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Private power to be hit by NTPC pooling proposal

Measure will make NTPC's new power plants more competitive

Pallavi Ail
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FACED with a dramatic increase in unrequisitioned power surpluses — which more than doubled to 43 billion units in FY14 from 21 billion units in the previous year — NTPC has proposed a price pooling system that will help lower the per-unit cost of power for its newer plants. Unrequisitioned surpluses are when total requisitions are lower than the committed offtake.

Given that the state-owned power producer's cost per unit for some of its newer capacities is higher than that of private sector gencos, NTPC has suggested it be allowed to charge customers a blended tariff, which works to ₹2.91/kWh. This tariff, it claims, will be revenue-neutral for it.

In a letter written to the power ministry, in late April, NTPC points out that despite having signed power purchase agreements (PPAs), buyers were sourcing power from producers other than it citing "reasons of costly power" and "must buy commitments made to private developers". In the event, states were only paying charges fixed under tripartite agreements (TPAs).

The pooling mechanism proposal, if accepted, will mean big savings for states such as Delhi, where the billed amounts will reduce by nearly 27% but states like Maharashtra and Rajasthan will end up paying more (see graphic).

Delhi ends up paying a higher tariff since it sources power from projects put up specifically for it, which are of fairly recent vintage. Other states that stand to gain are West Bengal, Jharkhand and Assam, where the cost will come down by 33%, 22% and 21%, respectively.

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BALANCE OF POWER

NTPC had **43** billion units of 'un-requisitioned surplus power' in FY14, up from **21** billion units in FY13

Price pooling will hurt some, help some...

State	LOSERS (₹ cr)	State	GAINERS (₹ cr)
Uttar Pradesh	412	Delhi	1,617
Maharashtra	812	Bihar	401
Madhya Pradesh	391	West Bengal	367
Goa	205	Andhra Pradesh	193
Rajasthan	144	Odisha	121

All pooled prices based on ₹2.99/kWh, impact based on data for April-December 2013

...but will protect NTPC's newer plants (total tariff ₹/kWh)

NTPC	Total cost	Private players	Total cost
Aravali Power*	5.16	China Light & Power, Jhajjar	3.67
Mauda Super Thermal	4.85	Reliance, Butibori	3.40
Simhadri Super Thermal	4.61	GMR, Kamalganga	3.28
Farakka Super Thermal	4.38	Adani, Mundra	2.89
Dadri	4.17	Tata, Mundra	2.26

*JV between NTPC, government of Haryana and IPGCL, a Delhi government company

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Private power...

The advantage of this scheme assumes significance following the Supreme Court order on Tuesday allowing NTPC to cut power supply to Reliance Infrastructure-owned Delhi discoms, BSES Rajdhani Power and BSES Yamuna Power, if the latter is unable to cough up ₹788 crore in unpaid dues by May 31.

As an interim solution, NTPC proposes a transitory mechanism by which the government could subsidise some of the losing states so that the state electricity boards are able to gradually increase their tariffs. Since the power ministry also has a 15% unallocated quota, NTPC suggests this could be allocated to losing states.

The move will hurt several private power producers — right now their costs are often lower than those at NTPC's newer capacities. The private producers stand a better chance of selling their power under the merit order despatch system — under the rules, irrespective of the PPA signed, the cheaper power is fed through the grid first. So should the power ministry accept NTPC's proposal for a pooled price, in many cases NTPC's new plants will end up becoming more competitive than those of private sector players.

Private players argue that if NTPC is to be allowed to do pooling, they too should be allowed to sell their power at pooled rates. A Reliance Power, for instance, would then be able to lower the costs of its Butibori and other plants by pooling them with the costs of the Sasan UMPP.