



Energy Scenario

KSEB Officers' Association



Discussion points

- Coal scam
- UMPP
- Nuclear Energy
- Distribution bail out package
- EA 2003 – Proposed amendments
- 12th plan approach on Energy sector

Coal scam

- Loss to Exchequer – Rs 1.86 Lakh crore
- Coal sector remains Nationalised
 - But, 40% of proven reserves allotted to private players between 2004 and 2009
 - Declared mission – Electricity for all by 2012 !
- The allocation procedure is prone to malpractices

Bid vs discretionary allocation

- Certain coal bearing states preferred discretionary allocation to public sector
- The stand of these states used as a shield – Federal nature of constitution (But no such consideration when EA 2003 was enacted)
- Discretionary allocation to public sector to ensure lower price for electricity

Bid vs discretionary allocation

- But, what does private companies does with such coal
- Selling power on merchant basis to market
 - _ Profit maximisation - Jindal (Zee TV scam)
 - _ Ruining the finances of distribution companies
- Thus reforms in coal and power sector ensures
 - _ Profit maximisation for private coal block allocation
 - _ Loss maximisation of public distribution companies
 - _ Loss now transferred to public through tariff revision

UMPP

- Mundra, Sasan, Krishnapatnam, Thilaya – 4000 MW each
- 12 more projects under consideration
 - _ Mundra - 1st unit started generation; other units on hold
 - _ Sasan – work in progress; litigation in SC
 - _ Krishnapatnam – work stoped; litigations commenced
 - _ Thilaya – not much progress
 - _ Bid for other projects under hold – Private players object to present conditions in PPA as well as revised proposals

Sasan UMPP

- Excess benefit to Reliance - Rs 29,033 crore assessed by CAG
 - _ Firstly, coal blocks in excess of requirement allotted to the project; then the excess coal is allowed to be diverted to another project selling power at double the rate
 - _ Moher, Moher-Alohri, Chattrasal coal blocks
 - _ Benefit on account of additional coal block alone

Sasan – Other irregularities

- Reliance does not have necessary technical qualification
 - _ Each project size 4000 MW (Rs 16,000 – 20,000 crore capital cost)
 - _ Technical qualification prescribed – carrying out power projects worth 3,000 crore in last 10 years
 - _ Reliance shows increase in fixed assets in its distribution companies (2 of them have 49% government equity) as proof
- Excess land allotted
- Dilution of equity lock-in to 5 years
- Reduction in Normative availability from 85% to 80%

Distribution bail out package

- Accumulated losses – Rs 1.90 lakh crore
- Short term liabilities – in excess of Rs 1 lakh crores (short term loans, overdues to power suppliers; working capital loan)
- Package open up to December 2012
- 50% of the short term liabilities to be taken over by state governments in 3 years
 - _ State governments to clear current charge arrears by November 2012
 - _ 25% of the liabilities (principal portion alone) will be taken over by Gol; subject to conditionalities
 - _ Incentive for AT&C loss reduction

Bail out

- Balance 50% liabilities to be restructured by banks – moratorium for first 3 – 5 years; longer tenure thereafter for repayment
- In essence – the crisis is being postponed on is spread over a longer period – to enable better tackling

Who is to bear the burden ?

And who is the Winner ?

- The state government has to undertake
 - Revenue gaps closed within 3-5 years
 - Distribution to be handed over to private sector (there is an option ! You can choose between franchisees and PPP model)
- But then how does the loss occurred in the first place ?

Amendments to EA 2003

- Second wave of reforms
 - Market and only market can solve our problems !
- Amendments in
 - Section 11
 - Section 14
 - Section 62, 63, 64
 - Section 66 – Forward Market
 - Section 79 – Regulating coal market
 - New sections under 89 and 90; regulating regulators



Nuclear Energy

- Selection of technology depends on the availability of resources
 - US
 - Australia
 - Europe
 - Russia
 - China
 - India
- Varying degree of availability of resources

HDI and Per capita consumption

- Countries with better HDI has a per capita electricity consumption above 5000 units
 - India – 732 units
 - About 40 crore does not have an electricity connection
 - More than 50,000 villages yet to be electrified
- HDI – Kerala situation

India's options

- Reaching a level of 65,00,000 Million units from the present level of about 9,00,000 Million units
 - _ Hydro
 - _ Coal
 - _ Nuclear
 - _ Crude oil
 - _ Natural gas
 - _ Renewables
- Issue of carbon emission

Nuclear VS Renewable

- Firm vs infirm
- Concentrated vs distributed
- High on Energy vs low on energy

It is not a fight between Nuclear and renewable - In fact they should act complimentary to meet the varying demand

Indian Nuclear path

- India's closed fuel cycle vs West's open fuel cycle
 - For west, fuel output from power plant is waste
 - For India it is 95% fuel and 5% waste
- FBR and Advanced Heavy Water Reactors - 2nd and 3rd stages – proven technology



Other concerns

- Accidents
- Big Nuclear bomb
- Radiation
- High level of human disturbance in the event of an accident – evacuation
- Non-peaceful use

12th plan approach

- Chronic deficit to continue
- Meeting gap in energy resources – import dependence
- Energy prices to match with Global prices
- Investment > 50% from private sector
- 88,000 MW planned; mostly from coal
- Natural gas – only for peaking stations
- Distribution to be made viable – Tariff rationalisation, political consensus sought



Discussion