

# Power Sector in Andhra Pradesh during December 2011

## GENERATION

GMR Rajahmundry Energy Limited, a subsidiary of GMR Group synchronised its combined cycle power plant of 384 MW capacity at Vemagiri, in Andhra Pradesh to the state's power grid on December 9. This is the first unit of the 2x384-MW combined cycle power plant being setting up adjacent to its existing plant at Vemagiri. The second unit is expected to be commissioned by February, 2012, GMR said in a statement. This GMR project was identified as a XI Plan project and accordingly, was claimed to be shortlisted for gas allocation by the government of India.

According to the Minister of State for Power Shri K. C. Venugopal a team of officers of Central Electricity Authority (CEA), Ministry of Power and Andhra Pradesh Power Generation Company (APGENCO) visited the site of Krishnapatnam UMPP and has observed that the work has been stopped by the developer inter-alia due to the increase in the prices of Indonesian coal. The State Government has also raised the issue and requested for Ministry's intervention. Since the Power Purchase Agreement (PPA) is a legally binding document exclusively between the procurer and the developer, the Ministry has advised Govt. of Andhra Pradesh the lead procurer Krishnapatnam UMPP that any issue arising therein is to be settled within the provisions of PPA by the contracting parties for which the lead procurer may take necessary action.

Andhra Pradesh Power Generation Corporation Ltd (AP Genco) commissioned a 1-MW solar PV power plant at Priyadharsini Jurala Hydro-Electric Project on in Mahabubnagar district on 30<sup>th</sup> December, 2011. AP Genco has taken up this power project under phase-1 of the Jawaharlal Nehru National Solar Mission (JNNSM). This project was executed with an expenditure of Rs 12.8 crore. This plant would generate annual energy output of 1.4 million units (MU). The power will be fed in to the 11-kV system of Central Power Distribution Company Ltd (CPDCL) at Gadwal, Mahabubnagar District. Following the JNNSM guidelines power generated from this plant would be paid Rs 17.91/unit (Rs 5.50 a unit by CPDCL and Rs 12.41 by the central government).

The Andhra Pradesh Electricity Regulatory Commission (APERC) has come out with its draft regulations on 23 December 2011 for 'renewable purchase obligation' to introduce 'renewable energy certificates' (REC) in the state.

Wind power developers in Andhra Pradesh are reported to be not happy with lower power tariff offered for wind energy in the state. According to them Andhra Pradesh at present allows Rs 3.50 per unit. Among other states, Maharashtra is allowing Rs 5.37 per unit and a generation-based incentive of 50 paise. Rajasthan has recently raised the tariff from Rs 4.22 to Rs 4.46 and a 4 per cent evacuation incentive. Though Andhra Pradesh is a good destination in terms of wind resources the lower tariff are discouraging the companies from coming forward. According to industry sources, "The IRR now is between low and high teens for 25 years. Without a tariff revision, most of the projects will not graduate from being demonstration projects." It takes

about Rs 6 crore for setting up one MW wind energy plant. Out of the 63 mw it planned at Vajrakarur, Mytrah Energy India will look to commission 42 mw by March 2012 and the remaining in the first quarter of the next financial year. The 80 mw project at Burgula will be commissioned in the first quarter. According to S Murali, secretary of the Indian Wind Power Association (Andhra Pradesh chapter), “Wind farms are a ray of hope to bring investments into the Rayalaseema region of Andhra Pradesh, which is known for limestone and allied mining activities. This has potential to bring more than Rs 45,000 crore investments as the wind energy potential is estimated to be about 8,000 mw”. The state has 4,700 mw capacity allotted and of this 2,000 mw has been sanctioned and the remaining 2,700 mw is under consideration. About 32 projects are commissioned in the state and 62 are in the pipeline.

## **FUEL**

Gas production from Reliance Industries Limited's gas field in Krishna-Godavari offshore had declined to 38.66 MCMD. Gas production from the Dhirubhai-1 and 3 fields was 31.83 MCMD in the week ending December 18,2011. The MA oilfield in the same block produced another 6.83 MCMD gas, taking total production from this field to 38.66 MCMD. During the previous week gas production from this field was 39.8 MCMD. In March, 2010 gas production from this field reached 61.5 MCMD. Out of the 18 wells drilled and put on production in the D1 and D3 fields, five wells -- A2, A10, B1, B2 and B13 – were shut down due to drop in pressure in the wells and increased water ingress and/or/sanding. The number of shut down wells had gone up by one from four in the previous month. According to the Field Development Plan approved in 2006 gas production from KG-D6 was expected to reach 70.39 MCMD (61.88 mmcmd from D1 and D3 and 8.5 mmcmd from the MA field) by this time.

Management committee on KG Basin D-6 Block was expected to meet on 27<sup>th</sup> December to decided on Reliance Industries Ltd (RIL)'s \$1.529 billion field development plan (FDP) of four satellite wells of KG basin namely, D-2, D-6, D-19, and D-22. RIL's earlier plan was not approved as prices of different inputs had changed. For this RIL replied that reworking of rates will take several months and it had agreed to cap spending at \$1.529 billion including \$30 million pre-development cost incurred by RIL and its partners.

In a public hearing held in Bhimavaram on ONGC's plans to take up drilling in 26 new locations in KG basin people expressed apprehensions on environmental impact of these drillings. The reported that canals and drains in some areas were sinking below the mean sea level leading to flow of sea water in to the fields. This was also affecting drinking water sources. Also because of subsidence of canal beds water was not reaching the tail end farmers. They alleged that exploration and drilling operations for gas and oil was leading to land subsidence. It was reported that in Palacole, Vissakoderu and Akiveedu land level had gone down by one feet below mean sea level and in Mogalturu area it had declined by 3.75 feet resulting in incursion of sea water.

The Andhra Pradesh state government had requested the central government to allocate additional coal blocks to Singareni Collieries to augment coal supplies in the state. The identified coal fields are in Orissa, Chattisgarh and Uttar Pradesh with combined reserves of 2,023 million tonnes.

## **DISTRIBUTION**

APDISCOMs filed the annual revenue requirement (ARR) and tariff proposals for the year 2012-13 before APERC on 26 December, 2011. According to these filings during the ensuing financial year energy requirement is estimated as 93,913 MU. Out of this 81,464 MU will be available from the power plants allocated to AP and the state will be required to procure 12,449 MU from open market transactions. The ARR will be Rs 35,062 crore and the revenue from the current tariffs will be Rs 24,009 crore, leaving a gap of around Rs 11,053 crore. APDISCOMs have proposed to mobilize additional revenue of Rs 4,950 crore through rising tariffs of some of the consumers in the state. The uncovered deficit will be Rs 6,103 crore. Actual picture will emerge once the Tariff Order of APERC comes out in last week of March 2012.

The APDISCOMs have proposed a tariff hike for some segments of commercial, industrial, including ferro alloys units and domestic consumers. They have claimed to have spared some sections such as 29.8 lakh farmers, 1.01 crore domestic consumers, 55 per cent of commercial consumers, cottage industries, dhobhi ghats and power looms from the proposed tariff hike. It was stated that APDISCOMs were constrained to propose tariff increase due to substantial increase in revenue deficit due to increase in power purchase cost, network cost and cost of coal and gas leading to increase in cost to serve. It was also pointed out that this tariff hike was basically proposed to make APDISCOMs financially viable.

Long duration of power cuts ranging from 8 to 12 hours in rural areas is impacting daily lives of the villagers as well as agriculture operations. Because of these power cuts drinking water supply also had come under pressure as most villages depend on bore wells for drinking water. In a review meeting held on 27<sup>th</sup> December 2011 the Chief Minister directed the DISCOM officials to take all measures to reduce the duration of power cuts. At present DISCOMs in the state were able to supply 216 MU per day against the demand of 242 MU. The short fall was attributed to fall in hydel generation, outages of some thermal plants and inadequate gas supply from RIL's KG Basin gas fields. A delegation of Andhra Pradesh Chambers of Commerce and Industry met the Chief Minister and apprised him that because of 40% power cut during the last quarter the industrial sector in the state had suffered production loss of Rs. 31,750 crore and requested the CM to take necessary steps to do away with these power cuts.

## **OTHER**

The Andhra Pradesh Government is planning to take up public campaign to save over 1,500 crore units of electricity worth around Rs 4,751 crore through energy efficiency and conservation. The Government has directed the power utilities in the State to chalk out an action plan to take up massive awareness programmes in both rural and urban areas. As part of the energy conservation measures, the Government will be replacing incandescent bulbs with compact fluorescent lamps (CFLs) for 1.8 crore consumers at a nominal price of Rs 15, as against the market price of Rs 90 each. It was estimated that a family can save about 1080 units worth Rs 5,073 a year by replacing conventional lamps with CFLs.

The Andhra Pradesh Government is considering a separate scheme for power supply to industrial consumers. In view of the role played by the industrial sector in economic development and employment generation, the Andhra Pradesh power utilities have proposed Expensive Power Purchase Charge (EPPC) scheme to provide power and to avoid power holidays. A decision on the EPPC scheme would be taken up for approval of the Andhra Pradesh Electricity Regulatory Commission. The State Government of AP spent Rs 1,950 crore during April-November 2011 to purchase costly power to meet the enhanced power demand in the State.

The state government had requested the central government to provide financial assistance of Rs. 3,014 crore to implement agriculture feeder separation programme (FSP) to improve quality of power supply to agriculture. This involves erecting parallel network in rural areas involving a distance of 1500 km and covering 8,880 rural feeders. This FSP was expected to lead to reduction in T&D losses, stable load pattern, and better monitoring of power supply to agriculture services.

The state government had cleared proposals to recruit 6,263 persons in TRANSCO and four DISCOMs. Of these posts 2,261 posts would be in TRANSCO including sub-engineers and assistant engineers.