

PowerWatch

Cover Story

Industry Voices

PWI spoke to a cross-section of industry experts from turnkey and business automation solutions providers, to power sector consultancy organizations and industry associations, on the sector's achievements and on what still needs to be done. We present their opinions...

Quality power, affordable rates: Is this achievable?



*K Nanda Kumar
Chief Executive Officer,
San Tec Group*

“DIFFERENT SECTIONS OF CONSUMERS NEED DIFFERENT LEVELS OF ENERGY PRICES.”

K Nanda Kumar

Different sections of consumers need different levels of energy prices. There is a need to profile customers and define energy prices based on multiple factors like segment of society, level of usage, purpose, etc. Load balancing is an essential element of energy efficiency, and this should be priority one for the energy sector.

Mukul Modi

The generation sector is by and large supplying quality power at affordable rates. Hence, it is the sub-transmission and distribution infrastructure that needs to be revamped drastically to improve the quality of power as well as increase the affordability at the last mile.

Vivek Pandit

The government's target of "Power for All by 2012" is achievable. The deadline is two years away from now. Policies are already in place and are conducive to the growth of the sector. Only implementation is faltering, especially at the state level.



*Mukul Modi
Vice President, Project
Advisory and Structured
Finance, SBI Capital
Market Limited*

“TAKE OUT FINANCING WILL HELP IN ALLEVIATING SOME FUNDING ISSUES.”

J P Rao

Quality power appears to be an uphill task in the present scenario, as coal of a high calorific value is very difficult to find in India. Boiler efficiency mostly depends on it; in term of PLF enhancement, this becomes a bottleneck. Innovation in technology and timely completion of projects will certainly lead to an optimization of capex and financial borrowings including interest amount.

The resource question: Do we have enough raw energy to fuel our ambitious generation plans?

Mukul Modi

There is a deficit in raw material availability as far as major thermal fuels such as coal and gas are concerned. Wherever possible, coal mine productivity needs to be improved. We need to adopt more fuel efficient technologies so as to maximize the output given the deficits expected in the availability of indigenous coal.

Vivek Pandit

Thermal will continue to dominate, and there are issues with the quality of Indian coal because of its high ash content. I am also a little skeptical on energy sources. Renewable energy sources have their own constraints. We must maximize our available fuel resources and also look out for efficient varieties of coal beyond our geographical boundaries. The foreign basket should be spread out in a way that we are not dependent on one source or one country.

What we actually need here is a strategic fuel policy.



J P Rao

Raw energy in the form of coal and gas is very much available in India. Only the regulatory policy needs to be rationalized. Our coal reserves of around 60-70 billion tones are anticipated to last for 35-40 years. We have abundant gas reserves in Gujarat, Assam, Andhra Pradesh and Tripura.

The money question: Is there a bottlenecking in funding?

K Nanda Kumar

India needs a lot of funds in the energy sector to enhance energy efficiency, enhance technology adoption, improve energy availability and affordability and create a green energy regime. The current allocation towards the sector is insufficient, and there is need for further funding.

Mukul Modi

The total funding required by private players for 11th and 12th Plan capacity additions is around Rs 5,000 billion. The private sector will need equity of Rs 1,250 billion. But equity markets have shown a lukewarm response to power sector IPOs. Securing over Rs 3,750 billion in debt is expected to be equally challenging as banks face regulatory caps on exposure to single borrowers, single business groups and the power sector. Take out financing would help in alleviating some of these funding issues.

Vivek Pandit

There is no bottlenecking in funding. Power IPOs are doing well. Even the NTPC FPO and the REC IPO were oversubscribed. Thus funding is not a constraint. Projects are quite bankable and getting financial closing. The problem lies at the implementation stage. Procedural and project management issues are areas that need to be looked at right earnest.

J P Rao

Bottle necking in funding appears to be a speed breaker. The reasons are evident. Land acquisition problems, coal block availability, water source and

environment impact assessment (EIA) clearance cause delays in fund approvals. Many power players are also not fully committed owing to various commercial interests.

Facilitators: Are policies and regulations able to keep pace with demand?

K Nanda Kumar

In order to meet the sector's emerging needs, there needs to be increased participation from the private sector. This will bring in effective measures in improving energy efficiency, reducing the carbon footprint and increasing the use of technology. Hence, policies need to be further liberalized to encourage private sector participation and competition.

Mukul Modi

Policies and regulations at the central level are encouraging and are keeping pace with demand. However, there are issues with implementation at the state level. Mechanisms such as Case II bidding and UMPPs are good examples of combining efficient project development, while simultaneously discovering reasonable tariffs and hence, need to be emulated in generation as well as transmission.

Vivek Pandit

The power sector has an enabling policy framework. But we need to understand that enablers cannot make action. The real issues are lack of implementation and political will. Many states are lagging behind; in fact, some started un-bundling only a few months back. The power sector is being used as a political field rather than as a growth accelerator.

J P Rao

This is a vital aspect of the power business. Policies need constant updating. While guidelines are generally set up, their interpretation creates loopholes. The time taken to formulate policies is invariably inversely proportional to demand, as circumstances and conditions change very fast.



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“FUNDING APPEARS TO BE A SPEED BREAKER.”