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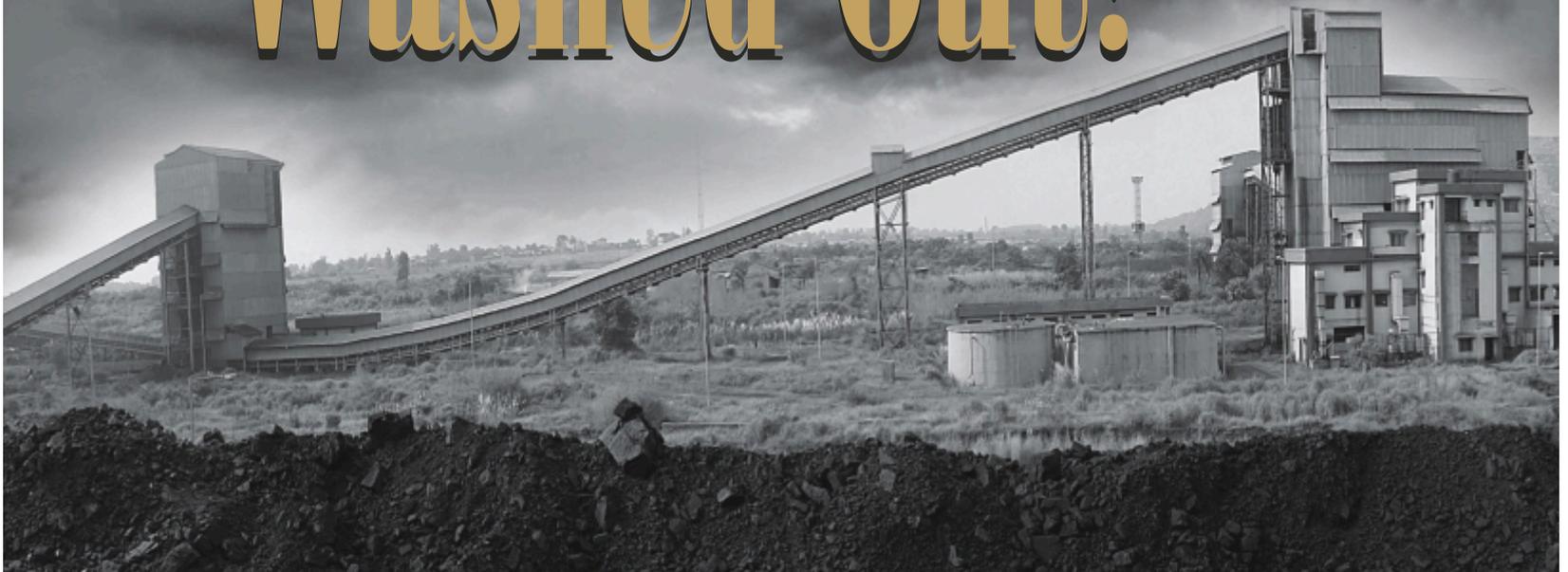


Special Feature

Anil Sardana, MD, Tata Power speaks on Mundra UMPP & compensatory power tariff

Coal India's mega coal washery projects

Washed Out!



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Compensatory tariff to help resolve impasse for imported coal based TPPs



Coal Insights Bureau

Even as Anil Sardana, managing director, Tata Power, welcomes CERC's compensatory tariff order for its Mundra UMPP, he is quick to add that even at the revised prices of Rs 2.9-3.1 p/kWh, the power from this project is one of the most competitive in the country. He rues the rise in the prices of imported coal (especially against the backdrop of a substantial hike in coal prices in Indonesia) and the government's reluctance towards this development. It may be recalled, Tata Power had securitised itself with the investment in Indonesia. However, the change in the pricing formula also extended to the old contracts. He is convinced this hike was not a one-off incident, because, around the same time, South Africa introduced arms-length pricing norms and Australia slapped a 30 percent carbon tax. But he is hamstrung since, according to the bidding norms, the project was designed to be run on imported coal.

India's first ultra-mega power project (UMPP) faced survival woes... Does this have a message for the country's ambitious power sector growth plans, much of which would be fed by imported coal?

The 4,000-MW Mundra project is the first UMPP that heralds the entry of the 800-MW supercritical boiler technology into India, which is environment-friendly and efficient. The total power generation capacity of Tata Power currently stands at 8,521 MW, reinforcing its position as the largest integrated power company in India.

Tata Power's Mundra UMPP has been completed in a record one year from the date of commissioning of the first 800 MW unit in March 2012. The average gap between synchronisation of the two units was 3.5 months which is better than the baseline schedule of four months and is much better than the five months provided in the original power purchase agreement (PPA).

It is expected that India will continue to be dependent on coal to meet its power requirements because of the limited availability and high prices of gas, hydro and other renewable sources. Hence, the need of the hour is to promote thermal power projects that have lower greenhouse gas emission and superior performance than the average in India, as a means to meeting the country's large needs for additional electricity.

What challenges were faced by the Mundra UMPP?

The unprecedented rise in imported fuel prices has become a major cause for concern in the power sector, along with the change in laws in all significant coal-exporting countries.

The CERC nod for a revised tariff has come as a breather. But it has also raised a debate over cheap and costly power. Your comments?

Tata Power has welcomed the Central Electricity Regulatory Commission (CERC) order for compensatory tariff till the fuel scenario stabilises. CERC had notified Coastal Gujarat Power Limited (CGPL) of its decision on implementing a compensatory tariff, to be paid till the fuel situation stabilises. This is an important step in resolving the major impasse whereby imported coal-based thermal power projects (TPPs) in the country got affected because of factors well beyond the control of the developers.

As far as the debate on cheap and costly power is concerned, after the revision in tariffs as per CERC's order, Tata Power's CGPL Mundra plant will continue to be one of the cheapest power providers. With a present variable cost of 1.46 Rs/kWh, this is one of the lowest amongst power projects. It is important to add that the cost variation after revision is miniscule and amounts to an approximate increase of 65-85 p/kWh depending on coal prices. Even at the revised prices of Rs 2.9-Rs 3.1 p/kWh, the power from Mundra is one of the most competitive in the country.

In hindsight, do you think banking entirely on imported coal for running such a huge plant is prudent?

As per the bidding norms, the project was

designed to be run on imported coal by the Government of India. This UMPP is India's first 800-MW thermal power plant using supercritical technology and is arguably the most energy-efficient, coal-based thermal power plant in the country.

Eight years after the government conceived the idea of UMPPs, only one project (Mundra) was fully commissioned, while others have shown little progress. Was there something wrong in the UMPP ideation without first securitising coal supply?

We don't wish to comment.

Other than the Mundra UMPP, how are your existing projects doing in terms of margins and revenues?

All our existing projects are doing well and the same reflects in our financial performance reported in the third quarter of fiscal 2012-13.

The year 2012-13 has not been the best for Tata Power so far as the balance sheet is concerned. What are the financial targets for 2013-14?

Tata Power is a public company and cannot make forward-looking statements.

What are your medium-term goals in terms of capacity addition? What will be the company's energy portfolio by 2016-17?

Tata Power is India's largest integrated power player with an installed capacity of 8,521 MW spread across the value chain of generation – both conventional and non-conventional, transmission, distribution, trading, fuel and logistics. The company is also one of the largest renewable energy players in the country with significant



capacity in wind and solar. Tata Power will continue to pursue avenues to add "clean and renewable energy" generation capacities to increase its renewable energy portfolio wherever possible. Generation through clean sources such as hydro, wind and solar today stands at 873 MW and thermal power generation capacity is at 7,648 MW.

The company has plans to keep fuelling its multi-fold growth across the power value chain and aims to generate 26,000 MW, achieve 4,000 MW of distribution and secure 50 mtpa of fuel resources by 2020. It also intends to have a 20-25 percent contribution from "clean power sources" which will include a mix of hydro, solar, wind, geothermal and waste gas generation. Towards this end, it has various projects in the pipeline.

In distribution too, the company is making steady progress in Mumbai and has crossed the 3.6-lakh consumer mark and is now a significant player. The distribution presence in New Delhi, through its subsidiary, Tata Power Delhi Distribution Ltd, is doing very well.

What is the status of your captive coal blocks and plan to acquire foreign assets?

The company is evaluating various opportunities to grow internationally, both in the conventional and renewable energy space. The company has prioritised four key regions for international play. These include African, South East Asia, the Middle East and the South Asian Association for Regional Cooperation (SAARC).



Tata Power has emerged as a leader in wind power

The company has deployed resources in these geographies to understand the market dynamics and scout for opportunities. Also, Tata Power, through its subsidiary, Tata Power International Pte Ltd, has signed an agreement with Clean Energy Invest AS (Clean Energy) and IFC InfraVentures (IFC) for developing hydro projects in Georgia for sale of power, primarily to Turkey.

These geographies have been shortlisted based on aspects like opportunities, risks, likely rewards, law and order situation and ethics-cum-values prevalent there.

Coming back to the UMPPs, don't you think putting money into renewables would have been a better policy? Please tell us about your Green power initiatives.

As mentioned above, it is expected that India will continue to be dependent on coal to meet its power requirements because of the limited availability and high prices of gas, hydro and other renewable sources.

Hence, the need of the hour is to promote thermal power projects that have lower Greenhouse gas emissions and superior performance than the average in India, as a way to helping the country meet its large need for more electricity.

Generation through clean sources such as hydro, wind and solar today stands at 1,106 MW (clean energy capacity is as follows: 447 hydro + 28 solar + 240 waste gases + 391 wind). The company intends to have a 20-25 percent contribution from

“clean power sources” which will include a mix of hydro, solar, wind, geothermal and waste gas generation. Tata Power has three of its renewable energy projects registered under the Clean Development Mechanism (CDM) programme of the United Nations Framework Convention on Climate Change (UNFCCC). These projects include a 50.4-MW wind power project at Samana, a 50.4-MW wind project at Khandke, Maharashtra and a 25-MW solar project at Mithapur in Gujarat.

Its clean energy portfolio is as follows:

- ◆ Wind power: The company has the largest installed wind generation capacity of 397 MW spread across Maharashtra, Gujarat, Tamil Nadu and Karnataka.
- ◆ Solar power: Tata Power is one of the leading solar power companies with a total operational capacity of over 28 MW. The company recently commissioned a 25-MW solar photovoltaic (PV) power project at Mithapur and a 3-MW unit at Mulshi, Maharashtra. Its subsidiary, Tata Power Delhi Distribution Ltd, has also commissioned a 1-MW grid-connected rooftop solar plant in Delhi. A 60.48-kWP solar power plant has also become functional on top of one of the buildings at its office in Carnac Bunder, Mumbai. Tata Power has partnered with Sunengy, Australia to pilot the first floating solar plant in India.

- ◆ Geothermal power: A Tata Power-led consortium, along with Origin Energy, Australia and PT Supraco, Indonesia won the 240-MW Sorik Marapi project. The expected COD for the project is June 2015.
- ◆ Hydro power: The company has an installed hydro capacity of 447 MW in Maharashtra. Tata Power and Norway-based SN Power entered into an exclusive partnership to develop hydropower projects in India and Nepal. This consortium has bagged the 240-MW Dugar hydro electric project in Chenab Valley in Himachal Pradesh. Tata Power also has a joint venture with the Royal Government of Bhutan under which it is implementing the 114-MW Dagachhu hydro project with Druk Green Power Company. Also, Tata Power, through its subsidiary, Tata Power International Pte Ltd, has recently signed an agreement with Clean Energy Invest AS (Clean Energy) and IFC InfraVentures (IFC) for developing hydro projects in Georgia for sale of power, primarily to Turkey.
- ◆ Decentralised distributed generation (DDG): The company has initiated the process of identifying opportunities and developing DG models. Distributed generation projects based on biomass as fuel are also being explored. Also, the cost reductions of gasifier-based projects are being explored to make smaller DG plants feasible, based on the applicable feed-in-tariff.

Further, the company is also in the process of evaluating various business models for distributed power generation and supply to rural areas. Tata Power has joined hands with several national institutes like the Indian Institute of Technology, University Department of Chemical Technology in developing pilot and demonstration projects in renewable resource power generation.

The company, as part of its sustainability initiative, is committed to reducing its carbon footprint through a focus on “clean and renewable energy” generation. ■