

NEWS FLASH –18th March, 2016

SUGAR

Sugar futures rise by Rs 21 as demand picks up

Sugar prices edged higher by Rs 21 to Rs 3,416 per quintal in futures trading today as participants indulged in widening their bets, driven by pick up in demand in the spot market.

At the National Commodity and Derivatives Exchange, sugar for delivery in May rose by Rs 21, or 0.62 per cent, to Rs 3,416 per quintal, with an open interest of 1,20,220 lots.

On similar lines, the sweetener for delivery in July edged up by Rs 19, or 0.54 per cent, to Rs 3,550 per quintal in 19,680 lots.

Analysts said raising of bets by traders, supported by pick up in demand from retailers as well as bulk consumers in the spot market, mainly led to the rise in sugar prices at futures trade.

(Source- <http://www.indiansugar.com/NewsDetails.aspx?nid=5349>, published in the Economic Times dated March, 2016)

Karnataka: Sugar mills to clear Rs. 236 crore to farmers

M.N. Ajay Nagabhushan, Deputy Commissioner, has issued Recovery Certificates (RC) against four sugar mills, including the cooperative sector mill Pandavapura Sahakari Sakkare Karkhane (PSSK), for not clearing dues of sugarcane suppliers.

These mills owe Rs. 236.34 crore to farmers who supplied cane during the crushing season 2014-15.

The PSSK owes Rs. 29.82 crore to cane suppliers, while the private mill Chamundeshwari Sugars at Kala Muddana Doddi has to clear Rs. 66.48 crore. The private mill Coromandel Sugars at Makavalli, near K.R. Pet, that owes Rs. 56.42 crore and NSL Sugars at Koppa near Maddur that owes Rs. 83.62 crore, have also not cleared their dues to the cane suppliers.

Mr. Nagabhushan, on February 22, had directed the managements of these mills to clear the dues before March 7.

As the mills failed to pay the Fair and Remunerative Price (FRP) mandated by the government to the sugarcane suppliers, the Deputy Commissioner has issued the RCs, sources at the DC office said.

Action

The officer has also directed the tahsildars of Maddur, Pandavapura and K.R. Pet to initiate action with regard to the issue.

According to sources, the defaulting mills have been directed to pay dues with interest at 15 per cent a year as per the Karnataka Sugarcane (Regulation of Purchase and Supply) Act 2013. According to the Act, sugar mills should clear the dues within 14 days of procurement of the produce.

The mills had been instructed to clear all their dues before March 7 this year.

(Source- <http://sugarnews.in/karnataka-sugar-mills-to-clear-rs-236-crore-to-farmers/>, published in The Hindu dated 17th March, 2016)

CO-GEN/ POWER

Govt opens up coal sector beyond Coal India monopoly

Bringing cheer to fuel starved small industries, the Ministry of Coal earmarked 16 coal mines to be allocated to states for sale to MSMEs. This is also the first step towards government's effort to open up the coal sector beyond monopoly of state owned Coal India Limited.

The government released a list of 16 mines which will be allocated to states through transparent auction process. The list is divided into 2 parts -- host state and non-host states.

The states will then mine and sell coal to their own Industries - mostly MSME's. The effort is also to curb black marketing of coal which small industries succumb to as there is supply shortfall from Coal India.

The Coal Ministry is in process of designing a guiding mechanism for transparent mining and sale of coal by the states. The mechanism would have broad parameters which the states can customise as per demand and need.

Senior Coal Ministry officials said ministry is in last lap of designing a model tender process for states to sell mined coal.

"Central government would just allot mines and after that would be in guiding role. We are hopeful of starting process by April," said the official.

The earlier coal blocks allotted to the states during this year under the new auction mechanism had stipulated end-use and no sale of coal were allowed.

Commercial mining will have strict guidelines. The states would be allowed to engage MDOs through a transparent process but only as a contractor. The centre would make sure that no joint ventures with MDO or change of ownership happens," said a senior Coal Ministry official.

The states in fray are the six mineral rich ones - Jharkhand, Chhattisgarh, Odisha, Madhya Pradesh, Goa, and West Bengal among others.

(Source- http://www.business-standard.com/article/economy-policy/govt-opens-up-coal-sector-beyond-coal-india-monopoly-116031700335_1.html, published March 17, 2016)

PSDF scheme aims at providing fair chance to all: Piyush Goyal

"The objective (of gas auction under PSDF) is that everybody must get fair opportunity," Goyal said.

After scrapping the auction for stranded gas based power project for subsidy to buy expensive R-LNG, Power Minister Piyush Goyal said that the PSDF scheme is aimed at providing fair opportunity to all.

"The objective (of gas auction under PSDF) is that everybody must get fair opportunity," Goyal told reporters on the sidelines of a function to release a report "Scaling Up Private Investment in Rooftop Solar".

The auction for the 8 mmscmd gas is now scheduled for Sunday for which technical bids will be received on Saturday. There will be no auction for DGPs because only two bidders applied.

Bidders will be allowed to quote negative subsidy. It means that these power plants will pay premium for buying this gas which was to be supplied on subsidy.

When asked about the incentives to these power plants in absence of subsidy component under the auction, Goyal refrained from divulging more detail saying "I know as much as you know. The empowered committee will decide on this."

Yesterday, the Empowered Pool Management Committee (EPMC), the nodal authority for this auction had decided to scrap the auction for stranded gas-based power projects (SGP) held on Tuesday in backdrop of bids hitting zero (subsidy) within minutes of the start of bidding.

However, a senior official said that the incentives other than subsidy, like waiver of levies, lower transportation cost and assured supply for a period of six months under the auction will attract the power plants to bid for gas under this auction.

There are some market experts who feel that the auction may get tepid response if government does not add sweetener to the offers under this auction as these plants have anyway an option to buy gas from open market.

This gas subsidy is being provided under Power System Development Fund (PSDF), a scheme which was started by the government last year to revive the gas-based capacity of 24,150 mw, including 14,305 mw of SGPs and 9,845 mw of Domestic Gas Power projects (DGP) getting sub-optimal supplies of fuel.

The PSDF outlay for the support from PSDF was fixed at Rs 7,500 crore (Rs 3,500 crore and Rs 4,000 crore for the year 2015-16 and 2016-17 respectively).

Auctions for the 1st phase (June 1 to September 30, 2015) of PSDF Support to gas-based power plants was held in the months of May 2015. A combined total of 10,270 MW plants were able to secure gas allocation. The entire process was completed in less than a month and gas supply by GAIL started on June 1, 2015.

Auctions for 2nd Phase (October 1, 2015 to March 31, 2016) were held in the month of September 2015 and helped in revival of gas-based generation plants with installed capacity of 11,717.72 MW. Total incremental electricity expected to be generated under phase II is 12,472.6 million units.

The plants rarely use costly imported gas as power produced from R-LNG costs much more than that from a domestic coal-fired plant or a domestic gas-fired plant.

(Source-<http://energy.economictimes.indiatimes.com/news/power/psdf-scheme-aims-at-providing-fair-chance-to-all-piyush-goyal/51450846>, published on March 18, 2016)

Power bills set to take a plunge in Delhi

With the summer setting in, there is some good news in store for Delhites. Monthly electricity bills are set to go down by 4 to 6 per cent as discoms will no longer charge consumers the power purchase adjustment cost (PPAC) on bills, the term for which expired on Tuesday.

The Delhi Electricity Regulatory Commission (DERC) had on June 15, 2015, asked the discoms to charge PPAC from consumers for the next nine months, a period that ended on Tuesday. So far, no fresh directions have been issued by the regulatory body, which implies that consumers will have to pay up to 6 per cent less on their bills until further orders are issued.

Sources said that the discoms will now submit fresh petitions to the DERC for the quarterly PPAC only in April, which means there a decision on the fuel surcharge (PPAC) will be taken after a month. "BSES Rajdhani (BRPL) and BSES Yamuna (BYPL) consumers will see a 6 per cent reduction in their bills. Tata Power (TPDDL) consumers will get the lowest

reduction of 4 per cent and New Delhi Municipal Council (NDMC) households will have a 5 per cent reduction in their monthly power bills," said an official.

The PPAC charges were removed from the power tariff that was announced in 2014, after which the discoms had approached the Appellate Tribunal for Electricity (ATE) asking for it to be levied on consumers on the pretext that they were running in losses. Later in June 2015, the DERC on the instructions of the tribunal had allowed the discoms to charge PPAC from the consumers until March 15, 2016.

Residents Welfare Associations across the capital have hailed the lapse and said they would fight for not allowing any tariff hike in the upcoming annual tariff revision.

(Source-<http://indianpowersector.com/2016/03/power-bills-set-to-take-a-plunge-in-delhi/>, published on March 17, 2016)

ETHANOL

Karnataka: KSRTC's fuel blending initiative hits a wall

Restrictions in procuring ethanol and plummeting oil prices are working against the Karnataka State Road Transport Corporation (KSRTC) resuming its "eco-friendly" initiative of blending ethanol with diesel for running its buses.

More than 50 per cent of the buses operated on intra-city routes in Mysuru used to run on blended fuel till a couple of years ago. This came to an end after KSRTC started buying diesel from retail stations because of the increase in diesel price for bulk consumers.

Ethanol is produced from cane molasses, a by-product of the sugar production process. However, a public sector oil company restarted bulk diesel supply to KSRTC's fuel stations here a few months ago but the corporation is unable to restart blending due to "technical" issues.

Besides in Mysuru, KSRTC buses were blended with ethanol in Bengaluru's city transport services as well. KSRTC started experimenting with the ethanol-diesel blend a decade ago.

When the fuel blending initiative was introduced, KSRTC was reckoned to be the country's first public urban transport corporation to make use of the ethanol-diesel blend and bio-diesel to run its buses.

Though the blending came to a halt more than a year ago, sources in KSRTC claimed it was stopped only six months ago as the old stocks of ethanol were used to blend with diesel but now fresh stocks had been procured. Sources told The Hindu that buses without high-performance engines (BS-1 and 2 series) run on blended fuel — fifteen per cent ethanol with diesel.

But despite the availability of ethanol stocks, the blending was stopped as the retail fuel stations here lacked the ethanol-diesel blending arrangement while the KSRTC's depots had it. The increasing cost of ethanol, safety issues (storing is an issue without ethanol dispensers) and falling prices of diesel perhaps turned the 'green' initiative unviable.

Besides restrictions in procuring the product (with permission from the Excise Department), ethanol's susceptibility to catch fire in summer, if it is not properly stored, and the lack of dispenser units are also cited as reasons for going slow on resuming the blending process.

The buses that KSRTC has been procuring and those allotted under JNNURM comply with BS-4 norms and come with superior engines which cannot adjust with blended fuel. "Such buses faced ignition problem in the past when we tried to run them on blended fuel," a source said.

Whether the initiative comes back to life now depends on the centralised purchase policy KSRTC follows.

(Source-<http://sugarnews.in/karnataka-ksrtc-fuel-blending-initiative-hits-a-wall/>, published on March 17, 2016)

THOUGHT OF THE DAY:

"We must use time wisely and forever realize that the time is always ripe to do right."

- Nelson Mandela