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Wind power tariff in Tamil Nadu drops to 3.42/unit, lowest in country

Times of India : August 29, 2017

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The cost of wind power in Tamil Nadu has fallen to 3.42 per unit, the lowest in the country. The price now is 4 paise lower than that quoted in the Unionrenewable power ministry's wind power tender bid. On Monday, when the wind power price bids were opened, Tangedco found ReGen Power Tech Company had bid for 3.42 per unit for a capacity of 200MW.

"Wind power companies had gone to court on the lower tariff. The case is pending and the letter of allocation will be given only after court disposes the case. At the same time, the court said the tender process can go on and this is why we opened the price bids," a senior Tangedco official said.

The other two companies which quoted more or less around 3.42 per unit are Leap Energy for 250MW and NLC for 500MW. "Besides Regen, two companies had bid for wind power for a total capacity of 900MW. But TNERC had allowed only 500MW this year. Tangedco is seeking permission from TNERC to allow 900MW this year as the price is low," said the official.

Monday's is the second lowest power price in Tamil Nadu and even lower is the wind power that is being purchased by Tangedco at 3 per unit. "There are small wind power companies with a total capacity of 250MW. These are old ones which signed power purchase agreements (PPAs) with Tangedco at the rate of Rs 3 per unit. This is the lowest for Tangedco," said the official.

Tamil Nadu has a total of 7,500MW and 2017 has been the best year for wind power as the discom has been evacuating wind power daily since the season began in May. On July 10, Tangedco evac uated a record 5,079MW for nearly 2 hours from 7pm. 'We have better transmission facilities, including sub-stations, due to which wind power evacuation will be more in the coming years,' he said.

Meanwhile, Tangedco is set to issue a letter of allocation for 16 solar power companies which won the bids at `3.47 per unit.

'Once we issue the letter, these companies can start purchasing land, also arranging finance for the project.The total capacity of solar power this year is 1500MW,' said the official.

KKNPP first unit resumes generation after over 4 months

India Today : August 29, 2017

The first unit of the Kudankulam Nuclear Power Plant, "taken offline" for refuelling and maintenance in April, resumed power generation today, a senior site official said.

"At 06:37 hrs on August 29, 2017 KKNPP 1 was synchronised with the southern grid. Presently the unit is producing 300 MW electricity and the power raise will happen gradually," SV Jinna, Site Director, said in a release.

The 1000 mw VVER (water-cooled water-moderated) unit belonging to the Pressurised Water Reactor category uses enriched uranium oxide fuel to generate electricity, he said.

As per the prescribed guidelines, at the end of a fuel cycle, which approximately lasts for 7000 hours, the used fuel cells are to be replaced with fresh fuel assemblies, Jinna said.

"For this planned activity, the unit was taken offline on April 13, 2017," he said, adding this was the second fuel outage at KKNPP 1, an Indo-Russian joint venture located at Tirunelveli district in Tamil Nadu.

The unloading of spent fuels from the reactor core and loading of fresh fuels had been carried out with the help of a fully automated refuelling machine, he said.

About one-third of the total 163 fuel assemblies had been replaced with fresh ones, while the rest were repositioned for "even burning," Jinna added.

"Besides, various maintenance activities of systems and equipment have also been carried out during this outage.

Subsequently, all the necessary tests were conducted and all the safety systems have been tested as per the regulations," Jinna added.

After fulfilling all the requirements, the unit was "made critical" on August 24 rpt August 24 and mandatory post-criticality tests were carried out, he added.

Unit-2 of KKNPP was under maintenance and will be back on the stream after maintenance is over, he said.

The two 1000 MW power units has so far generated 18758 million units of electricity, he said.

Construction work of units three and four of KKNPP commenced on June 29 with the ceremonial pouring of concrete.

The General Framework Agreement for units five and six had been signed on June 1.

Centre’s must-run path at odds with Madhya Pradesh’s price out strategy

The New Indian Express: August 30, 2017

Madhya Pradesh has become the latest state stonewalling Centre’s bid to promote renewable energy by ranking available sources of generation based on the ascending order of prices, after Tamil Nadu and Rajasthan, which issued random backing down instructions.

The Centre and states are working at cross-purposes in the renewable energy sector. Close on the heels of a move by states such as Rajasthan and Tamil Nadu to stonewall solar and wind power generation by randomly-issued backing down instructions, Madhya Pradesh’s electricity regulatory commission has now floated a proposal that would, in essence, take away the “must run” status of renewable energy and subject it to “merit order dispatch” by the state grid operator.

The move flies in the face of provisions of the Electricity Act, National Electricity Policy and National Tariff Policy to promote use of energy from renewable sources by according it a “must run” status, which emanates from the Indian Electricity Grid Code notified by the Central Electricity Regulatory Commission (CERC) and adopted by the state regulators. The “merit order dispatch”, on the other hand, is a principle followed for conventional generation sources that essentially ranks available sources of electrical generation based on the ascending order of prices and sequences them accordingly. A shift to the merit order dispatch would push costly solar and wind power down the pecking order.

Existing investors in the sector are already wary on account of state-owned power distribution utilities (discoms) in states such as Rajasthan and Tamil Nadu moving to curtail solar and wind power generation and randomly issuing backing down instructions — asking generators to unplug from the grid. Discoms in Tamil Nadu, Madhya Pradesh, Maharashtra and Rajasthan are also reported to be delaying payments to generators of wind and solar power by 6-12 months, putting the cash flows of most of the smaller renewable firms under severe stress.

Ironically, this comes at a time when the National Democratic Alliance (NDA) government at the Centre is pushing an aggressive renewable energy strategy that aims to ramp up the share of green power in the country's electricity supply mix from the current seven per cent to nearly 20 per cent by 2022. In a bid to somewhat mitigate the move by states to blockade renewable generation, the Ministry of New & Renewable Energy (MNRE), on August 23, issued fresh guidelines for competitive bidding for procuring solar power under which it proposed generation compensation for constraints and has stressed on the "must-run" status for solar projects, alongside a stipulation that unilateral termination or amendment of PPAs for solar projects be disallowed.

According to analysts, the MNRE notification, while being a step forward in sending a message to states on reinforcing solar as "must run", falls short on a number of counts. Firstly, there is provision for just fifty per cent compensation against backing down of solar. Further, the compensation for backing down due to transmission constraints is to be made good in the next three years. In effect, this could mean that the notification only brings about partial relief. Also, the principle of deemed generation seems to have been done away with. Also, guidelines for wind are yet to be issued.

Clearly, the Madhya Pradesh proposal of "merit order dispatch" negates the MNRE bidding guidelines for solar power. The amendment by the state regulator on the principal regulation governing the 'Scheduling of Co-generation and Renewable Sources of Energy' proposes that "…the generation from Co-generation and Renewable Sources of Energy shall be subject to "Scheduling" and "Merit Order Dispatch Principles" as decided by the Commission from time to time". Currently, the scheduling of Wind Electric Generators with collective capacity of 10 MW and above and solar generating plants with collective capacity of 5 MW and above are as per the decision of the CERC. Under the current Grid code of Madhya Pradesh, (Reg. 8.3(c)), the state load dispatch centre (the state-level grid manager) is mandated to "regulate the overall state generation in such a manner that generation from power stations where energy potential, if unutilised, goes as a waste shall not be curtailed. These include wind and solar power stations, run of river or canal based hydro stations, hydro-station where water level is at peak reservoir level or expected to touch peak reservoir level (as per inflows) and nuclear power stations.

The slugfest between the states and the Centre on green power comes at a time when capacity addition in the renewable energy sector has shown its strongest performance in 2016-17, with a record capacity addition of 11,320 MW that eclipsed the thermal power segment's 11,551 MW during the fiscal. As of March 31, the total grid-connected renewable power capacity in the country stood at 57,260 MW (close to 20 per cent of India's overall installed capacity of 3,29,000 MW). Based on the current capacity addition targets, India is forecast to meet 19 per cent of its power demand from renewable energy sources in five years, by fiscal year 2022. Commissioned projects being asked to back down is bad news for new projects.

In light of the strong of backing down instructions by utilities in states such as Tamil Nadu and Rajasthan, an increasing number of petitions have been filed by developers before the central and state power regulators. In the last 24 months, there were at least 19 petitions by more than half-a-dozen players — including ReNew Wind Energy, CLP Wind Farms, Orange DND Wind Power, Ostro Renewables, Clean Wind Power (Devgarh), Mytrah Vayu, Tanot Wind Power — alleging that states such as Rajasthan are frequently backing down renewable energy generation on a frequent basis during the peak season citing grid security as the reasons, resulting in generation losses of upwards of Rs 100 crore for these firms on a cumulative basis. "The situation of state utilities forcing solar and wind units to back down continues to date," an executive of one of the affected companies told The Indian Express.

The CERC, while acknowledging the loss of generation for solar and wind players due to grid unavailability or back-down instructions, has now stepped in to mandate that utilities should issue written explanations in the case of back-down instructions that have been issued to renewable players due to issues other than grid security and reliability. The central regulator has directed the National Load Despatch Centre (NLDC), the apex body entrusted with ensuring integrated operation of the national power system, to work with the State Load Despatch Centres (SLDC) to evolve such a framework.

Delayed payments

* Discoms in Tamil Nadu, MP, Maharashtra and Rajasthan are also reported to be delaying payments to generators of wind and solar power by 6-12 months
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Government's Plan Of Setting Up Five Ultra-Mega Power Projects In Limbo?

Bloomberg : August 29, 2017

The government's plan to set up five ultra-mega power projects on a plug-and-play model attracting an investment of about Rs 1 lakh crore remains only on paper two years after the announcement. And that's largely due to a mismatch in capacity and demand.

"One round of bidding was done and nobody participated. Those bidding documents are under review," Power Secretary Ajay Kumar Bhalla told BloombergQuint. The power plants had been planned in Karnataka, Odisha, Andhra Pradesh, Chhattisgarh and Maharashtra.

The government is currently eyeing ultra-mega power plants at Bedabahal in Odisha, Banka in Bihar and Cheyyur in Tamil Nadu, he added. UMPPs are a series of 4,000 MW and above power plants planned by the government aimed at creating an additional capacity of at least 100,000 MW by 2022.

Finance Minister Arun Jaitley had announced the plug-and-play model for big-ticket infrastructure projects in his Budget speech in February 2015. Under this model, winners of such infrastructure contracts can start implementing their projects immediately, with the government putting in place all regulatory clearances.

The Key Hurdles

A senior power ministry official said a power plant of 4,000 MW capacity requires an investment of Rs 25,000 crore. Banks are unlikely to finance these projects and there may be no takers for them at the moment, the official added. Banks could questions why there are no PPAs (power purchase agreements) when there is so much stranded capacity, he said.

India's power plants are forecast to produce 8.8 percent more electricity than its distributors will demand during the year to March, a Bloomberg report had said in June citing the Central Electricity Authority.

He added that it is unlikely that any lender will lend to the sector till the entire capacity gets absorbed in the system.

Vinay Rustagi, managing director, Bridge to India Energy Pvt. Ltd., said the policy has been suffering from both poor execution and irrational bidding by the private sector.

Apart from various delays, the policy has been prone to many disputes. The private sector has not been happy with tender conditions and risk allocation between the developers and state agencies, he said. "Nonetheless, when UMPPs started bidding back in 2006-07, we saw crazy competition resulting in unrealistic tariffs meaning that the projects were unviable from the start."

States producing wind energy asked to ensure regulatory nod for power purchase agreements

The Centre has asked wind energy-producing states to ensure regulatory approval of power purchase agreements (PPAs) signed when tariffs and equipment costs were higher, and use special powers under the Electricity Act to issue directions to autonomous regulators in public interest, if necessary.

Wind energy tariffs set by regulators varied between Rs 4 and Rs 6 per khH but tumbled toRs 3.46 per kwH after the sole wind energy auction in February. This prompted many states to seek lower tariffs from old projects, while several State Electricity Regulatory Commissions (SERCs) held back approval of PPAs already signed, raising serious concerns among wind energy developers and lenders.

The Ministry of New and Renewable Energy (MNRE) has written to seven states for invoking Section 108 of the Electricity Act, 2003.

"It has come to the notice of the MNRE that some SERCs are not according consent for wind power projects which were commissioned before March 31, and for which PPAs have already been signed," said a letter from Bhanu Pratap Yadav, joint secretary, MNRE, to the principal secretaries (power) of Andhra Pradesh, Gujarat, Karnataka, Madhya Pradesh, Rajasthan and Tamil Nadu.

"This creates an atmosphere of uncertainty in the wind power sector and going back on contractual documents like PPAs may not be appropriate." The August 21letter adds that the matter was discussed at a meeting chaired by NITI Aayog vice-chairman Arvind Panagariya and he too had "reiterated that the government should not go back on contractual agreements."

"I request you (principal secretaries) to kindly take up the matter with the SERCs for grant of consent," Yadav added

Power ministry moots direct subsidy instead of cross-subsidising tariff

DNA : August 29, 2017

The Union power ministry has suggested that direct subsidy is a better way to support the poorer categories of consumers than cross-subsidising tariff across the board.

The state electricity regulatory commissions (SERCs) should design tariff linked to the cost of supply of each consumer category, it said.

The ministry has proposed that open access customers should be required to schedule power for at least 24 hours whenever they seek open access and the state electricity regulatory commissions should determine cross subsidy surcharge (CSS) based on the category-wise cost of supply, thus identifying real cross subsidy. Under open access, customers can choose the power suppliers.

The ministry, in a consultation paper on August 25, has stressed the need for tariff rationalisation by SERCs, to enable discoms to recover the fixed cost through fixed/demand charges and variable charges through energy charge.

Besides, the ministry has proposed that SERCs should ensure that distribution companies (discoms) develop the requisite capability and infrastructure to assess the costs incurred in the supply of power to each consumer category.

Further, the ministry has made a case for the introduction of differential cross subsidy surcharge by SERCs as per time of the day tariff for peak, normal and off-peak hours. The ministry has sought suggestions and objections from various stakeholders by September 8.

Former power secretary RV Shahi told DNA, "Open access in distribution had the objective of promoting competition at retail level and consumers of power would have a choice to opt for a supplier. Unfortunately, it could not move forward due to a very high incidence of cross subsidy surcharge and additional surcharge which recently was increased by most of the states to an unsustainable level. Therefore, there is a need to strike a good balance between the interest of discoms and providing competition at retail level.''

Maharashtra Electricity Regulatory Commission's former member Jayant Deo observed that retail tariffs would have been lower reducing CSS through providing direct subsidies. There should be no frequent switching as open access consumers would have a choice of entering into a contract with discom under Section 49 of the Electricity Act. He feared if power ministry's proposals are accepted it may kill the competition instead of its promotion.

The ministry has highlighted issues faced by open access consumers, power sellers, distribution licensees and non-open access retail supply consumers of distribution licensees. The problems are relating to inability of discoms to manage power procurement efficiently due to the high frequency of shifting of open access consumers, insufficient to recover the entire loss of cross subsidy on account of consumers procuring power through the open access route, inappropriate calculation of additional surcharge leading to under recovery of power procurement expenses incurred by discoms and the mismatch between their actual fixed and variable cost liability

Appellate Tribunal for Electricity upholds cancellation of licences of 3 Odisha discoms

The Economic Times: August 22, 2017

The Appellate Tribunal for Electricity (Aptel) has upheld cancellation of distribution licenses in Odisha for three companies for poor performance and financial trouble that hindered their operations.

Distribution firms Western Electricity Supply Company of Odisha Limited (Wesco), North-eastern Electricity Supply Company of Odisha Ltd (Nesco) and Southern Electricity Supply Company of Odisha Ltd (Southco) had challenged the state regulator’s order of March 2015 that terminated their licenses and appointed an administrator.

The distribution companies were earlier controlled by Reliance Infrastructure which subsequently diluted the stake in favour of other group companies. Reliance Infrastructure said the order had not impact on the company.

“The Odisha discoms have been under administrator rule appointed by the Odisha regulator for the last two and a half years and there is no impact whatsoever on Reliance Infrastructure. We are studying the judgement and will decide on our next course of action,” it said in an emailed response to ET's query. The Odisha Electricity Regulatory Commission (OERC), represented by Senior Advocate of the Delhi High Court Prashanto Chandra Sen, had strongly defended its order to cancel the licenses.

The state regulator revoked the distribution licenses on the grounds of high distribution losses, massive erosion of net worth, heavy default in payment of power supplier GRIDCO, inefficient billing, and not adhering to directions for energy audits. Aptel Chairperson Ranjana P Desai and Technical Member NJ Kapoor rejected the argument of the distribution companies that principles of natural justice had been violated and that they were not given proper opportunity for hearing.

Private firms involved in electricity distribution have faced many difficulties including resistance from state governments in matters of raising tariffs. Industry sources say that there are more than Rs 5,000 crore of Aptel rulings in favour of Odisha discoms which the regulator has not given any effect to, leading to the poor health of these discoms.

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