

# **Power Sector in Andhra Pradesh during January 2013**

## **POLICY**

### **AP to recast Rs 16,000 crore power sector debt**

Andhra Pradesh is one of the six states in the country that have communicated their agreement on the financial restructuring package (FRP). The deadline for states to opt for the package has been extended by three months and would now end on March 31. The FRP was expected to bail out financially-stressed distribution companies and usher in long-pending reforms in the power sector. Some of the conditions of the package include reduction of aggregate technical and commercial (AT&C) losses, timely release of subsidy by state governments, regular metering of supply and introducing private participation in distribution and timely tariff revisions.

As a part of the package Rs. 16,000 crore debt of the transmission and distribution companies in the state will be restructured. Half of this loan amount will be taken over by the State Government and the rest will remain with the DISCOMs. Out of the loan taken over by the State, 25 per cent (Rs 2,000 crore) is expected to come as a grant from Government of India. The rest of Rs 8,000 crore on books of DISCOMs will be restructured. There will be moratorium for about three years on repayment. The interest rates are also expected to be brought down from 12 per cent to 9 per cent.

### **To continue 7 hour power supply to agriculture**

The Andhra Pradesh Government has directed the power utilities to take steps to ensure 7-hour power supply to the agricultural sector to help farmers during the rabi crop season.

**During 2012-13, the Government extended a subsidy of Rs 3,620 crore for the agriculture sector.**

### **Energy-saving targets soon for Govt departments**

The State Energy Conservation Mission of Andhra Pradesh Government is planning to introduce annual energy saving targets on various departments, starting with energy, municipal administration and urban development, industries, agriculture. To implement these, the State Government is also planning to constitute district level energy conservation committees to be headed by District Collectors. The SECM has targeted a saving of about 15,000 MUs during the year equivalent to Rs 4,751 crore.

## GENERATION

The GoAP has permitted some of the gas based power plants to operate with imported RLNG. The government is reported to have taken this decision following the readiness shown by some industrial consumers to buy relatively high cost power produced with RLNG. The short listed power generating stations include GVK Extension (220 MW), Gautami (464 MW), Vemagiri (370 MW), and Konaseema (440 MW).

The Expensive Power Supply Scheme (EPSS) will be implemented from February 1. The EPSS is being implemented to give uninterrupted power supply to industrial units, which are now facing restriction and control regime. The AP Electricity Regulatory Commission (APEREC) recently cleared EPSS in order to give round-the-clock power supply but at higher price. The scheme is claimed to supply power at no-loss and no-profit basis by arranging re-gasified liquefied natural gas to gas generators having idle capacity in the state. For this the consumers have to apply for supply of power under EPSS before January 21 and they have to enter into an agreement by paying the power cost in advance. Industrial services having dedicated and express feeders and also services on mixed feeders subject to continuous supply could avail this facility. A committee, comprising representatives from AP Transco, DISCOMs, FAPCCI, FAPCIA and AP Spinning Mills Association, would be set up to monitor implementation of the scheme.

### **AP to invite bids for mini-hydel power projects**

On the directive of the State Government the Andhra Pradesh Power Generation Corporation Ltd (AP Genco) and on behalf of New and Renewable Energy Development Corporation of Andhra Pradesh has initiated the bidding process for selection of developers for setting up mini hydel projects in the State. 92 potential sites were identified on rivulets and nalas with an aggregate capacity of 132 MW across 17 districts, with majority of them located in Nalgonda district (20), Karimnagar (16), Adilabad (80), Guntur (7) among other locations. The estimated potential capacity varies from 0.1 MW to 5 MW. A model bid document has been placed on AP Genco site [www.apgenco.gov.in](http://www.apgenco.gov.in) and suggestions have been invited by prospective developers. The pre-bid interactive meeting was planned on January 10. Price bids will be opened on February 25.

**Suzlon Energy Ltd** completed construction of 150-MW-capacity wind power generation farms in Andhra Pradesh, with about 115 MW in last nine months. Following the State Government's move to offer a tariff of Rs 4.70 a unit basing on Andhra Pradesh Electricity Regulatory Commission nod for hiking tariffs, more wind power companies are looking at the State.

**APSRTC** as a part of its strategy to promote use of alternative forms of energy in its daily operations decided to install power plants at 105 bus stands, garages, and bus depots across the state. Once solar plants were set up at all these places it will help to meet 12% of its demand which is estimated to be 25 MW. Following this the first PV based solar power unit was installed at Hyderabad Central University Bus Depot.

## **FUEL**

### **Green coal handling terminal at Vizag port**

Vizag General Cargo Berth Private Limited (VGCB) is reported to be ready to start commercial operations of its first fully automated green coal handling terminal at Visakhapatnam. This green coal handling terminal project is implemented at a cost of \$150 million. The project includes extension of berth to cater to 200,000 DWT capacity vessels, mechanisation of complete coal-based cargo handling facilities right from unloading of coal from ship, storage of the imported coals and loading of coal into railway wagon through rapid wagon loading system. The project is given on design, build, finance, operate and transfer (DBFOT) basis through private sector participation for a 30-year concession period. The project is one of the measures planned by the Visakhapatnam Port Trust to reduce coal dust pollution in the ecosystem.

### **Gas output at KG-D6 falls to all time low as 8th well is shut**

Natural gas output in RIL's KG Basin fields plummeted to all time low of 20.88 mmcmd with shutting down its eighth well. RIL, on January 9, shut the well B6 on the main producing fields of Dhiburbhai-1 and 3 (D1&D3) in Krishna Godavari basin KG-D6 block due to water loading. The output has fallen from 22.04 mmcmd in December end, when D1&D3 produced 17.66 mmcmd and MA 4.38 mmcmd.

### **CAG to begin KG-D6 audit**

After protracted wrangling the Comptroller and Auditor General of India (CAG) was expected to restart the second round of audit of Reliance Industries (RIL) spending on the flagging eastern offshore KG-D6 gas block on January 9<sup>th</sup>. In the past CAG had agreed to a second round of audit of spending in the KG D6 block for years 2008-09 to 2011-12, but that could not start due to differences over scope with RIL. RIL had insisted that the government can appoint any auditor, including CAG, to do a financial audit of its spending in the KG-D6 block, but the production sharing contract didn't allow a performance audit. CAG, on the other hand, believed its constitutional mandate does not provide for any restrictions on the nature of audit. Sources said the petroleum ministry had given in writing to RIL that CAG audit would be strictly as per Section 1.9 of the accounting procedure to the production sharing contract. Following this, RIL has agreed to cooperate and provide full access of its books of accounts to CAG. It has also dropped its contention that the report of CAG be not made public

### **Public hearing held on Petronet's Gangavaram port LNG project.**

Petronet had signed an agreement with Gangavaram Port towards setting up a joint venture company to develop Rs 4,500 crore LNG project at Gangavaram port, with an initial capacity of five million tonne per annum, which will be later increased to ten million tonnes. The detailed feasibility report for the project had been prepared by Tractebel Engineering Limited. Public hearing on the same was held by the district revenue officials and the Andhra Pradesh Pollution Control Board on 2<sup>nd</sup> January, 2013 amid protests from locals. Local people in surrounding Gangavaram port and fishermen in the two main villages of Gangavaram and Dibbapalem had opposed the setting of the project at Gangavaram port. There were heavy police deployment and barricades. Several activists and local leaders of political parties were arrested but were later released. Petronet claimed that LNG terminal in itself is a zero-emission project and causes no pollution and also claimed to have clarified the doubts expressed by some of the local people about the pollution created by the proposed LNG Terminal was. E A S Sarma questioned the MoU between Petronet with Gangavaram Port Ltd (GPL) as the land alienation is invalid and the loss to the exchequer on this account will be more than Rs 750 crore. He also termed the related Environmental Impact Assessment report of the project as misleading.

### **Government to allow power companies to divert natural gas to other plants**

The central government has decided to allow power companies to divert natural gas from one of their plants to another to achieve optimal operations and improve plant load factor (PLF). If domestic natural gas is allocated to different plants of a power company, the company will now be allowed to club the entire allocated gas and use it in one or more plants to improve PLF. Gas supply can be shuffled only between those plants that had originally been allocated gas, not to a new plant built by the company. The company should also have to take approval of the distribution company. The ministry of petroleum and natural gas decided to relax allocations guidelines after domestic gas output fell sharply.

## **DISTRIBUTION**

### **Power consumers in for steep tariff hike**

In the tariff proposals for the year 2013-14 placed before APERC, DISCOMs in the state proposed a tariff hike of more than 40% to garner additional income of Rs. 12,723 crore, while the total deficit projected is Rs. 18,607 crore. The remaining gap is expected to be filled with

subsidies from the state government. The proposed tariff hike is 10 to 30 percent in the case of domestic and commercial consumers. The proposed tariff hike was opposed by all political parties in the state. Resentment against tariff was growing even with the ruling Congress party.

Industrial associations FAPCCI and CII-AP expressed concern over the proposed power tariff hike for the industry stating that the move will make them less competitive.

### **State may revisit power subsidies to industries**

The Andhra Pradesh Government plans to revisit the norms for power tariff rebates given to industries under the new industrial policy for 2015 as part of the energy conservation code to be finalised by March. As a part of measures to save energy the state government proposes to encourage solar-powered pump sets for agricultural use. The State Energy Conservation Mission plans to implement the sectoral recommendations submitted by four sub-groups. The departments concerned should ensure the effective implementation of energy efficiency and energy conservation programmes. As part of the rural water-supply schemes, old and inefficient pump sets will be replaced.