

*Market Assessment & Forecast*

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# EXPECTED POWER SCENARIO IN TELANGANA

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# TABLE OF CONTENTS

1. Objective of the Project	2
2. Executive Summary	2
3. Introduction	5
4. Evolution of Power sector in erstwhile Andhra Pradesh	7
4.1 Initiatives taken by the State Government from 1994-2004	7
4.2 Power sector in the state during the period FY 2004-05 to FY 2013-14	8
4.3 Bifurcation of state - Impact on power sector in AP & Telangana	10
5. About Telangana	11
6. Energy Availability and Deficit in Telangana	13
7. Demand Projection for Telangana	15
8. Capacity Addition Plans benefiting the state	16
8.1 - Upcoming Power Plants under state ownership	16
8.2 - Firmed up power supply from upcoming Central Generating Stations	16
8.3 - Firmed up power supply from upcoming power plants in AP	17
8.4 - Procurement of power from power plants located in SR and outside SR	17
8.5 - Expected increase in installed capacity of Non-Conventional Energy	18
8.6 - Efforts to ensure more sustainable fuel mix	19
9. Electricity Amendment Act 2014	20
10. Power Price – Historical Trend & Forward Contracts	22
11. Price Forecast for the next 12 months	23
12. Annexures	24
12.1 - Station-wise capacities, Telangana share	24
12.2 - Demand Forecast for Telangana under different scenarios	25
12.3 - Power Procurement Tender Results for Telangana	27
12.4 - TSPCC 300 MW Power Purchase Tender - Financial Bids	27
12.5 - Power Procurement Tender Result for Andhra Pradesh	32
12.6 - Performance of Telangana Gencos (Apr-Nov14)	34
12.7 - Telangana State at a Glance	36
12.8 - Climate	38
12.9 - Population	40
12.10 - Fuel and Power	43

## 1. OBJECTIVE OF THE PROJECT

The Southern Region has been reeling under huge shortage of power over the last 3-4 years because of multiple reasons. This shortage not only kept the electricity prices in the region on a higher side, but also kept a large section of consumers devoid of increased hours of supply they could have received, had the planning of generation, transmission and demand been done efficiently.

The current project being executed for Gayatri Power, tries to explore the Telangana Power Sector in detail to throw some light on how the sector has evolved over time, why have the prices been high, how is the scenario changing and what one can expect on the power price front going forward, particularly in the near term.

While the scope was curtailed to a large extent to keep the focus only on Telangana State, the report goes into details of the power market developments in the region and the country as a whole. This was necessary as Telangana is not an independent entity in the power market but is actually a crucial part of a large interconnected grid spanning across the country, covering every single State/UT and Region; and which gets affected by every major and minor development that happens across the country including developments at the regional and state level.



Figure: Charminar, Hyderabad

### 3. INTRODUCTION

Power sector is a critical infrastructure element required for the smooth functioning of the state economy. An efficient, resilient and financially robust power sector is essential for growth and poverty reduction. The availability of reliable, quality and affordable power helps in the rapid Agriculture and Industrial development and the overall economy of the state. The report thus provides an understanding of the dynamics of the power sector in Telangana & Andhra Pradesh, various challenges being faced by the power sector which has aggravated due to recent bifurcation, analyze the underlying causes and look at the future power scenario of the electricity sector in the state.

The Government of erstwhile Andhra Pradesh was one of the pioneer states to initiate the power sector reforms in 1998. The erstwhile Andhra Pradesh State Electricity Board (APSEB) was unbundled into six entities to focus on the core operation of Power Generation (APGENCO), Power Transmission (APTRANSCO) and Distribution (APDISCOMS). Significant amount of investments were made for building up Generation capacity, strengthening Transmission and Distribution network, industrial feeder segregation, loss reduction and improving quality of power supply. As a result of various initiatives that were taken up during the reform period (1998-2004), energy deficit was brought down to a mere 1.5 % as compared to all India energy deficit of 7.1%. CRISIL had ranked AP state as No. 1 in 2003 among all the states based on the performance parameters for the power sector.

Power sector growth saw some kind of saturation in the state post 2006-07, because the opening up of the sector offered huge array of opportunities in the relatively backward states as compared to AP where the reform process had already reached a level where not only improvement of performance was a challenge but even to sustain the ongoing momentum was a remarkable task.

The generation and transmission capacity addition in the state and the region since then has not been commensurate with the increase in energy demand. The facility provided in the Act to source power available cheap - anywhere across the country and an expectation of lot of merchant generation capacities to come up to cater to any increase in demand came out to be such a pleasant thought that almost everybody ignored the risks that it may bring in future, if the things don't turn out as expected.

Even when major issues in demand estimation and transmission planning were identified, the capacity addition could not keep pace with the anticipated requirements because of long lead time in setting up power plants due to delay in getting the required clearances, delay in allocation of fuel (coal and gas) and lack of integrated planning involving all the three arms of power sector - Generation, Transmission and Distribution. This resulted in an increased energy deficit in Andhra Pradesh over the years (17.6 % in FY 2012-13) from just around 1.5% in FY-03. The declining rupee and increase in crude oil prices only aggravated this scenario.



Figure: Nagarjuna Sagar Dam

## 5. ABOUT TELANGANA

Telangana is the youngest and 29<sup>th</sup> state of India born on 2<sup>nd</sup> June, 2014. It will share Hyderabad as its capital for 10 years with Andhra Pradesh. Telangana which was originally a part of Andhra Pradesh will now have 10 out of 23 districts of Andhra Pradesh under its jurisdiction.

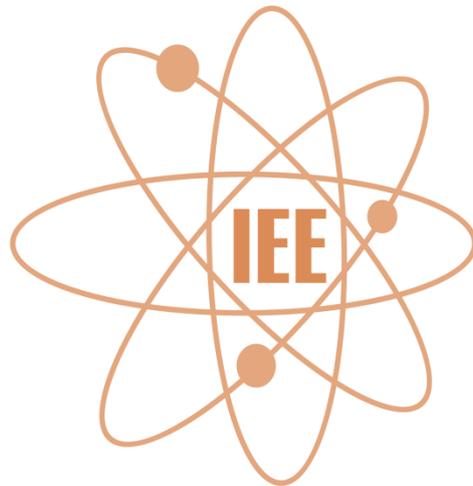
After the end of the Nizam rule in Hyderabad, Telangana was merged with Andhra in 1956 carving out of Madras Presidency after Potti Sreeramulu's agitation for Telugu statehood in 1953. Since then Telangana witnessed several rebellions for a separate statehood and it was only in the last decade that it gained momentum. Violent protests, strikes, suicides and agitations marked the movement for a separate state which continued in Hyderabad and other districts. The Congress Working Committee on July 30, 2013 passed a resolution for a separate Telangana state which was placed only on February 2014 in the Parliament. The bill was finally passed by the Parliament of India and received the President's nod on 1<sup>st</sup> March 2014. Telangana was formally born on 2<sup>nd</sup> June 2014 with Sri K. Chandrasekhar Rao being sworn in as the Chief Minister of the Government of Telangana.

### The Geography

Telangana is bordered by the states of Maharashtra and Chhattisgarh to the north, Karnataka to the west, and Andhra Pradesh to the south and east. It has an area of 114,840 square kilometres (44,340 sq mi), and a population of 35,286,757 (2011 census). Its major cities include Hyderabad, Warangal, Nizamabad, and Karimnagar.



The state is situated on the Deccan Plateau, in the central stretch of the eastern seaboard of the Indian Peninsula. The region is drained by two major rivers, with about 79% of the Godavari River catchment area and about 69% of the Krishna River catchment area, but most of the land is arid. Telangana is also drained by several minor rivers such as the Bhima, the Manjira and the Musi.



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