

'Expansion Plans to Depend on Power Offtake by Discoms'

Tata Power managing director Anil Sardana says UDAY, the scheme for revival of state-run distribution companies, has helped discoms and improved payments, but the biggest challenge for the sector continues to be the offtake of power. Discoms are still reluctant to buy power, he tells **Rachita Prasad**. Edited excerpts:

UDAY scheme has completed more than a year. What is your assessment?

For people like us, what matters is that the state discoms should be in a better position to pay off dues, buy more power and invest on network. As of now, payment issues are getting resolved. But there is no visibility of power offtake improving yet. Moving the losses of the discom to the government's balance sheet has helped them get more loans from the bank but, ultimately, they need to ensure they stop making losses and the bucket stops leaking. The last report shows some states have improved, but many states may not have improved and that means the bucket will keep leaking.

Is there any movement on states buying more power and signing new power purchase agreements?

The central government cannot penetrate that part. The discoms backed by regulators have to decide how much is the demand and how much of it has to be sourced. If short-term rates are so low, regulators may ask to source from there. We hear discoms are reluctant to sign long-term PPAs, but there is no way to validate that as government data does not show much shortfall between peak requirement to the peak supply. One continues to hear from people there are shortfall and hinterland continues to face power cut. But there is no data to validate load-shedding is happening. People assume power cuts for two hours or four hours is a way of life. Diesel generator set consumption is still high.

Tata Power had ambitious targets but the problems in the power sector impacted capacity growth. Has acquisition of Welspun's renewable assets made up for the loss of momentum initially?

The scale which we had initially targeted, we made up for that. And, if the order for Mundra ultra mega power project, which should come within a month's time from the Supreme Court, is favourable, then each one of our



ET ARCHIVES

DISCOM LOSSES

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asset would be performing well at an operational level. We have turned around Maithon and our solar projects. We have no asset in our stable which isn't stable.

Will the order on compensatory tariff for Mundra UMPP change your strategy of going slow on thermal projects?

Our stakeholders are not asking us to go slow due to Mundra. We have decided on our own to conserve and maintain our debt-equity ratio. As a management decision, we don't want to unleash capacity addition without it being contracted or without that being backed with fuel supply agreement for long term.

Would you add renewable energy capacity?

That will be determined on power offtake. On the surface, there is no problem of offtake or payment but, when you do the due diligence on the procurers, then you find that both could be challenging. For solar power, we have internally done rating profile of states and will pursue opportunities only in those states which have good rating.