

Interview with Anil Sardana

“The fuel crisis is a major drawback that the whole sector has been fighting against”

With an installed generation capacity of 8,613 MW and a presence across the transmission, distribution, trading, fuel and logistics segments, Tata Power Company Limited is the foremost integrated power utility in the country. The past year was significant for the company in terms of key orders being passed by regulatory agencies for its flagship Mundra ultra mega power project (UMPP), which is currently facing an under-recovery of fuel cost. However, the final decision is awaited. Given the domestic fuel shortage and the policy and regulatory ambiguity in the sector, the firm is increasingly diversifying into renewables and expanding in new geographies. In an interview with *Power Line*, Anil Sardana, managing director, Tata Power, shares the company's achievements, plans, challenges and outlook...

What is your perspective on the current state of the power sector?

The power sector is facing several challenges today. As a nation with a population of 1.24 billion, India's demand for power supply is expected to surge to 335 GW by 2017. However, this appears to be far from being met, especially on account of fuel security issues as well as the absence of a reform strategy for distribution. India's installed generation capacity, as of March 31, 2014, was 243 GW (and an additional 60 GW-90 GW of captive power). The grid capacity addition during 2013-14 was 20 GW, as compared to a capacity addition of 23 GW during the previous year. In order to achieve the target power supply of 335 GW, India will require an installed generation capacity of approximately 440 GW. This implies that we need to have an annual addition of 20 GW-40 GW, which is a huge challenge.

The sector is facing coal shortages and many thermal power projects have resorted to imported coal to meet their requirements. While the current power minister has pursued incremental coal production, there still may not be enough domestic coal, which may result in the non-utilisation of existing assets and would also distract new capacity additions, resulting in targets being missed. In addition, policy changes in international coal markets have significantly escalated the prices of imported coal, thus making generation unviable. The availability of natural gas in India is



another concern. This has stranded gas-based power projects with a combined capacity of around 18,900 MW, accounting for close to 9 per cent of the total generation capacity. There is a need to develop a robust energy security policy, so that guidance can be given to all state electricity regulatory commissions to plan bulk supply procurements in line with the basket of fuels that will meet India's energy security needs.

The new government is focusing on resolving some of the sector's long-standing issues. In the Union Budget 2014-15, it has focused on policy and taxation reforms to provide an impetus for strengthening the economy, with the energy sector as a key component. They

have been discussing streamlining of the environmental and forest clearance processes in a time-bound manner, to ensure that the gestation periods of projects are shortened. Coal availability is one of their major concerns for projects that have already been commissioned or will be commissioned by March 2015. The rationalisation of existing coal linkages to optimise railway transportation has also been an issue we have been talking about. The new government has laid emphasis on enhancing coal linkages across the country. Also, the issue of the Land Acquisition, Rehabilitation and Resettlement Bill, 2012 needs to be addressed and suitable amendments made, failing which the land acquisition process itself could make things difficult to execute.

What were Tata Power's key accomplishments over the past one year?

Today, Tata Power has an installed capacity of 8,613 MW and a presence across the entire value chain. Out of the gross installed capacity, green energy sources generate 1,202 MW (461 MW from wind farms, 54 MW from solar, 447 MW from hydro and 240 MW from waste gas-based generation). The most noteworthy achievements of the past year were:

Wind power: Tata Power Renewable Energy Limited (TPREL), a 100 per cent subsidiary of Tata Power, acquired AES Saurashtra Wind Farms Private Limited's (ASW) 39.2 MW wind farm in Gujarat.

The company added 24 MW at its Visapur wind farm in Maharashtra. The 49.5 MW Pethshivpur wind project in Kolhapur is expected to be commissioned during 2014-15.

Solar power: TPREL has executed the Palaswadi 28.8 MW solar power project and the plant is awaiting completion of the 110 kV line by Maharashtra State Electricity Transmission Company Limited for connectivity to the grid.

Tata Power is among the world's most ethical companies, according to American think tank Ethisphere Institute. Tata Power is one of the only two Indian entities named in the 2014 list of the "World's Most Ethical Companies", prepared by the US-based entity.

How is the company coping with the challenges it faces at its Mundra UMPP?

The Central Electricity Regulatory Commission's (CERC) orders dated April 2013, and February 21, 2014 stipulated the concept of compensatory tariff. This ensured that the effective variable cost of power generated from the Mundra UMPP would still be more economical than other alternatives, while allowing the UMPP to survive.

The Appellate Tribunal for Electricity's (APTEL) interim order also directed the procurer states to make the electricity payments due March 2014 onwards for the Mundra UMPP, as per the compensatory tariffs directed by the CERC. The generating plants, including the Mundra UMPP, are to keep an account of the amount received by them as compensatory tariff from the procurers, until further notice. On August 25, 2014, however, the Supreme Court asked APTEL to expedite the case hearings and to take a final decision on the subject quickly. Till then, Coastal Gujarat Power Limited (CGPL) will charge tariff as per the power purchase agreement (PPA).

As the case is already under trial at APTEL, the company awaits a quick resolution of this issue through the necessary judicial process. CGPL has been

delivering competitive power from the Mundra UMPP across the five beneficiary states, despite facing under-recovery on fuel charges.

Do you think the revised standard bidding documents (SBDs) have adequately addressed the concerns of developers?

The revised SBDs have changed several provisions that existed in the previous SBDs. We believe the risk profile in the new documents is far more disproportionate for the developer than before. We may, therefore, not participate unless the risk profile becomes manageable.

What is Tata Power's strategy to cope with the ongoing fuel crisis in the sector?

The non-availability of domestic coal and natural gas has put a lot of pressure on the generators. To top it, there is the additional uncertainty surrounding captive blocks. Fortunately, Tata Power's existing resources are adequate to manage generation, except for the non-availability of gas in Mumbai. To ensure fuel security on a long-term basis, Tata Power has acquired a stake in Indonesian mines. Fuel supply has been secured for the majority of operational and under-construction projects.

What are the company's capacity addition targets over the next five years?

The company has ambitious plans to keep fuelling its growth across the power value chain. It has aggressive plans of adding generation capacity and would target a 20-25 per cent contribution from green energy sources. With a customer base of 1.9 million, the company plans to have 18,000 MW of generation capacity, 4,000 MW of distribution capacity, 25 million tonnes of energy resources per annum and a tenfold growth in value-added businesses by 2022. To this end, the company has various projects in the pipeline.

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Tata Power's projects under development in India:

- Dugar hydroelectric project: The pre-feasibility study has been completed. Site investigations and development of the detailed project report are under way.
- 1,600 MW coastal Maharashtra project: All statutory clearances are in place and the project is at an advanced stage of land acquisition.
- 1,320 MW Maithon and 1,600 MW Mundra expansion projects: Statutory clearances are being pursued; land and other facilities are available.
- 1,980 MW Tirulidih power project, Jharkhand: The process of land acquisition for the project has made progress and water allocation has been obtained. Environmental clearance is being discussed at the Expert Appraisal Committee level.

The following are Tata Power's international projects under development:

- The Cennergi-Tsitsikamma and Amakhala projects: The company's JV in South Africa, Cennergi (Proprietary) Limited, achieved financial closure of the 134 MW Amakhala Emoyeni wind farm and 95 MW Tsitsikamma community wind farm in May 2013 and June 2013 respectively.
- 126 MW Dagachhu project: The project is being implemented in Bhutan by Dagachhu Hydro Power Corporation Limited (a JV of the company).
- Hydro projects in Georgia: In June 2013, the company acquired a 40 per cent share in Adjaristsqali Netherlands BV, which is implementing hydro projects in Georgia.

What are the company's key focus areas for the distribution business?

Tata Power has grown its Mumbai distribution network infrastructure manifold in order to serve its growing consumer base. In Delhi, the company is making steady progress through its subsidiary, Tata Power Delhi Distribution Limited (TPDDL), which serves nearly 6 million people today, with a registered consumer base of 1.4 million in its distribution network across north and northwest Delhi.