POWER FACTOR

IN-HOUSE NEWS COMPILATION: AUGUST 2014

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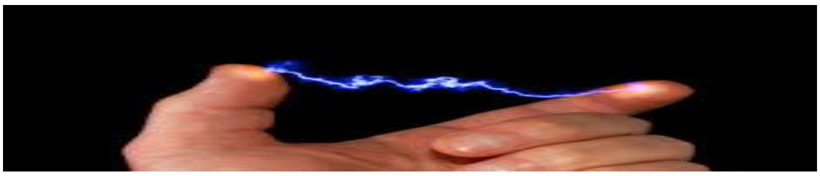

Energy

Exchange Price Index: August 2014

IEX :

Year: 2014

Year | Month		S2
2014	Aug	5625.05

Summary	S2
Average (RTC)	5625.14
Peak	6539.57
Non Peak	5315.81
Day	5810.76
Night	4776.85
Morning	5446.15

PXIL:

Summary

August			
	Area Clearing Price (ACP)		
Sub Region	Min	Max	Avg
S2	1100.00	8000.00	3916.89

News Contents

THE NEW INDIAN EXPRESS

Coal shortages: State-owned power plants bear the brunt

Written by Anil Sasi , Priyadarshi Siddhanta

New Delhi | August 29, 2014 10:47 am

Buttresses allegations of CIL diverting supplies to private plants.

The continuing story of coal shortage that has debilitated electricity generation across the country's thermal power plants has a clear subtext — units run by public sector companies comprehensively outnumber private plants when it comes to the list of key stations forced to shut down due to coal shortages.

Even after discounting for the fact that there are higher number of public sector and state-owned plants operating in the country as compared to those run by the private sector, the latest data on outages (till August 26) prepared by the Central Electricity Authority (CEA) shows that 10 out of 13 stations reported to be under forced outages are those run by public sector firms.

This lends some weight to the allegation levelled by public sector firms that Coal India and its subsidiaries have been diverting coal meant for them to private players. Out of the 10 plants that have been forced to shut down due to inadequate coal supplies as on August 26, there were eight units at five NTPC plants and seven units at five plants operated by the Damodar Valley Corporation (DVC).

An official from the CEA indicated that all of these PSU units have linkages from Coal India or its subsidiaries, with the stations ending up getting much lower than the contracted quantity. For instance, the 705 MW Badarpur plant was being supplied only 65 per cent of the annual contracted quantity by CIL, while NTPC's 2,000 MW Singrauli plant and DVC's 1,000 MW Durgapur plant were was getting lesser than their contracted coal quantities despite being located on the pit-head.

A senior coal ministry official corroborated the broader trend, but blamed state-run power companies for not "bothering to voice their imperatives vis-a-vis the required coal security of the plant", which, he said, leaves the ministry guessing. "There have been occasions when lower rung officials have been deputed for important meetings on the linkage issue … It is imperative to have a system like a joint mechanism to monitor the usage of coal allocated by Coal India," the official said.

While NTPC officials did not offer a comment on the issue, the company — the country's largest power generator — has already indicated that it will import about two-thirds more coal this fiscal year to overcome the shortage of domestic coal at its plants.
The state-run company's total coal requirement for the financial year ending March 2015 is estimated at 177 million metric tonnes (MMT), up from 158.57 MMT in the last fiscal year, chairman Arup Roy Choudhury said. The gap would largely be bridged by importing 17 MMT of coal, as against 10.39 MMT it imported in the previous fiscal, he told shareholders on Wednesday. The three states worst hit due to ongoing power crisis in the northern region are Uttar Pradesh, which had a peak demand shortage of 4545 MW, Punjab and Rajasthan.

In Western India, over 7,600 MW of power generation capacities in Gujarat, or over a quarter of state's total installed 18,510 MW,

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& THE WALL STREET JOURNAL

FIRST PUBLISHED: FRI, AUG 29 2014. 02 14 PM

Australia gets coal purchase inquiries from India

Australia is looking to sell more coal to India as the SC considers whether or not to cancel coal block allocation

Ruchira Singh

New Delhi/Mumbai: Australia is looking to sell more coal to India while the Supreme Court considers whether or not to cancel more than 200 coal blocks next week after declaring their allocation illegal. “There are a lot more enquiries. We have set up programmes (to facilitate coal exports to India),” said Parag Shirname, Queensland’s trade and investment commissioner for India. Queries for Australian coal have picked up since Monday, Shirname added.

Many Indian companies are increasing their coal imports amid a general shortage of the fossil fuel and ahead of the Supreme Court’s verdict expected on Monday. The apex court this week ruled that the government’s coal block allocations between 1993 and 2010 were illegal in a case that concerns more than 218 coal blocks. Amid the uncertainty, coal imports by India are seen getting bigger and more expensive.

Aditya Birla Group’s flagship Hindalco Industries Ltd has just started importing coal for its new aluminium plants, the company’s managing director Debu Bhattacharya said in a recent interview. But the plan is likely to come with a big freight bill as Hindalco’s plants are located far from sea ports. Coal India Ltd, the world’s largest coal mining company is struggling to keep up with the growing Indian demand. It, too, has an import plan so that it can meet the requirements of its clients who have fuel supply agreements with it.

Traders and shippers have already spotted an opportunity and have started to talk up the market, predicting coal and freight prices would rise. Australia has been targeting the Indian market for its mining, energy and resources products and a planned visit by Premier Tony Abbott to India next week would put the spotlight on trade between the two countries. Bilateral trade relations are also likely to be discussed on the sidelines of a G-20 world leaders’ meeting slated to take place in Brisbane in Australia in November. Also on the agenda for Brisbane is Australian uranium exports to India, Shirname added.

Business Line

Peak power tariff surges in open market to ₹10.88/unit

PRATIM RANJAN BOSE

Fallout of drop in hydel power supply, coal linkages to plants, say players

KOLKATA, AUGUST 27:

The average merchant power tariff has surged from ₹3.74 a unit to ₹6.99 a unit between August 19 and 26, according to the Indian Energy Exchange (IEX). Peak tariff moved up to ₹10.88/unit, a record in recent history.

For more than a year, the electricity generation sector has been suffering from lukewarm demand and falling plant load factor.

Barring the four southern States, suffering from grid constraints, round-the-clock average tariff in the North and Western region barely crossed ₹3.5 a unit, even in peak summer.

“I have never seen open market tariff moving so wildly, in the rainy season,” said a senior official of a generation outfit. “The tariff is so high that even imported fuel based plants can make handsome profits,” he added.

What is striking though is he doesn’t have much clue about the reasons behind such volatility in tariff. NTPC sources claim that a sudden fall in hydro-electricity supplies, coupled with glitches in fuel supply to a number of company plants including Sipat, Korba Simhadri and Ramagundam have led to an increase in tariff.

However, sources in a major power exchange say, hydro-electricity supplies were down by 3,000 MW for only two days last week, as most facilities went on a de-silting exercise.

Coal India sources confirmed that there was issue with supplies to NTPC’s Sipat unit from a dedicated mine in Korba earlier this month due to malfunction of a conveyor belt. But that has been resolved.

Supply up

Overall, its supplies to the power sector are significantly up this year, compared to last year. Not much disruption is recorded in the production side either. Despite heavy rains this season, in six out of the seven mining subsidiaries, August production is more or less on target.

NTPC sources also confirm an improvement in fuel scenario of late. The company, however, has grievances on low assured supply (65 per cent of requisite quantity) to new units. But that is an industry-wide phenomenon.

Even thermal imports are up 20 per cent (10 mt) during April-July this year, confirms Viresh Oberoi, MD and CEO, mjunction services ltd.

Sudden demand

An analyst, who did not want to be named, said most of the generation utilities were not ready to meet such a sudden drop in supplies from the hydel sector. This, coupled with the generally subdued coal supplies due to rains, may have worked wonders.

(This article was published on August 27, 2014)

Business Standard

Public, private power plants shut 4,000 Mw in Western region

Five states likely to face power shortage

Just a day after Supreme Court ruled that Tata Power's ultra mega power plant and Adani Mundra power plant cannot levy additional power tariff due to fuel cost going up, around 3,000 Mw of power generation in the western region was closed down citing coal supply shortage.

As per the report from the Western Regional Load Despatch Centre in Mumbai, Lanco, NTPC, MahaGenco and India Bulls with a cumulative capacity of 4,550 mw were unable to supply power in the western grid on Wednesday.

This could lead to potential power crisis in five states vis a vis Gujarat, Maharashtra, Haryana, Madhya Pradesh, Goa and union territory Daman & Diu.

The report mentioned that Adani Power also shut 2,700 mw of its Mundra plant on Thursday afternoon, which made the matters worse.

“From afternoon of 27.08.2014 the generation availability has further reduced by 2.700 Mw because of closing down of units in APL-Mundra. The 330 Mw unit #2,3 and 4 of APL Mundra have been closed down reportedly on coal shortage. The 660 Mw units # 7, 8 and 9 (stage-3) have been closed down reportedly on account of payment default of Haryana utilities.

Among the defaulters is also the 4,260 Mw Vindhyachal power plant of state owned NTPC, which had pressed the panic button last week saying that two units each of 210 Mw and two each of 500 Mw are not operating due to coal shortageand rest working on half of their capacity.

NTPC’s Vindhyachal power plant is one of the six plants of the company which were facing critical shortage of coal. In a letter to the power ministry last month, NTPC said six of its power plants had reached a critical level of coal stock, and these are Rihand, Vindhyachal, Sipat, Simhadri, Ramagundam and Singrauli with a combined capacity of 16, 840 Mw.

Station	Location	Agency	Total Capacity	Loss of Generation (in MW)
Bhusawal	Maharashtra	MahaGenco	1420	888
Khaparkheda	Maharashtra	MahaGenco	1340	465
Parli unit-4	Maharashtra	MahaGenco	210	210
India Bulls unit-2	Maharashtra	India Bulls	270	270
Lanco (2x300)	Chattisgarh	Lanco	600	600
Vindhyachal unit - 2	Madhya Pradesh	NTPC	210	210
Vindhyachal unit 7	Madhya Pradesh	NTPC	500	500
TOTAL			4550	3143

Mundra based ultra mega power plant (UMPP) of Tata Power also reportedly shut two units of 800 mw each. But the company officials said the units were not shut but tripped due to technical snags. "Tata Power's Coastal Gujarat Power Limited (CGPL) would like to inform that it's maintaining declared capacity. However Unit #2 of the UMPP has been down due to a boiler tube leakage while Unit #4 got down due to reheater tube leakage today. 2400 MW is functional. CGPL would like to add that it continues to look for early resolution to the ongoing issue of under-recovery of fuel price," said the statement issued by Tata Power.

Adani Power did not respond to the questions sent on coal shortage and payment delay from the Haryana utilities.

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FIRST PUBLISHED: TUE, AUG 26 2014. 01 38 PM

Foreign coal traders delay supply talks as price rise seen

Traders want to see if court will cancel allocations in its 1 Sept verdict, which could give them better realizations from India

Mumbai: International coal traders are delaying talks for supply contracts with India as they want to see if the Supreme Court will cancel coal block allocations in its 1 September verdict, which could give them better realizations from India. “Indonesian miners are delaying any long-term negotiations… they are trying to slow down the trade,” said Prakash Duvvuri, head of research at natural resources website Oreteam. “They are trying to assess the impact of the India factor first.”

The Supreme Court on Monday said coal mines allocated between 1993 and 2010 are illegal and that it will have a separate hearing on 1 September to see whether to cancel the blocks or impose penalty. Coal prices in the international market did not move much on Tuesday as the coal market is oversupplied.

However, they may rise in future due to the possibility of higher imports from India and other factors, experts said. “It is too early to say if prices will move,” said Vinay Prakash, chief executive officer (coal and carbon credit) at Adani Enterprises Ltd, one of the largest coal importers in India. “There will be an increase in demand of imported coal if running mines are cancelled.”

The possibility of higher international coal prices will be a double whammy for companies dependent on coal as they were looking for softer prices of the mineral to ease high costs on their balance sheets. “If mass deallocations do happen, both coal prices and freight rates will shoot up on an expected increase in import volumes,” Punit Oza, vice-president and head of Supramax Pacific at ship operator Torvald Klaveness Group in Singapore.

“The timing could be quite bad since the Chinese are also expected to import more volume from September to stock up for the winter and as the domestic coal output freezes over. This could push the prices even higher,” Oza added. Oza said the October quarter will see a revival in Indian imports as the monsoon will be over. Moreover, Indonesia will be bringing in a new export licence requirement from 1 October. “So come October, cheap prices will not be available,” said Oza.

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TIMES OF INDIA

Coalgate: A whiplash for power, steel companies

Sanjay Dutta,TNN | Aug 26, 2014, 03.49 AM IST

NEW DELHI: Monday's Supreme Court ruling on allocation of coal blocks has created an air of uncertainty for public and private sector players in the power as well as steel industries.

Companies such as Jindal Steel and Power Ltd, the Tata group, Monnet and Reliance Power in the private sector would be hit if the court finally cancels allotments of their captive mines.

Government entities such as NTPC and state utilities too stand to lose unless the court finally decides to distinguish between allocations made under government dispensation and to private companies through the screening committee.

Ironically, those who have producing mines or have made substantial progress in their blocks stand to lose most in case of cancellation. Both JSPL and the Tata group have producing mines. These would be affected in case allotments are cancelled.

OF MEETINGS & VIOLATIONS

How norms were thrown to the winds at every screening panel meeting

MEETING	DATE	VIOLATIONS
1st to 21st	14.7.1993 to 19.8.2003	Guidelines used by screening committees "conspicuously silent on... priority between applicants for same block." New guidelines in 18th meeting didn't contain objective criterion to determine priority of applicants or merits of applicants, lack in healthy competition and equitable treatment
22nd to 30th	4.11.2003 to 18.10.2005	"Guidelines applied by screening committee cryptic... hardly meet requirement of constitutional norms to ensure fairness, transparency." In **24th meeting,** committee altered norms shifting insistence on achieving financial closure of end-use projects. Panel "noted particulars of applicants but how each met parameters neither mentioned nor discernible"
32nd to 36th	29.6.2006 to 3.7.2008	**32nd meeting does not show reasons for allocating three blocks jointly to more the one company.** Some **firms without state** govt **recommendation given blocks.** Minutes of 33rd, 34th meetings **don't show how companies chosen** for recommendation were determined. A **company with no recommendation** was **given block.** In 35th meeting, recommendation to give 15 blocks reserved for power sector doesn't have particulars showing consideration of each application. **8** companies **recommended by** power **ministry not recommended** by **screening committee; 11 not considered** by power ministry **recommended** by committee. 36th meeting minutes don't contain particulars showing each application for **23 coal blocks** for non-power sector

While blocks allotted to Reliance Power's Sasan ultra-mega power project has been spared, the company may have to shelve the Chitlangi project as the court has struck down supply of surplus coal to the proposed plant from Sasan mines. Without Chitlangi, Sasan can prove to be economically unattractive because of its low tariff.

Cancellation of allocations may give rise to other legal issues over compensating the allottees for investment already made. This can take time and the mines could get bogged down in dispute over valuation and rate of compensation.

There are cases where the allottees, for example JSPL and the Tata group, have completed their end-use plants but their captive blocks are stuck. Such allottees have been finding it tough to firm up supply linkages from other sources. Such cases will face more delays in linkages.

Cancellation of blocks allotted to state companies could throw up peculiar problems by way of affecting their mine developers and operators.

Even if the court slaps a penalty and/or penal interest, the financial burden would be crippling for the allottees. The ripples could hit the banking sector hard.

THE NEW INDIAN EXPRESS

Unscheduled Power Cuts Back to Haunt Industrial Sector

By Express News Service

Last Updated: 23rd August 2014 06:30 AM

Email2

VISAKHAPATNAM: Due to the shortfall in power generation, the Andhra Pradesh Eastern Power Distribution Company Limited (APEPDCL) is again implementing unscheduled power cuts in its region. All the industries have been directed to limit power usage to 30 per cent from 7 pm to midnight.

Due to the low power allocation, the APEPDCL officials say that the unscheduled power cuts are inevitable given the poor generation. Due to the overhauling and other maintenance works, two (500 x 2) MW units have been shut down at the 2,000 MW capacity Simhadri Thermal Super Power Plant of NTPC, Paravada. During the past four days, the earlier power cut timings are being implemented in Srikakulam, Vizianagaram, Visakhapatnam, East and West Godavari districts. According to officials, the average power allocation is 1,500 MW while the demand is over 1,700 MW.

“There is no option but to impose power cuts to balance power and demand. However, there is no change in the timings which were announced in summer,” a senior EPDCL official said.

As per the previous timings, in Visakhapatnam city, the power cut is for a duration of two hours in two phases, while in the municipalities it is four hours in two phases. In rural areas, power cut is being imposed for six to eight hours in two phases. However, the official added that the power cuts were being imposed only during daytime.

Admitting the severity of power crisis, the official said as there was no impact of the monsoon, the power consumption is the same as in peak summer.

“To ensure uninterrupted power supply at nights to domestic connections, we have directed the industries to minimise the usage of power to 30 per cent from 7 pm to midnight. More restrictions will be imposed in the future,” the official added.

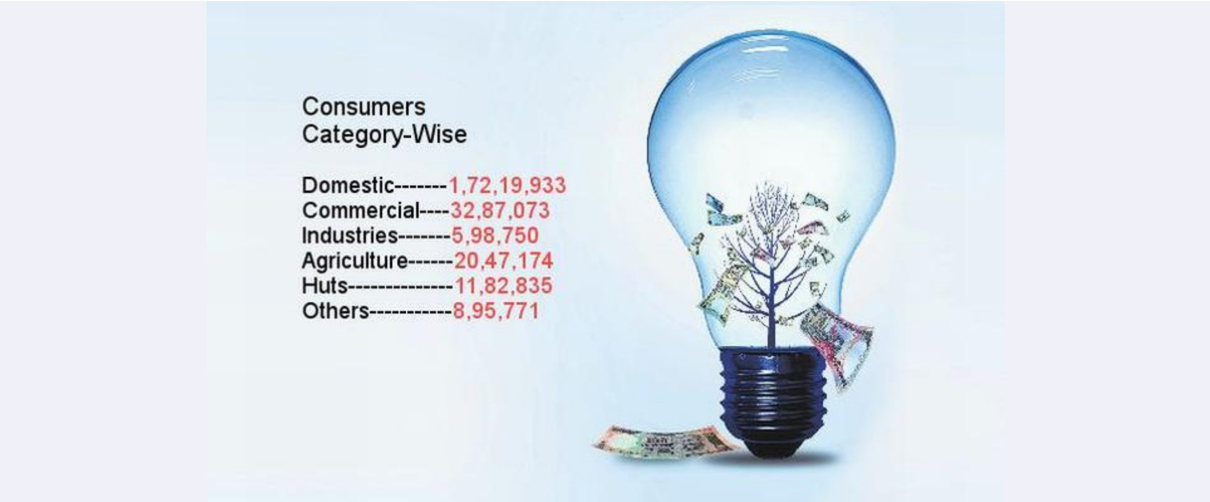
THE HINDU

CHENNAI, August 19, 2014

Updated: August 19, 2014 12:30 IST

Tangedco: Cash strapped

B. ARAVIND KUMAR



The Tamil Nadu Generation and Distribution Corporation continues to incur huge losses every year despite hefty government subsidy.

The Tamil Nadu Department of Energy signed a Memorandum of Understanding (MoU) with the Union Ministry of Power in January 2002 on power sector reforms. The agreement committed both the State and the Centre to the reforms.

One of the milestones identified by the agreement was to achieve break-even in the current operations in distribution by March 2003. However, Tamil Nadu is not even in a position to dream of it.

A decade later, an audit shows the Tamil Nadu Generation and Distribution Corporation (Tangedco) incurred Rs. 11,679 crore in loss during 2012-13.

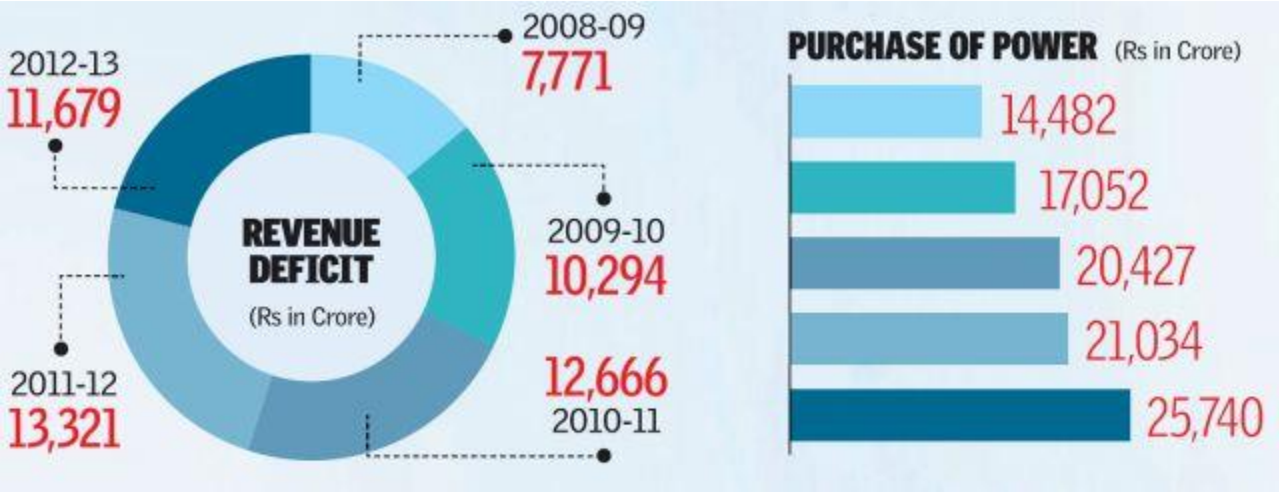
One of the major sources of revenue for the Tangedco is the money from the sale of power. It was about Rs. 26,000 crore during 2012-13. The utility bought power for Rs. 25,740 crore. The cost of generation was Rs. 6,614 crore.

"There is something called the average purchase cost. It is the cost of production per unit based on the cost of generation and power bought. At present, this cost is Rs. 5.50 a unit," says an official familiar with the Tangedco's finances.

Stating that the unit cost of generation was not higher than that in some other States, Tangedco officials admit that it will be a cause for concern in the long run, especially if there is a push towards renewable energy, especially solar energy.

The Tangedco spends about Rs. 4,000 crore on employee cost and Rs. 5,500 crore on interest and finance charges. This adds another Rs. 10,000 to its expenditure account. While the total income was Rs. 31,467 crore, the expenditure was Rs. 43,742 crore during 2012-13, leaving a deficit of Rs. 11,679 crore. The same year, the Tangedco's net worth was Rs. (–) 26,248 crore and working capital was Rs. (–) 15,594 crore.

The accumulated loses have more than doubled in the past five years to Rs. 38, 480 crore. Of the State's 64 Public Sector Undertakings, 19 incurred a loss of Rs. 14,232 crore during 2011-12 and the Tangedco lost Rs. 13,321 crore.



Twice, the State government — read the Jayalalithaa-led AIADMK government — increased power tariff. After the 39-0 drubbing in the 2004 Lok Sabha elections, the increase effected a year earlier was rolled back.

During the DMK regime in 2010, a partial revision was carried out. It targeted high-end domestic consumers. In April 2012, a major hike was effected.

"The Tangedco continues to suffer losses for every unit generated and distributed even as we speak," admits a senior Tangedco official.

Can it be bailed out?

"It is a political decision. Remember, this is a welfare state."

(*Additional reporting by Ajai Sreevatsan*)

TIMES OF INDIA

Power shortage again as energy from wind dips

B Sivakumar,TNN | Aug 20, 2014, 01.14 AM IST

CHENNAI: After enjoying continuous power supply for nearly a month, several parts of Tamil Nadu, including Chennai, experienced outages as wind energy dipped below 20MW.

The peak shortage on Monday evening and Tuesday morning ranged between 344MW and 453MW despite increased generation from state-owned power plants.

Sources in the Tamil Nadu Electricity Board said power problems faced by residents in Chennai were mostly due to local transmission glitches. "The outages in the city could be attributed to isolated problems, in substations or transformers. But, in other parts of the state, the problem was due to a growing shortage," said an official, seeking anonymity.

With no new projects in the offing, the TNEB has to manage the growing power demand with three plants under construction by the Neyveli Lignite Corporation (NLC). The two NLC thermal plants in Tuticorin, each with 600MW capacity, is likely to be commissioned in a month's time and TN will get at least 600MW from the two units. Apart from this, another small thermal plant in Neyveli is also likely to be commissioned soon. "The power situation in Tamil Nadu is rather precarious. So, how can the state call itself power surplus?" said KPMG power expert Arvind Mahajan.

For Tamil Nadu to advance from the present acute situation to a state of surplus, there should be more capacity addition and transmission problems need to be sorted out, he said. "For this to happen, the government should make more private power producers set up thermal plants in the state. This way the government need not invest several crores of rupees to set up new plants," he said.

On Tuesday, some of the power plants managed by the centre were also down due to maintenance, adding to the state's woes. While the demand stood at 11,000MW, the TNEB continued to grapple with a shortage. If the demand crossed 12,000MW, all power plants would have to function at maximum capacity.

The state government's project to get power from private producers from northern states is also facing hurdles despite the commissioning of the Sholapur-Raichur transmission line. "We are only hoping to get 1200MW from private producers through this line. The chief minister has written to the prime minister to open the line for Tamil Nadu. Only if this happens we will be able to get the power from north for 15 years," said a TNEB official

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THE HINDU

CHENNAI, August 15, 2014

Updated: August 15, 2014 02:45 IST

Help free up power corridor, CM urges PM

L. RENGANATHAN

‘Enable Tamil Nadu to get its due share from western and eastern regions’

Chief Minister Jayalalithaa has sought Prime Minister Narendra Modi’s intervention to free up the power transmission corridor to enable the State to get its due share of electricity from the western and eastern regions.

Tamil Nadu’s ‘Long Term Access (LTA) Entitlement’ in the allocation of transmission capacity by the Power Grid Corporation of India Limited (PGCIL) to evacuate power from the western and eastern regions should not be curtailed, Ms. Jayalalithaa said in a letter.

Pointing out that the Tamil Nadu Generation and Distribution Corporation Limited (Tangedco) had signed 15-year Power Purchase Agreements (PPA) with private producers for 3,330 MW commencing 2014, she said that of this, 2,158 MW was contracted from private generators outside the south. These suppliers had applied for LTA to the PGCIL.

Ms. Jayalalithaa said that though a 4,000-MW Sholapur-Raichur inter-regional transmission line had been commissioned for transferring power from the western region to the south, the operational limits set by the PGCIL resulted in “only 350 mw flowing to the southern region now.”

Even as the applications for LTA of long-term power suppliers to the Tangedco had been pending with the PGCIL since November 2013, Ms. Jayalalithaa said the Power Ministry allocated an additional 377 MW of ‘surrendered power’ from the Delhi government to Andhra Pradesh, Telangana and Kerala, over and above the 316 MW allotted to these States up to March 31, 2015.

This, Ms. Jayalalithaa said, “will adversely affect” Tamil Nadu availing itself of transmission capacity under the LTA, as “even temporary allocation of power from the Central Generating Stations (CGS) is considered equivalent to long- term power for allocation of transmission capacity.”

Emphasising that the State’s entitlement should not be curtailed, Ms. Jayalalithaa urged Mr. Modi to advise the Power Ministry and the PGCIL to “consider the LTA applications of power suppliers to Tamil Nadu without taking into account the temporary allocation of surrendered power of 693 MW to some of the southern States.”

The PGCIL should also review its ‘transmission reliability margin’ so that Tamil Nadu got “its rightful share of LTA” in inter-grid transfers, she added.

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India faces daily power outage of 30,000 MW

FIRST PUBLISHED: MON, AUG 11 2014. 01 08

India faces daily power outage of 30,000 MW Breakdowns and repair and maintenance work of power plants are reasons for the shortfall in electricity

Utpal Bhaskar

New Delhi: Even as large parts of the country face a power shortage, around 30,000 MW—nearly enough to meet the combined demand of all south Indian states—is lying idle because of breakdowns and repair and maintenance work on power plants. With India facing a peak electricity shortage of 3.7% in June, daily power outages have become a cause of concern for the government and been flagged in the internal meetings of the power ministry. “There is a daily outage of more than 30,000 MW,” said a government official, requesting anonymity.

The southern region, which includes the states of Andhra Pradesh, Telangana, Karnataka, Kerala and Tamil Nadu, and the Union territories of Puducherry and Lakshadweep, had a peak demand of 36,181 MW in June, of which 33,698 MW was met, according to the Central Electricity Authority (CEA), India's apex power sector planning body.

India's per capita power sector consumption, around 940 kilo watt-hour (kWh), is among the lowest in the world. In comparison, China has a per capita consumption of 4,000 kWh, with the developed countries averaging around 15,000 kWh of per capita consumption. "The generation outage is primarily due to repair and maintenance of power generation projects and breakdown of old units.

There are two types of outages—planned outages and breakdowns. It is a cause of concern," said a second government official, who also didn't want to be identified. There have been instances when soaring electricity demand and lower output from hydro power plants have delayed annual repair and maintenance work on thermal power plants during the monsoon season, exposing the coal-fired generation units to the risk of breakdown. Queries e-mailed to a power ministry spokesperson remained unanswered.

While India has installed power generation capacity of 249,488.31 MW, daily generation is only to the tune of 135,000 MW. Analysts say the data doesn't capture the real demand, ascribing the lower deficit to the unwillingness of state electricity boards (SEBs) to buy enough power because they cannot afford to do so. Power distribution companies owned by state governments owe Rs.2 trillion to lenders. This has reduced their ability to buy power. This is exacerbated by India's aggregate transmission and commercial (AT&C) losses, which are at 26% of generation. "This inefficiency is the main cause of high power tariff which ultimately leads to lower demand from SEBs," UBS Global Equity Research said in a 31 July report.

Analysts also expressed concerns about the outages. "Electricity power systems have to maintain certain margins to maintain certain level of reliability taking into account planned and unplanned shutdowns—this explains the difference between installed capacity and met demand," said Debasish Mishra, senior director, consulting, Deloitte Touche Tohmatsu India Pvt. Ltd.

"We now have almost 250 GW (giga watts) of capacity, while the catered demand is only around 135 GW. Typically, for a supply mix like that of ours, 30% is a reasonable system margin. Right now, we are having more than 45% margin. This effectively means there is lots of unplanned shutdowns in the system because of older generating assets, hydro power not catering to peak because of bad operation planning and possibly fuel shortage," Mishra added.

The issue assumes significance given India's worst blackout that left nearly 620 million people without electricity in 2012. On 31 July, the northern grid collapsed, and on 1 August, in a wider blackout, the northern, eastern and north-eastern grids broke down. It was the largest known blackout in world history, Piyush Goyal, minister in charge of power, coal, and new and renewable energy, informed Parliament on 6 August. "Loss of load probability (LOLP) is an important element in electricity system planning. India follows a 0.2% LOLP, while advanced countries follow 0.1%, which effectively means that our system is designed to have maximum disruption of 16-18 hours in a year while in advanced countries it is less than 10 hours. To maintain higher reliability, system has to maintain higher margin," Mishra said.

TIMES OF INDIA

Adani buys out Lanco's 1200 MW Udupi power plant for $1 billion

Piyush Pandey, TNN | Aug 13, 2014, 10.02PM IST

MUMBAI: Gautam Adani led Adani Power has bought Lanco Infratech 1200 MW Udupi power plant for over Rs 6,000 crore ($1 billion), comprising of Rs 2000 crore of cash and Rs 4,000 crore of long-term debt.

The Lanco Udupi power plant has already signed with Karnataka Government for further expansion of 1320 MW.

Debt laden Lanco Infratech Limited (LITL), is an integrated infrastructure player in the country having business verticals in EPC, power, solar, natural resources and infrastructure

The imported coal based thermal power plant of Lanco in Udupi, which supplies 90% of the power generated to Karnataka and 10% to Punjab, is the first independent power project in the country based on 100% import coal with a captive jetty of 4 million tons per annum and an external coal handling system in the new Mangalore Port Trust. The capacity can be, if required, expanded to handle another 4 million ton capacity.

"For Lanco Infratech, this transaction will support the company in reducing its debt and will enable Lanco to receive about 2000 crore as cash and additionally, Adani Power will take Udupi Power's long-time debt of around Rs. 4,000 crore," said Lanco in a statement.

The deal is likely to further consolidate Adani Group's position as India's largest private sector power producer with a capacity of about 10,000 MW. The group, with a capacity of 8,620 MW, plans to more than double its generation to over 20,000 MW in the next five years.

The move comes on the heels of India's biggest power-infrastructure deal outside telecom, withReliance Power pipping the Adani Group and JSW to acquire Jaypee Group's hydel power projects last month for around Rs 12,000 crore.

Adani Power is also learnt to be in talks with debt laden companies for buying out their power plants that includes Indiabulls for buying out its Amravati power plant and with Jaypee Group to buy out its Bina power plant.

The consolidation in the ailing power sector is seen as a sign of revival with serious players looking to buy distressed assets of 50,000 MW in the secondary market.

Shares of Lanco Infratech closed down 5% at Rs 8.5 while shares of Adani Power closed down 3.7% to Rs 52 in a stable Mumbai market on Wednesday.

Business Line

TN power cos cry hoarse over 'unkept promise'

M RAMESH

CHENNAI, AUGUST 8:

On the 27th of May, the Chief Minister of Tamil Nadu, J Jayalalitha, said in an official statement that she had instructed the government-owned electricity utility, TANGEDCO, to purchase "all the power" from the wind farms in the state. This statement brought major relief to the wind power producers, who flooded the newspapers with requests to carry their press releases to thank the Chief Minister.

Three months down the line, they are an unhappy lot. TANGEDCO buys only a part of the electricity the wind power companies even though it is cheap (Rs 3.51 a kWhr) and clean.

Data from the State Load Despatch Centre shows that between May 15 and July 15, the 37 sub-stations in the state shut down for 5,830 hours—the windmills that feed power to these sub-stations could not do so during those hours.

The worst affected were the eleven substations in Uthumalai, Udmulpet and Thandayarkulam, most of which were shut down for over 300 hours.

Wind power generators in Tamil Nadu are losing between 20 and 25 per cent of generation due to the "back down".

Last year, wind companies in the state lost at least 2.5 billion kWhr of electricity, worth Rs. 600 crore, at TANGEDCO's average cost of power. (Another estimate, of the Tamil Nadu Spinning Mills Association, whose members own 3,500 MW of wind power capacity, puts the loss at 4.4 billion units.)

"They have ruined my investments," said the Managing Director of one large wind power producer company, who pleaded not to be named.

While the government-owned utility backs out of buying as much as the power that windmills in the state generate, it buys more expensive power from elsewhere—raising uncomfortable questions. For instance, in the first seven days of August, Tangedco has purchased 80 million units and 22 million units of power under medium term and long term arrangements.

While TANGEDCO has refused a comment, industry experts feel that the utility is trying to hide its expensive power purchase behind the argument that wind power is fickle, while the bought-out power is firm.

Many wind power producers are today in a position to predict their generation in 15-minute time intervals of the next day, with a very high degree of accuracy. For instance, the Ramco group, a large wind power owner, says it can provide generation predictions with 85 per cent accuracy.

When it is known that wind power would come down, it is possible to switch on the 'peaking capacity' the state has—gas or oil fired plants that can start generating within minutes.

In any case, TANGEDCO may have its problems, but "what about the promise made by the Chief Minister," asks the chief of another large wind power producer, who also requested not to be named.

(This article was published on August 8, 2014)

THE ECONOMIC TIMES

Rising valuation gives power producers new hope

By Mitul Thakkar, ET Bureau | 8 Aug, 2014, 05.37AM IST

Rising share prices of many power firms and prospects of better fuel availability have prompted some developers to go slow or ask a higher price for projects that seemed hopeless a few months ago, although some large groups with unmanageable debts would still have to exit to repay loans.

Jindal Steel and Power Ltd (JSPL), which earlier planned to sell its proposed 1,800 mw Kamala hydropower project in Arunachal Pradesh to state firm SJVN Ltd, is considering several options now, said Ravi Uppal, MD & Group CEO of JSPL.

"JSPL is open to unlock value of Kamala project by reaching out to various developers," Uppal said and did not rule out possibility of the JSPL developing Kamala project on its own. Essar Energy CEO Sushil Maroo said many developers were were no longer desperate to exit.

"Expectations of developers who wanted to sell their power generation assets have gone up due to improved sentiments in the sector. Improved prospects have reduced sellers' desperation to exit from power sector," said Maroo.

Struggling developers who put their total 35,000-50,000 mw of generation capacity on the block are becoming confident of coal availability, quicker green nods and even additional finances to put their projects back on the on the track.

Announcements in union budget to provide 'coal for all' projects and recent deal worth Rs 12,300 crore between Reliance Power - and Jaypee Group too has enthused investors confident of good days ahead for power sector.

KPMG India's head of infrastructure and government services Arvind Mahajan told ET that companies with potential to access funds will try to complete their ongoing projects or improve performance of operational projects in next few quarter to go for listings with improved balance sheets.

"Earlier, market was not conducive for power project developers to raise money through public issues but they are optimistic now in a changed scenario. So, stronger companies will wait and watch instead of hurrying up. However, companies that diversified into power sector with single generation asset may continue to look for buyers due to pressures from the financiers," said Mahajan.

The valuation of major power producers such as as Tata, Adani, Essar and Reliance Power have gone up by at least 25 per cent in past few months in the stock market as investors are anticipating recovery in the sector.
According to Mahajan, India will witness demand for electricity going up from 2016-17 onwards if the economy start doing well. "Developers did not announce new projects in past 2-3 years and power projects that are under commissioning at the moment will have good market opportunities," Mahajan said.

The minister for power, coal and renewable energy Piyush Goyal says many international investors have sought appointments to participate in Indian power sector. Goyal had earlier requested financial institutions to prepare a roadmap of recovery for beleaguered power projects. Power sector executives are confident that the government's approach should revive the sector.

"The policies and initiatives of the government to enhance the interministerial coordination and formation of new redressal forums among others appear to have gathered momentum. This, I feel, should provide a long overdue stimulus to the sector and we hope to see the positive impact in the months to come. This shift in functioning of the government is apparently at the of the positive sentiments," said Ravi Arya, Hindustan Power Projects' president for thermal projects.

BW | BUSINESSWORLD

06 Aug, 2014 12:13 IST

'Why Keep Coal For Power Plants Which Will Come Up In 6-7 Years'

Essar Energy CEO Sushil Maroo feels the build and transfer model does not work in the power sector

With the change of the government at the center, there is new hope among power plant developers. BW| Businessworld spoke with the CEO of **Essar Energy, Sushil Maroo** at the 15th Regulators and policymakers Retreat 2014 organised by the Independent Power Producers Association Of India (IPPAI).

Excerpts from the interview.

What is the biggest problem for the power sector today?
Today there are stranded power plants with a generation capacity of 35,000 MW in the power sector. For these plants, fuel availability was the biggest issue. Some could not sign the Fuel supply agreement (FSA). Some who signed FSA did not get fuel even after that. Some got stuck because of environmental issues. Companies had made large investments in these plants but because of all these issues they could not pay back the debt to the lenders. This led to stress on banks. The situation for the gas-based power plants is worst. Most of the gas-based power plants were set up keeping in mind gas supply from the government. However, the gas never came and even those plants which were getting gas earlier saw they supply decline after a few years. This has resulted in bad financial condition for power developers.

Do you think the government will be able to increase the gas production by increasing price of gas?
See, higher price for gas does not mean higher production as well. The government needs to ensure that companies make investment in the gas fields. The gas business is a high risk business and the companies should get good investing environment to put in money in the sector.

You have gas-based power plants as well. Do you think you would be able to sell power if its fuel costs above $5 per unit?
Gas-based power plants are used for peaking power time. At that time industrial users are ready to pay higher price for power. So even if the cost of power goes up due to expensive gas, the customers will be able to buy it.

Industry has shown apprehension over the new 'standard bidding document' for the ultra mega power projects (UMPPs). What are the problems with the new bidding document?
In the old document, developers used to take all the risk and run the plant. The new document has converted developers into small contractors like you have in the infrastructure sector where they have to build the power plant and transfer it to the distribution company. There are many issues with that model. The land belongs to the distribution company for which you set up the power plant. Besides, after a few years, the plant goes back to the buyer of power. This may compromise the wellbeing of the plants as the seller will tend to overlook maintenance after some years, thus shortening the life of the plants.

As a power developer, I feel developers will have problem raising debt for the project, because the plant would not belong to them. Same problem would be faced in getting equity from the market because after some years when the plant starts making money, it goes back to the buyer. And of course there will be a lot of interference from the buyer.

Do you think the UMPPS will face problem ?
My point is that there are already so many power plants which need coal. Instead of giving coal to those stranded power plants, why is the government keeping coal for power which will come up in 6-7 years.

Do you think that in the Indian power sector the sanctity of contracts has been lost as you any agreement can be changed later?
In the past, neither the Indian government nor the bidders knew about the impact of long-term power contracts. But over a period of time, everyone has became wiser. It is very difficult to figure out what would be the price of fuel in the next 25 years. If there is uncertainty in the bid, people will either go for higher tariff or will not bid at all. The government had to allow the developers to pass on any increase in the fuel cost to consumers. Because wiothout it, the plant would have become unviable.

There are a lot of companies willing to sell their power plants in distress sale. Are you looking forward to acquire some of them to increase your portfolio?
We suffered in the past due to fuel shortage and environmental issues, So, at the moment, our priorities are to complete under construction power plants and make running plants profitable. Once our existing portfolio gets streamlined, we can think of buying other distressed plants. But at the moment we are thinking of managing the existing portfolio.

THE ECONOMIC TIMES

Coal imports rise 13 per cent on power thrust

By Reuters | 5 Aug, 2014, 04.17PM IST

NEW DELHI: Coal imports rose 13 per cent to 18 million tonnes in July from a year earlier, according to provisional data from online market operator mjunction, propelled by weak prices and addition of new coal-based power plants.

India, the world's third largest importer of the fossil fuel, is cranking up generation from coal-fired power plants to make up for a shortfall in hydro-electricity.

Coal and Power Minister Piyush Goyal told parliament on Monday that power from dams has fallen considerably due to weak monsoon rains this year. Coal-based generation, which accounts for more than two-thirds of the total, grew 20 per cent in June but many plants are now critically short of coal.

"Import is practically rising every month and every year, and it is likely to remain so as domestic production is not enough to meet demand," said Viresh Oberoi, chief executive and managing director of mjunction, a joint venture of Tata Steel and Steel

Authority of India Ltd.

The country is struggling to raise coal output fast enough as state monopoly Coal India Ltd has fallen short of its targets for years due to delays in acquiring land, getting environmental permits and inherent inefficiencies.

Imports of thermal coal, used in power generation, are expected to surge 11 per cent to 150 million tonnes this fiscal year, according to mjunction.

Total imports stood at 168.4 million tonnes last fiscal but are expected to be much higher this year on the government's concerted efforts to provide power for all.

Of the total imports in July, thermal coal accounted for 14.5 million tonnes, according to data from mjunction based on monitoring of vessels' positions and figures from shipping companies. The government does not regularly release coal import data.

"China is not in the market in a big way, so international prices softened, prompting Indian companies to buy more," Oberoi said.

Thermal coal prices have nearly halved since early 2011 due to weak demand in China and global oversupply, helping India cushion the impact of heavy imports from countries like Indonesia, Australia and South Africa.

Private sector coal-based power producers rushing for exits

NTPC has received 34 proposals from private firms eager to sell operational or under-construction capacity

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NTPC has received 34 proposals from private firms eager to sell operational or under-construction capacity.It’s difficult to run a business where the input is supplied for the most part by a monopoly provider and output prices are regulated by the government.

It’s never been tougher to be a coal-fired power producer. NTPC Ltd has received 34 proposals from private firms eager to sell their operational or under-construction capacity, it revealed in a conference call. These proposals amount to a total of 55,000 megawatts (MW).

That number is larger than the existing operational coal-fired power producing capacity of the private sector. It is even bigger than NTPC's operational and under-construction capacity. Ironically, the private sector, which had entered the sector pell mell, is now rushing for the exits.
Yet, this rush to sell is not surprising to observers of the Indian power sector. It's difficult to run a business where the input is supplied for the most part by a monopoly provider and output prices are regulated by the government. Even if they have managed to secure coal, many power plants are in distress because there is no demand growth from their buyers—state electricity boards, which are in financial throes.

These problems can be encapsulated in one number—the plant load factor (PLF), or capacity utilization of thermal plants. PLFs have fallen to 65.8% in 2013-14 compared with a peak 78.6% in 2007-08. Does this mean that India is going to see excess capacity of coal-fired plants with at least 69,000 MW likely to come up in the next few years? With one of the lowest per capita electricity consumption in the world, it is undeniable that India needs more power capacity.

However, for that the government needs to clean up the distribution business. There seems no intent on that, at least for the time being. For instance, half the 15 tariff orders passed by state electricity regulatory panels this year have skipped any rate changes. Unless that happens, the true on-the-ground demand for power will remain suppressed. That means power plants will remain under-utilized and their owners will rush to sell these assets.

THE WALL STREET JOURNAL.

India Runs Short on Coal, Despite Global Price Slump

India's Coal Imports Aren't Rising Enough to Plug Domestic Shortages

By

ERIC YEP And

SAURABH CHATURVEDI

Aug. 4, 2014 4:09 a.m. ET

India's reliance on domestic coal has left many of its power stations starved for fuel, forcing electricity cuts throughout the country, even as the price of coal imports slumps.

Despite having the world's third-largest coal reserves, according to the International Energy Agency, a quarter of India's 100 coal-fired power stations are short of supply with stocks of less than four days, and some hanging onto even lower stockpiles, official and trade data showed. A prolonged summer and below-normal monsoon rains have exacerbated the situation by raising electricity demand.

At the same time, global coal prices have fallen to their lowest levels in years, with ANZ predicting in a report last week that prices will drop 10% more over the next two to three years as China slows spending. Moody's Investors Service echoed that assessment in a report today, saying that the combination of slowing demand growth in China and increased production out of Indonesia and Australia "will keep prices suppressed into 2015."

But India's coal imports aren't rising enough to plug domestic shortages, despite the cheap prices.

Domestic coal is priced at around $50 a ton, after accounting for transport costs. Coal imported from Indonesia, meanwhile, is about 22% more expensive, said Abhishek Rohatgi, a Singapore-based analyst at consulting firm Enerdata, at about $60 a ton. The Newcastle thermal coal benchmark in Australia is even costlier at around $70 a ton in July.

Higher imported coal prices are problematic because electricity prices are heavily regulated and utilities are prevented from passing on higher fuel costs to consumers, though the federal electricity regulator recently allowed two companies that run power stations entirely on imported coal to raise tariffs.

Another problem is that India's power grid is designed to operate on domestic coal. Most of its power plants are inland with little or no infrastructure to shift to imported fuel sources if domestic coal supplies fail. The bulk of its electricity turbines are also designed to burn local grades of coal.

India's total coal imports climbed to 168.5 million tons in the year ended March 31, 2014, according to provisional data from the Ministry of Coal. That was up from 145.78 million tons the previous year. In comparison, India produced 565.64 million tons of coal in the year ended March 2014, up from 556.4 million tons in the previous year.

The IEA forecasts that India's coal imports will overtake Japan, the European Union and China by 2020, making it the world's largest coal importer, but only if pricing-policy changes are introduced.

Mr. Rohatgi expects power plants in India will continue to face shortages because lower prices in the global market need to be supplemented with local reforms. "Low prices will not solve the situation," Mr. Rohatgi said.

India's new government led by Prime Minister Narendra Modi has promised some changes in the sector, saying among other things that it will build new rail lines in key coal mining region to improve the flow of coal to power stations and fast track environmental clearance for coal projects.

Kalpana Jain, senior director at consultancy Deloitte Touche Tohmatsu India Ltd. said that if India's power sector gets the right boost from the government and new import-based power plants are built, coal imports will also go up.

"Coal imports are a short-to-medium-term answer to India's problems. But imports would only rise when there is a broader reform," she said.

THE HINDU

CHENNAI, August 3, 2014

Updated: August 3, 2014 02:51 IST

T.N. may lose out on 700 MW

B. ARAVIND KUMAR

Centre has decided to re-allocate 377 MW to Telangana, Andhra Pradesh and Kerala out of Tamil Nadu's share of 1,200 MW

Tamil Nadu may get only 500 MW of power from the Central generating stations, not 1,200 MW that the State has been expecting this month.

According to Power Grid Corporation of India Limited (PGCIL) sources, the Centre has decided to re-allocate 377 MW to Telangana, Andhra Pradesh and Kerala out of Tamil Nadu's original share of 1,200 MW. All the southern States are facing severe power shortage.

Based on the Centre's direction, the PGCIL has sent a proposal to the Central Electricity Regulatory Commission (CERC). The decision can be finalised only after the CERC passes its order, which is expected anytime, the sources say.

Originally, the PGCIL had, through a regulation, committed to provide a 1200 MW transmission corridor to Tamil Nadu, effective February 2014, in view of the acute power shortage in the State. Later, the effective date was postponed to August 2014. Meanwhile, from May 2014, the transmission corridor for 150 MW to Tamil Nadu was provided and recently it was decided to add another 350 MW to this.

The Tamil Nadu Transmission Corporation (TANTRANSCO) officials agree that the State may have to be content with lesser quantum of power. From what the officials here have understood, this reduced quantum was because the Central transmission utility wanted to ensure grid safety.

According to those who attended a meeting in New Delhi on June 30 and 31, the grid safety was one of the many issues deliberated at length at the meeting. “PGCIL had made a commitment and we rely on that,” a senior TANTRANSCO official said.

The final allocation would be done after studies are made based on simulation on a line-to-line basis and associated transmission systems. The rains could also delay the process due to technical difficulties. Besides, there were cases pending. “One has to take a 360 degree dynamic look as so many parameters have to be taken into account,” an official said.

On the possibility of diverting power meant for Tamil Nadu to its neighbouring States, officials here also said they were waiting for the CERC orders. All the four southern States were power starved and everyone would be “selfish” and seek maximum allocation to their respective States, officials add.

TIMES OF INDIA

Rising coal prices eroding competitive edge: Experts

TNN | Aug 2, 2014, 02.57AM IST

PANAJI: Rising coal and gas prices could jack up electricity generation costs and erode the competitiveness of industries in India, opined VK Garg, former chairman, joint electricity regulatory commission, Goa.

Speaking at the 15th regulators and policymakers retreat organized by the Independent Power Producers Association of India (IPPAI) held in Panaji on Thursday, Garg suggested rationalizing rail freight to bring down coal costs for power generation.

This warning came amid indications that the Indian government could soon give the go-ahead for import-parity pricing of coal and natural gas, following crude oil.

"Energy costs of the industry in the US, China and Europe are expected to fall in coming years due to theshale gas revolution' in those countries even as electricity tariff is rising at an alarming pace in India," pointed out Harry Dhaul, director generator, IPPAI, warning that over the next 5-10 years, the Indian industry could face stiff competition from manufacturers from these countries if effective ways are not found to cut power costs.