

Power News

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Reforms & Regulations

■ **The Delhi government has decided to extend the 10-per cent power subsidy for consumers in the city till September 30, 2006.** The Cabinet will take a further decision on the issue of subsidy after the Delhi Electricity Regulatory Commission (DERC) issues the new tariff order that is expected to come out shortly.

■ **Chhattisgarh State Electricity Regulatory Commission (CSERC) has announced a cut in HT tariff for industrial consumers by Re 0.26 and an increase of tariff for domestic users by Re 0.06 in the second tariff order passed for 2006-07.** The low-tension tariff has been raised from Rs 2.10 to Rs 2.15 per unit. The rate for high-tension customers like railway, coal mines, steel and cement plants has been reduced from Rs 3.86 to Rs 3.79 per unit. The average cost of supply has been reduced from projected Rs 3.74 per unit to Rs 3.20 per unit.

■ **The Maharashtra Electricity Regulatory Commission has rejected the proposal of Maharashtra State Electricity Distribution Company Limited (MSEDCL) to allow the utility to continue the practice of recovering service-line charges from consumers.** To simplify the connection procedures, the commission has decided to dispense with the measurement-linked variable charges.

Central Sector

■ **AES India has decided to pull out of the race for the Mundra ultra mega project in Gujarat.** The company is a qualified bidder for the Mundra and Sasan power projects. AES will not bid for the Mundra coastal project, given the fuel linkage risks involved. Instead, it will **bid for the Sasan ultra mega project** which has a secure supply of coal. Even for the Sasan project, AES has raised objections to several conditions in the final bid document such as risk perception about the project, including coal linkage, payment security mechanisms, government clearances, interconnection and transmission facilities and termination and buy-out clauses. Meanwhile, **Power**

Finance Corporation (PFC) has announced that two of the ultra mega power projects coming up at Sasan and Mundra would be awarded by the end of December, 2006. The boards of these two projects have also been reconstituted incorporating representatives from state utilities and power procurers. In another development, **NTPC has decided to independently bid for the ultra mega project in Chhattisgarh.** Originally, it was planning to take the consortium route with either private or state-owned players.

■ **National Hydroelectric Power Corporation (NHPC) is planning to set up coal-fired projects and begin inter-state trading of electricity.** A coal-based power plant will be set up in Madhya Pradesh. The company has also revived plans to set up a 500-MW project in Nepal, and will take up two projects in Bhutan with a total capacity of 1,600 MW as part of its overseas expansion.

■ **The 520-MW Omkareshwar project may cost Rs 520 million more increasing the project cost to Rs 22.52 billion.** The **Jaiprakash-Voith Siemens consortium**, which is completing the project on a turnkey basis, has **asked for higher compensation for completing the project in Khandwa district before schedule.** Meanwhile, the Narmada Hydroelectric Development Corporation (NHDC), which has awarded the contract to the firm, is planning to work out a formula to complete the power project within the Tenth Five Year Plan to bring down power tariff from an estimated Rs 3.44 per unit to Rs 2.50 per unit.

State Sector

■ **Haryana might borrow from the World Bank an interest-free loan for irrigation and power projects.** The state needs about Rs 40 billion to upgrade its transmission system and Rs 30 billion for modernising its distribution system. Meanwhile, the state is planning to add 2,000 MW of capacity through two power projects with an investment of Rs 90 billion. One of the projects will be a 1,000-MW coal-based power generation plant at Hissar, which will be owned by the Haryana Power Generation

Corporation Limited. The other project is a 1,000-MW coal-based plant at Jhajjar to be developed by the private sector. The cost of generation from the proposed projects is expected to be around Rs 2.75 per unit. The plant is expected to start generating power by 2009-end or early 2010.

Private Sector

■ **The Tata Power Company has floated an international bid for the supply of equipment and execution of the plant for its proposed 2,400-MW imported coal-based thermal power project in Maharashtra.** Total investment is estimated to be around Rs 96 billion. Reportedly, the company has dropped its original plan to set up a 1,000-MW imported coal-based power project at Vile in Raigad, Maharashtra due to some infrastructure constraints. The company may also pull out of the Rs 120-billion, 3,000-MW project in Jharkhand because reportedly, the state government is seeking a new project bid after signing an initial agreement with Tata Power last October.

■ **Uttar Pradesh's Energy Task Force (ETF) has given approval for the award of the 1,000-MW Anpara C thermal power project to Lanco Kondapalli.** The ETF has also endorsed the proposal for the construction of the 1,000-MW Anpara D thermal power project by a public sector corporation. The ETF will soon submit its recommendations to the state cabinet. As soon as the proposal is endorsed, the Letter of Acceptance will be issued to Lanco Kondapalli. This process is likely to be completed within this month.

■ **Reliance Energy has tied up with General Electric, US, for wind power projects.** Reliance Capital, along with some private investors, has acquired close to 68 per cent controlling stake in Southern Wind Farms Limited. In another development, **Anil Dhirubhai Ambani Group will set up a Special Economic Zone in Tamil Nadu** and also invest Rs 120 billion for a 1,000-MW power plant, IT Park and desalination project.

■ **RPG group company Phillips Carbon Black Limited (PCBL) will invest Rs 1.15 billion for setting up a 30-MW co-generation plant at its facility in Durgapur.** The proposed co-generation plant will be based on gas emitted from the plant. The company will utilise around six MW and the rest will be sold to the grid. The company is raising Rs 495 million as equity from the market to part-finance the project. The promoters will invest close to Rs 250 million and the remaining will be infused by ICICI Bank. At present, RPG has a 55-per cent stake in PCBL. After the conversion, the stake could go up by an additional 12 per cent. ICICI Bank would have around 10 per cent in the company

■ **DPSC Limited is planning to invest Rs 11 billion to set up three units of 80 MW each near its existing facility at Dishergarh in Bardhaman district.** It will soon apply to the West Bengal Electricity Regulatory Commission (WBERC) for the same. The company has already appointed PFC to tie up funds for the project.

Debt/Equity

■ **According to reports, Maharashtra will get Rs 150 billion from Rural Electrification Corporation.** Additionally, it will also get Rs 100 billion from PFC. This amount will be used for upgradation of power availability outside Mumbai. Of this, Rs 40 billion will be used for generation of power, Rs 51 billion for distribution and Rs 50 billion for transmission.

■ **International Finance Corporation (IFC) has shown interest in financing ultra mega power projects.** It has approached the government for funding the projects, each of which may need Rs 120-130 billion.

■ **The government is set to launch an initial public offer (IPO) for NHPC by December 2006.** It is willing to sell up to 24 per cent of NHPC equity capital. The utility hopes to get at least Rs 26 billion from the IPO and the cash will be used to expand capacity to 6,297 MW by 2012. The Cabinet is also expected to approve a total capital expenditure of Rs 404.67 billion by NHPC.