

NEWS FLASH – 13th April, 2016

SUGAR

Maharashtra matters: Pune experts looking at ways to replicate UP sugar success

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Sugar in Uttar Pradesh has regained its sweetness. After many years of bitterness, the sugar sector in the state is seeing one of its best phases in many years. A good crop, excellent weather conditions, increased acreage, higher yields and an unprecedented surge in sugar prices have all contributed to bringing back the smiles on the faces of both farmers as well as millers. But what is perhaps the best part is the outstanding sugar recovery this year, which has made scientists, experts and the industry sit up and take note.

So intrigued is the Maharashtra sugar industry with UP's feat that a team of five experts and scientists from the Deccan Sugar Technologists Association (DSTA), Pune is currently visiting sugar mills in Lucknow and its adjoining districts, trying to decipher the secret behind the phenomenon.

Speaking to FE, Ajit Chougule, the convener of DSTA Agricultural Committee and executive director of West Indian Sugar Mills Association, says, "During the ongoing sugar season, 2015-16, UP sugar mills have registered an appreciable sugar recovery rise ranging from 1% to 1.5% in aggregate. A DSTA team therefore decided to visit Lucknow and its adjoining districts, and make field visits to four sugar mills as well as the Indian Institute of Sugar Research Lucknow and interact with officials, farmers and scientists. We have come to learn, study and analyse the reasons behind this phenomenal change." The four sugar mills that the team from Maharashtra visited were Biswan, Hargaon in Sitapur, Sultanpur and Haidergarh.

"During field visits, we found that apart from the fact that nature had favoured the state this year, UP had introduced a new variety of sugarcane, CO-0238. An increased acreage under this variety, which also gives a much higher yield and sugar recovery, has contributed to the sudden boost," he said, adding that another fact that contributed to increased recovery was the minimal time taken between harvesting the cane and crushing it. "Biswan sugar mill for example, managed to crush the cane within 24 hours of its harvesting. Therefore, there was minimal loss of the sugar content," he said.

Enumerating the take-aways of the visit before departing for Pune, Chougule said that the team will submit a report to the Maharashtra government, which will advise on replicating the UP story in Maharashtra.

"We will tell the Maharashtra government that the CO-0238 variety needs to be popularised in the state's research stations too. We are taking the seeds so that we can start on the trials, which will three years," he said.

At present, Maharashtra has an average recovery of 11.5%, as against UP's average of 10.6%. Last year, UP had an average recovery of 9.55%.

"Almost all sugar mills in UP, especially those in the private sector, have shown a substantial increase in their recoveries. While Biswan has clocked the highest recovery of 12.37% and Hargaon at 11.90%, almost all have broken the 10% bar. And this is primarily because of the introduction of a varietal mix and the weather. This year, there was less vegetative growth and more sucrose formation, thus helping in higher recovery," said Deepak Gupta, secretary UP Sugar Mills Association.

(Source- <http://www.financialexpress.com/article/markets/commodities/maharashtra-matters-pune-experts-looking-at-ways-to-replicate-up-sugar-success/235720/>, published in the Financial Express on 13th April, 2016)

Sugar majors plunge on global price fall

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Sugar stocks such as the Oudh Sugar Mills and Balrampur Chini Mills mostly ended in red on Tuesday on account of fall in global sugar prices.

Shares of the Oudh Sugar Mills settled 5.47 per cent lower at Rs 76.05. The scrip opened at Rs 81.50 and has touched a high and low of Rs 81.85 and Rs 70.35, respectively.

Balrampur Chini Mills closed 3.75 per cent down at Rs 103.90. Shares of the company opened at Rs 106.55 and touched a high and low of Rs 108 and Rs 101.80, respectively, in trade.

Raw sugar on ICE fell more than 3 per cent to a six-week low on Monday after data last week showed a smaller-than-expected cut in the net long position held by speculators and spurred heavy selling.

Other sugar majors such as Shree Renuka Sugars (down 1.02 per cent) and Dhampur Sugar Mills (down 5.27 per cent) also settled lower than the neutral line.

Global sugar prices haven't fallen more than 15 per cent in last three weeks. Indian sugar prices have lost about 6 per cent on India's commodity bourse MCX in previous two weeks.

(Source-<http://www.financialexpress.com/article/markets/indian-markets/sugar-stocks-under-pressure-on-global-price-fall/235398/>, published in the Financial Express on 12th April, 2016)

CO-GEN/ POWER

First off the block: AP, Kerala, Bihar to get short-term power through e-auctions

Andhra Pradesh, Kerala and Bihar will be the first States to procure short-term power through e-reverse auctions under the new guidelines of the Ministry for Power.

The three States will procure a total of 1,000 MW through an e-reverse auction portal launched on Tuesday by Piyush Goyal, Minister of State (Independent Charge) for Power, Coal and New & Renewable Energy.

From on April 1, the Ministry has made it mandatory for all procurers to purchase short-term power through e-auctions. Power procured through power exchanges is excluded from the scope of the guidelines. Basically, bilateral agreements for short-term power procurement have been barred.

The short-term procurement could be for a period of more than one day up to one year. "Currently out of the total generation of around 91,671.33 million units, above 10 per cent is transacted on a short-term basis through bilateral agreements and through power exchanges," an official statement said.

Goyal said the portal would provide transparency in short-term power procurement and also help bring down electricity costs for State electricity distribution utilities.

"I am sure that competition will bring in lower power prices and this will help States to take electricity to the poorer sections of society," said the Minister.

Asked about the impact of the reverse auction mechanism on the business of power exchanges, Jyoti Arora, Joint Secretary, Ministry of Power, said, "This portal will mainly be used for sourcing power beyond a seven-day period up to a one year period. As such, the business of power exchanges will not be impacted."

However, power exchanges have in the past sought permission to expand their business into trades beyond the seven-day period. "Ultimately, we believe that the short-term market will grow. In many matured markets, long-term power purchase agreements don't exist. Right now the short-term market is 10 per cent but this can

easily grow to 20 per cent which will leave enough room for power exchanges," said Arora.

(Source- <http://www.thehindubusinessline.com/economy/first-off-the-block-ap-kerala-bihar-to-get-shortterm-power-through-eauctions/article8467558.ece>, published on 12th April, 2016)

IGIA upgrades solar power plant

It is expected to take care of five per cent power needs of the airport

In a bid to reduce its carbon footprint, the Indira Gandhi International Airport here will meet a substantial chunk of its energy needs through solar power.

The airport was one of the first in the country to install a solar power plant with a capacity to generate 2.14 MW in 2014. Private air operator Delhi International Airport Ltd. (DIAL) said it has enhanced the plant's capacity by over three times — 7.84 MW. DIAL CEO I. Prabhakara Rao said the airport will upgrade the capacity to 20 MW by 2020.

"We have taken various efficiency measures at the Delhi airport including green infrastructure like LEED-NC gold certification, solar power generation, successful registration on energy efficiency with UNFCCC, clean development mechanism, water and waste management initiatives," Mr. Rao said.

According to airport officials, the plant will help save up to Rs.12 crore annually or about five per cent of its current power bill of nearly Rs.230 crore. The airport consumes about 220 million units of power annually and the plant will help generate 12 million units every year.

DIAL has installed the solar panels on the airside to avoid hampering flight movement. The entire project is spread over 18 acres and was built at a cost of around Rs.47 crore.

The power generated through the plant is diverted to a main receiving sub-station, which further distributes it to the different airport terminals and other facilities.

"The project was executed at the airside of the airport after all requisite safety clearances. The green field area of the airside has been utilised without hindering and compromising safety," a DIAL spokesperson said.

"Non-reflective PV solar panels were installed to reduce the glare effect. DIAL carried out computer-aided solar glare analysis for a year with complete sun movement to ensure there was no impact on flight movement. This solar plant is

one of the very few plants to harness land parcel at the airside, which is normally locked under various statutory regulations.”

(Source- <http://www.thehindu.com/news/cities/Delhi/igja-upgrades-solar-power-plant/article8468763.ece>, published on 13th April, 2016)

Adani and Tata Power: Power consumers in Hry may get further burdened

With the appellate tribunal for electricity (APTEL) directing the Central Electricity Regulatory Commission (CERC) to assess the extent of impact of ‘force majeure’ event on the projects of Adani Power and Coastal Gujarat Power Ltd (CGPL) and give them such relief as may be available to them under their respective power purchase agreements (PPA) signed with the Haryana Power Utilities, electricity consumers in the state may have to bear the burden of the revised power tariff. Force majeure is an event which cannot be anticipated by human foresight or if anticipated is too strong to be controlled.

The APTEL's order of April 7 also said the entire exercise should be done within three months. Additional chief secretary (power) Rajan Gupta, when asked about the state's response to the APTEL judgment, said the department was studying it and a decision whether to challenge it would be taken subsequently.

Power sector experts, however, say that if Haryana power companies fail to challenge the APTEL order before the Supreme Court, the CERC will determine the revised tariff in terms of the force majeure clause of the PPA.

“Consumers will be further burdened as the revised tariff will be passed in the form of fuel surcharge adjustment (FSA) for the previous years. Moreover, the power tariff will be in for upward revision as the revised tariff load will reflect in the annual revenue requirement (ARR) filed by distribution companies before state power regulator,” said a power sector official.

Power purchase contracts

Haryana contracted 1,424 megawatt (MW) power from Adani Power in 2007 from its power project at Mundra in Gujarat. Adani Power's bid was based on blend of domestic and imported coal in the ratio of 70:30. The state also signed power purchase agreement for 400 MW power from CGPL under ultra mega power project (UMPP) based on 100% imported coal. Power from M/s Adani was contracted at a levelised tariff of Rs 2.94 per unit for 25 years at state periphery through its dedicated network whereas in the case of CGPL, 380 MW of power was contracted at a levelised tariff of Rs 2.26 per unit also for a period of 25 years.

Companies sought tariff increase

Both the power companies later sought an increase in the tariff due to change in Indonesian regulations on coal invoking provisions of force majeure and change in law in the CERC. The central commission though held that force majeure and change in law were not applicable in the case, but in February 2014 allowed APL and CGPL a compensatory tariff of 61 paise and 52 paise respectively to mitigate their hardship on account of increase in imported coal prices in addition to allowing arrear payment with effect from date of operation.

SC granted stay

Haryana's power distribution companies filed an appeal in the APTEL against the CERC orders, along with a stay application on recovery of compensatory tariff, but APTEL declined. It decided that arrears for 2012-2013 may not be paid till final decision but directed the payment of dues thereafter regularly as per the CERC order. The distribution companies then filed an application in the Supreme Court which granted a stay in Haryana's favour on August 25, 2014 and ordered APTEL to decide the matter expeditiously.

The APTEL, in its April 7, 2016 order, said: "We hold that promulgation of Indonesian regulation has resulted in a force majeure impacting the projects of Adani Power and CGPL adversely. The generators would, therefore, be entitled to relief only as available under the power purchase agreements (PPAs)."

How much burden?

Power officials said after a compensatory tariff of 61 paise and 52 paise was allowed by the CERC in 2014 for APL and CGPL respectively to mitigate their hardship on account of increase in the prices of imported coal, the distribution companies were additionally burdened with an about Rs 1,400 crore annually and Rs 35,000 crore for 25 years. "And all this would have to be passed onto the consumer eventually. One can expect a similar financial burden to be passed on to the consumers," said an official.

(Source-<http://www.hindustantimes.com/india/adani-and-tata-power-power-consumers-in-hry-may-get-further-burdened/story-5FOMR5azb5qm0r5wxl5rRP.html>, published on 12th April, 2016)

Thought of the day

"It isn't the mountains ahead to climb that wear you out; it's the pebble in your shoe."
-Muhammad Ali