till March, 2017," the ministry said in a statement.

The Average Cost of Supply (ACS) and Average Revenue Realised (ARR) gaps have come down by almost 14 paise per unit and the AT&C (aggregate technical and commercial) losses have reduced by almost 1 per cent in fiscal 2017, it said. The ministry said these states have taken over the targeted debt of Rs 2.09 lakh crore of their DISCOMs under borrowing exemption from the FRBM Act given in UDAY for the years 2015-16 and 2016-17. The process of states taking over the targeted debts and issuing them as SDL Bonds has now been completed.

As of now, the participating DISCOMs have to issue Bonds worth approximately Rs 37,000 crores, which would be done in due course. Rest of the debt with DISCOMs is mostly in the nature of CAPEX, which pays for itself, or Scheme based debt, which converts into grants fully or partially. Thus, they are not required to be taken over by the States, the ministry added. Under UDAY scheme, the states would start taking over losses of DISCOMs in a graded manner from now on, starting with taking over 5 per cent of the losses of FY 17 from the current financial year.

Continued, concerted and coordinated efforts by the Centre, States and DISCOMs, in the spirit of cooperative and competitive federalism, would help turn around the Distribution Sector by fiscal 2019, it said.

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