

CLP is very keen on expanding its footprint in India

— **Naveen Munjal**, Director – Business Development & Commercial (Conventional), CLP India



Starting its operations in 2002, CLP India today has a portfolio of close to 3,000 mw of power generation capacity coming from both conventional and renewable energy sources. CLP India recently entered the power transmission business, and is keenly eyeing the power distribution space as well. We have Naveen Munjal, in conversation with Venugopal Pillai, discussing CLP India's operations and sharing its future plans. Munjal asserts that green energy and power transmission will be the key areas for CLP India, going forward.

Let us start by understanding CLP India's current operational power generation portfolio

We have about 1,100 mw of renewables comprising 170 mw of solar, and about 950-mw of wind. In addition, we have 1,320-mw of coal capacity coming from the Jhajjar supercritical power plant in Haryana and 655-mw of gas-based capacity from the Paguthan plant in Gujarat.

Tell us more about the Jhajjar supercritical power plant, which we understand, was a greenfield project. In particular, are there any constraints with regard to coal supplies?

Being a load-centre plant, arranging coal to Jhajjar site has always been quite a challenge. While we could build the power plant in a record time of 42 months—three days ahead of schedule and despite

the award of linkage by GOI and meeting all terms and condition of LOA issued by coal companies, there were delays in signing FSAs in the beginning when we achieved COD. This position was aggravated by overarching coal shortages in the country resulting in poor supply of domestic coal to start with. We continued to work with our procurers to supplement linkage coal with other options such as domestic coal sources outside linkage and imported coal to meet the demand. Being a supercritical plant, in most of the months we stood high-up in the Haryana merit order and required almost all the quantities of coal granted under linkage to sustain continuous generation. Even after seven years of commissioning the plant, the domestic coal supply position has not fully eased. We hope the efforts of the government in increasing coal production and removing railway bottlenecks will yield results quickly, thereby making it possible to fully meet demand



Long view of CLP India's 1,320-mw Jhajjar supercritical power plant in Haryana

without facing coal shortages in the years to come.

What about the power off-take and the current plant load factor?

We have 100 per cent power off-take tied up—90 per cent to Haryana and 10 per cent to Delhi. With respect to PLF levels, they have been low but they are moving up over the last couple of years. Currently, we operate on at a load factor of anywhere between 60 to 65 per cent.

Are there any concerns regarding outstanding dues from discoms?

That is not specifically applicable to the Jhajjar plant other than matters that are being pursued through litigation. But we do have large receivables on the renewable side, especially in the south. For Jhajjar, procurers have issued letters of credit.

What is your view on the payment security mechanism proposed by the power ministry recently?

Yes, it is a good move and has taken effect from August 1, 2019. The results are yet to be known. But it is definitely a move in the right direction.

Given that CLP Group has a green philosophy, can we assume that it will only be renewable energy hereon for CLP India?

That is right. The world is looking at climate change. It is undeniable; staring at us in our faces. We need to do something pronto. Certainly, in India and also in general for CLP, we don't foresee ourselves doing any new coal assets.

What is your take on the Paguthan plant going ahead?

My own personal view is that gas-based power generation is probably the most flexible across various technologies. The pace at which we are building our renewable portfolio, gas sits very well. Unfortunately, we have the luxury



Close-up view of the cooling tower area of the Jhajjar power plant

of coal capacity being available (in the form of stranded coal plants) and whenever renewable generation goes down, we can ramp up coal-based generation. Such frequent toggling is actually very bad for the coal plant's health. Therefore, in the long term we foresee the need to operate gas-based plants to balance the grid, particularly during peak hours. More economical gas-based generation is; more likely to supplement the grid in dealing with load fluctuations over coal-based generation.

Many see gas-based power as a failing sector in India. What is your view?

In India, we have close to 25,000 mw of idle gas-fired power capacity that is a colossal drain on the nation's resources. Because of the fact that these plants are stranded, banks' money is also blocked. And if we only try to find a solution to the "banking" problem, it may not be worthwhile. Currently, sporadic gas arrangements are made to run gas-fired power plants for some time so that some banking loans can be partially repaid. However, in my opinion this is not a healthy approach. We must have a portfolio approach. The country cannot depend only on coal, or gas or hydropower or even renewables.

Unfortunately, with gas, international prices are expensive. Domestic gas availability has not really materialized as expected. The whole gas sector has taken a beating. Unless we take a holistic approach, say we look at peaking power policy, this situation will persist. After all, it is important to have gas as part of the energy basket in view of the low-carbon commitments that the country has made. Gas must find a place!

As renewable capacity grows, old coal-fired power plants will also be retired. There will be a need for gas-based power plants for meeting peaking capacity but by that time, gas-fired power plants may have been shut down. I personally feel that there has not been enough support, in terms of policy and action, to gas-based power plants. When, as a country, will we be able to do something for gas-based power, remains to be seen.

We note with interest CLP India's entry in the power transmission sector. What has been the rationale?

As far as rationale is concerned, we have always had this aspiration of getting into power transmission. If you go back 12 years or so, when the first bids for interstate power transmission schemes were invited,



View of the 655-mw Paguthan gas-fired power plant of CLP India

we were L2 for the WRSS project. We had bid in consortium with Gammon India. So, our aspirations have always been there. We have been involved in the sector through bidding between 2006 and around 2012.

We took a bit of a hiatus to focus on Jhajjar and then subsequently in resolving commercial issues with the off-takers. We recommenced our efforts to enter power transmission by bidding for a project last year. Given that we are not pursuing anything new on the thermal generation front, our focus going forward is clearly going to be renewable energy generation and power transmission.

CLP Group has always been in the business of power transmission. In fact, in Hong Kong, CLP is present across the entire value chain viz. generation, transmission, distribution/retail. Power transmission is also a key area for CDPQ, the Canadian pension fund that now owns 40 per cent equity in CLP India.

What are the projects that you have acquired from Kalpataru?

We have signed definitive agreements to acquire three projects

owned or co-owned by Kalpataru Power Transmission post-COD.

We observe that power transmission developers are seen exiting from their power transmission concessions. What is your view?

Some contractors who have turned developers have monetized what they have developed; there is nothing wrong with that.

Will you continue to bid for greenfield power transmission projects?

Yes, we will continue to bid for greenfield projects. We will now hit the ground running as we have a portfolio of three power transmission assets.

Would you be equally keen on both interstate as well as intrastate projects?

The good thing about interstate projects is that you have a national pool for payment, which is Centrally administered. With intrastate projects, one is exposed to the finances of a particular state government. We are not averse to intrastate, but that does not mean we will look at any or every state. Our selection criteria for states will be something that we will devise after careful analysis.

Do you have plans of entering the power distribution space in India?

Certainly, power distribution is an area that would be of interest to us. There is nothing imminent at this

point; it is still some time away. We will continue to watch this space. There is potentially the proposal to amend the Electricity Act whereby "carriage" and "content" will be separated. Once that happens, our sense is that it will open up some level of activity and we are keenly watching that space.

Do you think separation of carriage and content will have a positive impact?

The unbundled distribution arm (discom) is currently looking at the last-mile transportation of electricity, and also the retail space. When the retail becomes contestable, that is when you will see a lot of private sector participation. The biggest problem in power distribution is under-recoveries from the end customer. The moment that aspect becomes available for many players to compete in, the action begins. This segregation is not going to be easy, especially in tier-2 and tier-3 cities. It remains to be seen how this pans out but I clearly see much improvement in the sector once the separation of "carriage" and "content" takes place.

How do you see the years ahead for CLP India?

CLP is very keen on expanding its footprint in India. 40 per cent of the company is now owned by a Canadian pension fund CDPQ which gives us greater firepower for deployment. Finding the right projects will be our key challenge. Clearly, the mandate is to grow the business at a pace which is sensible. And obviously, we wouldn't want to compromise on quality either. We will be focusing on greenfield growth while keeping an eye out for acquisitions. At the end of the day, you can better manage project construction and quality as a sponsor. If we can ramp up our growth in India in the next 3-4 years, we could possibly be looking at even an initial public offering (IPO). ■



Switchyard associated with the Paguthan power plant