

'If power buyers pay extra now, we can compensate them later'

S SHANKER

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Tata Power, which set up the first ultra mega power project of 4,000 MW in the country at Mundra at a cost of about ₹17,000 crore, has been battling losses from day one of operations. It has clocked losses of over ₹4,000 crore due to rise in fuel costs, which its procurers (State electricity boards/discos) are unwilling to accept. An Indonesian policy change in 2011 resulted in all coal exports from there being benchmarked to international prices. Tata Power had contracted coal supplies from there at far lower prices, which stood nullified by the Jakarta order. In a chat with *BusinessLine*, Anil Sardana, MD & CEO, said Tata Power could not keep absorbing losses without the payment of compensatory tariff finalised by the Central Electricity Regulatory Commission. The case is now before the APTEL (Appellate Tribunal for Electricity).

Excerpts from an interview:

What is the cost per unit of power generated at Mundra?

Today, the cost is ₹2.35 plus the compensatory tariff of ₹0.42, which makes it ₹2.77 a unit.

Then why are procurers contesting this?

There are multiple ways to resolve the issue. One must understand that the contract for supply of power is for 25 years, but the life of the plant is 40 years. If the procurers pay a little extra now then Tata Power can compensate them later. The procurers too can come up with ways for mutual benefit. It is high time that the asset is salvaged, as consumers are not going to see this competitive price again.

What is the total loss at Mundra so far from the commissioning date?

Mundra's loss ranges from ₹1,200-1,800 crore a year, depending on coal cost. This



Anil Sardana, MD and CEO, Tata Power Ltd. SHASHI ASHWAL

year it will be about ₹1,450 crore (extrapolated), last year it was ₹1,400 crore and the year before it was ₹1,800 crore.

How long will you be able to absorb the losses?

I don't think we are anymore in a position to sustain. However, we will try to mobilise whatever we can to run the plant.

If you go by law, you may not get compensation as it involves sanctity of

contract secured through tariff-based bidding. The Supreme Court has also pointed it out.

I contracted with an Indonesian company and Jakarta changed the law. Tata Power has no *locus standi* to question that, but the Indian Government has. However, it did not do so. Further, if my Indonesian contract stands vitiated by a Jakarta decree then the domestic contract here too gets affected

The jurisdictions for both contracts are different...

But the contract (bidding for Mundra) said that we should not take coal from India. It is not just Indonesia that has changed its law. Ninety eight per cent of global suppliers have changed their laws to protect their reserves.

This apart, scores of bid-ings in Gurgaoan are running on diesel generators, where unit cost is ₹19-20. If the procurers pass on Mundra power to them, they would be more than willing to pay extra.

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