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# COST OF POWER FOR DISCOMS AND INDUSTRIAL USERS

Analysis by Marketplace: PPAs/E-auction/Trading/Open Access

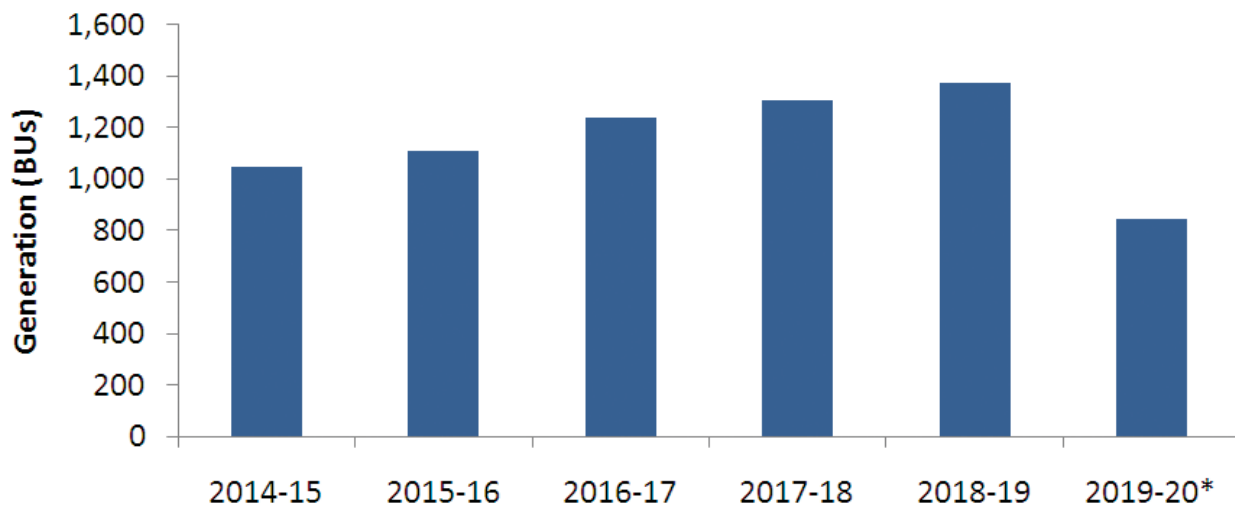
Analysis by Source: Coal, Hydro, Gas and Renewables

# Cost of Power for Discoms and Industrial Users

The total power generation capacity has increased at a CAGR of 7.4 per cent between 2014-15 and 2018-19 to reach 356 GW (October 2019). In 2018-19, the total power generated stood at 1,376 BUs, about 5 per cent higher than that in the previous year. In recent years, a buzz around the evolution of power procurement mechanisms, aimed at reducing the cost of power procurement has emerged. From the typical 25-year long-term power purchase agreements (PPA), the industry may move to short-term agreements with one to five year validity. To this end, the Ministry of Power has launched a scheme to increase power procurement in the market by aggregating power demand from states and conducting centralised bidding for generators.

Meanwhile, plenty of options have emerged for industrial power procurement even as grid power remains a key source of power for meeting the industrial electricity requirements. Owing to high grid-power tariff rates, several industrial consumers depend on captive power plants to meet their electricity requirement. Open access is another option for industrial consumers to procure power at competitive rates.

## Year-wise Trend in Power Generation



*\*As of October 2019*

*Note: 2016-17 and beyond includes renewable energy generation*

*Source: Central Electricity Authority*

For discoms to reduce their cost of power procurement to improve their finances, the industry believes that the merit-order despatch mechanism may have become obsolete. In September 2018, POSOCO published a consultation paper on "security constrained economic dispatch (SCED) of ISGS (interstate generating station) pan India". The CERC proposed to implement the scheme without major structural changes in the existing system/framework. This is being done to gain in the experience in the scope of optimisation at the ISGS level, which would set the ground for optimisation on a day-ahead horizon and real-time energy market in due course, marking the evolution of cost-effective power procurement across the country.

# Cost of Power for Discoms and Industrial Users

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