

# ‘Investment won’t come just because someone’s talking about it’



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## **Investment in power generation has been lull for long. What is stopping top investors including Tata Power from investing in power generation?**

The moment the offtake and distribution starts to improve, automatically you’ll need more generation. The investment is not going to come there just because someone is talking about it. Everyone wants to see the infrastructure on the ground. If electricity is not going to be there, no project worth the large consumptive proposal is going to be viable without electricity being competitive and without electricity being banked to be generated out of DG (diesel generator) sets. It’s all got to come out of the grid and at a competitive price. The ability of the merchandise buyer to offtake power and pay for that power is the biggest risk to grow in generation.

## **Going forward, what’s the investment plan for Tata Power?**

Tata Power’s investment verticals are India and neighbours; Africa; Middle East & Turkey; and Southeast Asia. Going by my past

**ANIL SARDANA**, chief executive and managing director of Tata Power, has worked with the government for nearly two decades in designing key policies for the power sector. He talks to Shreya Jai about what ails the sector. Edited excerpts:

five years’ experience, Tata Power hasn’t taken any decision of investment in India. All decisions have gone to the other three verticals. For the simple reason that we found that the rewards were more and risks were mitigated there.

The only investment that has really gone well in India is the renewables. I cannot assure you that we have a particular strategy to invest in India, as long as the risk reward profile in the Indian context becomes as competitive as what we see in the other geographies.

## **What about your participation in future ultra mega power project (UMPP) biddings?**

The new bidding document has taken care of many aspects. But, there are still many issues to be sorted out. Indian institutions are very small in size, and none of them has grown into levels in which you will find the European utilities or the US utilities. If you don’t have deeper pockets to absolve these risks, one risk hits you and your entire effort is gone. The government has to understand that if they are able to manage with the foreign investors to come and participate in UMPPs, it is fine. But, where is the appetite for foreigners to come and bid for coal based plants? For example, if

Mundra UMPP issues don’t get resolved, a 100-year utility has the risk of collapsing under its own weight.

## **Coal prices have fallen in the global market. How does it affect compensatory tariff of Tata Power?**

Despite the decrease in fuel cost compared to last year, the actual increase in input cost of fuel has been affecting Tata Power. The price of fuel considered during the bidding of the UMPP in 2006 increased 150 per cent in two years. This made a huge impact rendering the project unviable. The dollar exchange rate has also added to the woes of fuel importers and coal importers. In spite of the decrease of the fuel in recent years, we are still affected by the gap that was made during 2008-2012.

## **The power sector has witnessed a slew of litigations. How do you rate the regulatory environment of the country?**

Every market takes time to improvise from where we are. We need more work around the quality of regulators. The regulatory process is pretty good.

Many regulators in the Indian context have to be tested in the point of view of accountability. In our system, the best gift we have had is in terms of the Appellate body that has happened. It is a sectoral body, so we don’t have to stand in the queue of high courts. The Appellate body has not only just been very nimble but very fair and just.

## **Economic Survey 2016 has noted the ambiguity in the Indian power tariff structure. What would you suggest?**

A major part of the entire cost economics is how to bring down the cost of supply for industries.

If we are to talk about Make in India or genuine industrial activities that will create jobs, we need

to provide predictable power supply. Globally, wherever industrial activity is at a high pitch, industrial tariffs are lower than residential tariff because they believe industries abet the economic activity. In the Indian context, we haven’t done that. We believe residential customers need to be supported and, therefore, they are cross-subsidised.

I also echo the fact the finance minister said that those who are genuinely needy and vulnerable must get subsidy and the subsidy must go to them directly. However, whom do you call vulnerable or needy is an important definition you need to lay down for this sector. One has to link subject of subsidy with other

aspect of cost of living and the other cost of your support. I am saying if you’re talking about affordable power, affordability comes by the virtue of the fact what you possess.

## **What needs to be the focus of policy making for the power sector?**

We always focused on generation capacity as it is easier to understand, assuming that generation reflects the growth of the power sector, which is just one piece of this entire canvas. The key piece is the customer delivery and that is where we haven’t succeeded as much, despite 67 years since independence. Customer still doesn’t know if he is being obliged or being serviced by getting unreliable supply. Customers should be able to enjoy electricity services same as any other classic utility service.

## **What is your reading of the recent distribution reforms announced by the government?**

The key part of this scheme is how the state electricity boards will reduce their AT&C (aggregate technical & commercial) losses and make sure the delivery of power will happen as it ought to happen. If these two aspects are taken care of, then people should get electricity on a predictable basis. Former

Indian President A P J Abdul Kalam used to say that if he was to monitor two factors for this country’s growth, he would only monitor girl child literacy and power consumption per capita. A lot of people assume that generation is adequate and why is consumption not happening, little realising that upstream investments will happen only when there is certainty.

## **As a business opportunity, are you open to taking up more distribution franchisee?**

Absolutely, we are ready to do anything that is required.

## **The government is actively talking about transmission. How do you look at it as an investment?**

Transmission has always been an investment bet and will continue to be an investment bet as long as there is offtake and more generation. Because it is a link in between the two.

## **What is your bet on renewable energy?**

We are among the larger renewable companies in India. We have one of the largest operating wind portfolios. We are now growing faster on solar. We have a solar manufacturing plant under Tata Power. We are a good participant in renewables and will continue to do that in the future as well. I don’t give any guidance in terms of numbers in the future.

