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ENERGY MARKETS INDIA

POWER SECTOR

NEWSLETTER | Week 35 | Sept 2023

POWER PURCHASE

» Nagaland to procure power from Bamboo Biomass Project

- Hutah Industries, a biomass-based power producer, has entered into a Power Purchase Agreement (PPA) with the Department of Power in Nagaland.
- The agreement pertains to a 10 MW bamboo biomass project situated at the AK Industrial Village in Dimapur, Nagaland.
- Hutah Industries will develop, own, and operate the project, which will cover an expansive 1,500 acres of land acquired under a long-term lease of 25 years. The project will be executed using a turnkey Engineering, Procurement, and Construction (EPC) approach.
- The agreed-upon tariff rate for the electricity generated from the project is Rs. 5.06/kWh. This rate will remain valid for the entire 25-year duration of the Power Purchase Agreement.

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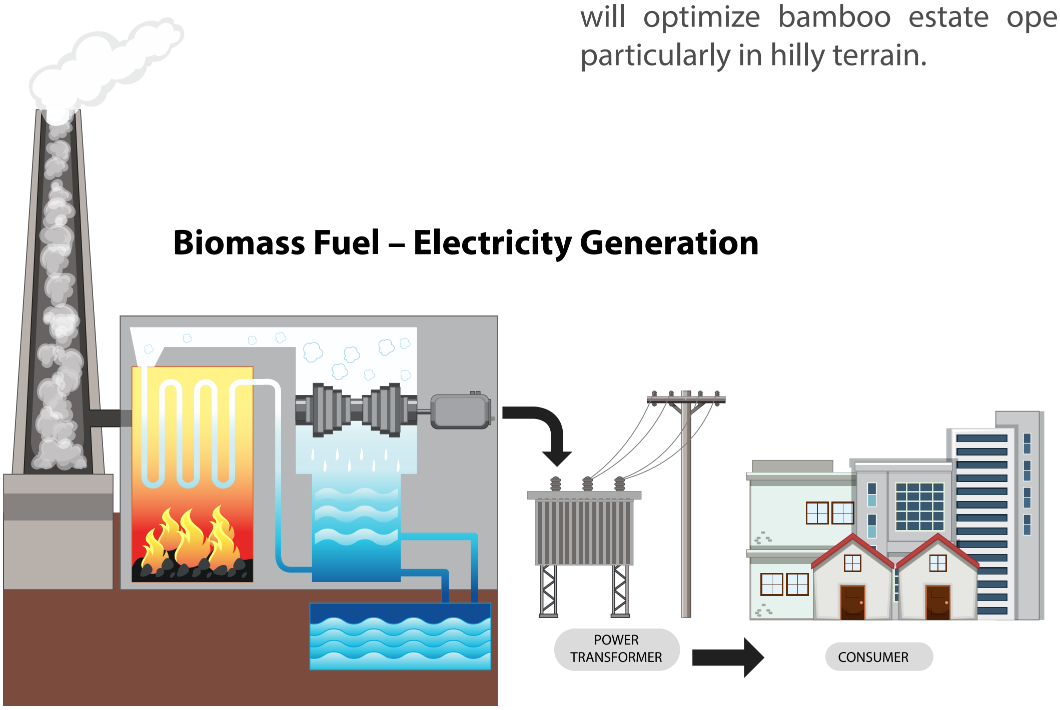
POWER PURCHASE

- The project must be commissioned within 24 months from the date of signing the PPA.
- The Department of Power in Nagaland will oversee the construction of the evacuation line from the factory to the Ganesh Anagar 33 kV substation. The associated costs will be covered by Hutah Industries 18 months before project commissioning.
- The project will utilize Beema bamboo, developed through tissue culture by Indian scientist N Barati. It will also incorporate technology-based solutions for monitoring and managing various stages of bamboo cultivation, including inventory and logistics management.
- An Agri drone-based monitoring system will optimize bamboo estate operations, particularly in hilly terrain.

Biomass Fuel – Electricity Generation



RENEWABLES

» PAVAGADA SOLAR PARK TO EXPAND CAPACITY BY 3 GW SEEKING LAND ON LEASE

- The Pavagada Solar Park in Karnataka, with an existing capacity of 2,050 MW, is set to undergo a significant expansion, aiming to add 3,000 MW.
- Karnataka Solar Power Development Corporation (KSPDCL) is leading the expansion efforts and has initiated the process by inviting expressions of interest.
- As part of the expansion, KSPDCL is seeking to lease land from landholders in two villages within the Tumkur district.
- The expansion plan involves developing two solar projects, one with a capacity of 500 MW within Inturayanahalli gram panchayat's limits and another with a capacity of 2,500 MW under Rapte gram panchayat limits.
- KSPDCL has specified the need for contiguous land parcels, approximately 10,000 acres in Rapte village and 2,000 acres in Inturayanahalli village, to accommodate these solar parks.

- Landholders are required to provide written consent to KSPDCL by September 15, 2023. The consent should include details such as land extent, ownership documents, and any encumbrances.
- KSPDCL intends to lease the land at rates similar to those established for the existing 2,050 MW Pavagada solar park.
- The Pavagada Solar Park, operational since December 2019, is currently the world's largest solar park, spanning 13,000 acres. In 2022-23, it generated over 4,503 MU of solar power, and KSPDCL had been paying landowners Rs. 21,000 per acre per year with 5% escalation every two years.

Policy And Regulatory

» MoP issues directions to Generation Companies for timely import of coal

- Ministry of Power had issued an advisory on 09.01.2023, mandating a 6% blending of imported coal by weight until September '23. This decision was prompted by the significant increase in power demand compared to previous years.

- Power demand exceeded 200 GW for most of August '23, reaching a record peak of 236.6 GW, marking a 21% increase compared to August '22.

- Despite a rise in domestic coal supply during Q1 of FY 23-24, there was a notable shortfall in meeting the demand for domestic coal at Domestic Coal Based (DCB) plants. In August '23, the gap between coal consumption at DCB plants and the receipt of domestic coal reached about Rs. 2 Lakh Tonnes/day.

- Imported coal played a crucial role in mitigating the critical shortage of coal stocks, given the ongoing issues with the Ministry of Railways' infrastructure. Grid India's projection also indicates sustained high-power demand throughout the fiscal year.

- The Central Electricity Authority (CEA) estimated a domestic coal requirement of approximately 404 MT for H2 (October '23 to March '24) of FY 23-24. However, logistical constraints within the Railway network will only allow loading and dispatch of 397 MT of domestic coal.

Policy And Regulatory

- Due to the increasing energy demand and the disparity between coal supply and demand, the advisory has been revised. The mandatory blending of imported coal has been reduced to 4% by weight for the remainder of FY 23-24.

- Central, State GENCOs, and Independent Power Producers (IPPs) are instructed to import coal for blending at a rate of 4% by weight through a transparent competitive bidding process until March 31, 2024. This measure aims to ensure comfortable coal stocks at power plants for uninterrupted operations.
- The domestic coal shortfall will be shared among all GENCOs on a pro-rata basis. Additionally, when determining the allocation of domestic coal from Coal India Limited (CIL) and Singareni Collieries Company Limited (SCCL), priority will be given to Pit-Head Stations, ensuring they receive 100% of their domestic coal requirement.
- If there is sufficient domestic coal availability, GENCOs are encouraged to avoid using imported coal at their Pit-Head stations to ease the logistics strain on Ports and Railways.

Policy And Regulatory

» MoP issues Third Amendment to Electricity Rule, 2005

- Ministry of Power has issues third amendment to Electricity Rules, 2005.
- The word "captive user(s)" word specified in the Electricity Rule 2005 modified through the Amendment dated 30.06.2023 as "captive user" has again been restored to "captive user(s)
- Following provision in Rule 3, in sub-rule (1), in clause (a), in sub-clause(i) has been omitted:

  "Provided that if the Captive Generating Plant is set up by an affiliate company, not less than fifty-one percent of the ownership, is held by the captive user, in that affiliate company; and";"

- In clause (b), for second proviso, the following has been substituted, namely:

  "Provided further that the consumption by a subsidiary company as defined in clause (87) of section 2 of the Companies Act, 2013 (18 of 2013) or the holding company as defined in clause (46) of section 2 of the Companies Act, 2013 (18 of 2013), of a company which is a captive user, shall also be admissible as captive consumption by the captive user.";

- After sub-rule (2), the following sub-rule has been inserted, namely: -

  "(3) The captive status of such generating plants, where captive generating plant and its captive user(s) are located in more than one state, shall be verified by the Central Electricity Authority as per the procedure issued by the Authority with the approval of the Central Government.".