INDIAN POWER SECTOR: MONTHLY UPDATE

September 2016

ICRA

RESEARCH SERVICES

Executive Summary

- **All India thermal PLF reported a sharp decline in July 2016:** The all India thermal PLFs declined from the level of 61% seen in June 2016 to 54% in July 2016 and further to 52% in August 2016. This is owing to the slowdown in the demand growth during the months of July 2016 and August 2016 at 0.5% and 1.0% respectively, coupled with higher generation from hydel generation sources with the onset of monsoon. The demand growth was higher at 9.5% during Q1 FY2017 which can be attributed to the low base effect and seasonality in demand.

- **Power deficit levels continue to decline**: The energy deficit at all India level has declined to 0.5% in August 2016 as against 2.5% in August 2015, owing to improved energy availability, led by sizeable capacity addition in the thermal segment and improvement in domestic coal availability. However, the peak deficit level remained at 2.2% in August 2016 as against 2.3% in August 2015 owing to continued high peak deficit in the states like Uttar Pradesh, Jammu & Kashmir and Karnataka. Energy deficit levels have remained lower during the first five months of FY2017 compared to the corresponding period of the previous year.

- **Nine stranded gas plants with installed capacity of 5070 MW allocated 9.93 MMSCMD R-LNG under Phase IV of e-auction for supply during H2 FY2017**: In September 2016, the Ministry of Power held the fourth round of e-auction for supply of R-LNG to stranded gas based power plants, wherein nine stranded gas-based projects with an aggregate capacity of 5070 MW have won bids for allocation of 9.93 MMSCMD R-LNG for supply of 8.81 billion units during the period from October 1, 2016 to March 31, 2017 at or below Rs 4.70/kWh. The gas supplies to these projects involve Government support of Rs 187.14 crore from the Power System Development Fund. At the prevailing spot LNG prices and assuming financial relief in the form of a moratorium on debt servicing, there is an under-recovery of Rs. 0.7/unit for the stranded gas-based power projects at the given tariff level and without any subsidy support. Fundamentally, uncertainty over the improvement in domestic gas availability continues to remain an area of concern for the entire gas based capacity of ~27 GW.

- **Limited tariff hike approved for distribution utilities by State Electricity Regulatory Commissions (SERCs) for FY2017:** SERCs in 20 out of 29 states have issued tariff orders for FY2017 so far, indicating moderate progress in terms of issuance of tariff orders for the year. The median tariff revision approved by the SERCs across these 20 states is 4% for FY2017, with SERCs in three states not approving any tariff revision and SERCs in Gujarat and Punjab approving a tariff reduction for some categories of consumers for utilities in their respective states. SERCs in the remaining states have approved tariff hikes in the range of 0.6% to 8.8%, except in Chhattisgarh where the tariff hike is higher at 15.7%.

- **Levy of additional surcharge on open access consumers approved by Haryana SERC; Rajasthan SERC has revised the additional surcharge:** Haryana Electricity Regulatory Commission (HERC) vide its order dated August 01, 2016 has approved the levy of an additional surcharge of Rs 0.87/unit on all open access consumers with effect from August 1, 2016. Rajasthan Electricity Regulatory Commission (RERC) vide its order dated August 24, 2016 has revised the additional surcharge to Rs. 0.80/unit from Rs. 1.0/unit approved earlier. RERC reviewed its earlier order of May 12, 2016 following directions issued by High Court of Rajasthan and Appellate Tribunal for Electricity (APTEL). Levy of such additional surcharge constrains the power procurement from the open market for HT consumers and also impedes the ability of power generators to sell in the open market.

Corporate Ratings

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