NEWS FLASH –29th September, 2016

SUGAR

AP: Sugarcane MSP fixed at Rs. 2,400

Collector and in-charge of Bhimasinghi Cooperative Sugar Factory Vivek Yadav on Tuesday announced a minimum support price (MSP) of Rs. 2,400 per tonne for the sugarcane supplied to the factory. This is in addition to transport charges. A resolution to this effect was adopted at the 'mahajan sabha' in the evening. Last year, the MSP fixed was Rs. 2,385 per tonne. The Collector also sanctioned 150 bore-wells and two solar pump-sets under the NTR Jala Siri.

(Source- http://www.thehindu.com/todays-paper/tp-national/tp-andhrapradesh/sugarcane-msp-fixed-at-rs-2400/article9155883.ece, published on 28th September, 2016)

Sugar futures extend losses, down 0.63% on adequate stocks

Sugar remained weak for the second straight day and prices fell further by 0.63 per cent to Rs 3,463 per quintal in futures market today as participants engaged in reducing their positions, triggered by ample stocks position at spot market against lower demand.

At the National Commodity and Derivatives Exchange, sugar for delivery in October month fell by Rs 22, or 0.63 per cent to Rs 3,463 per quintal with an open interest of 9,250 lots.

Analysts said trimming of positions by traders amid sufficient stocks position in the physical market against weak demand from bulk consumers, mainly kept sugar prices down at futures trade.

(Source- http://sugarnews.in/sugar-futures-extend-losses-down-0-63-on-adequate-stocks/, published on 27th September, 2016)

Indian sugar production estimate at 23.5 million metric tonne, down 6.5% year on year: Platts

With less than a month before the start of the 2016-17 season in India, Platts is keeping the Indian sugar production estimate at 23.5 million metric tonne, down 6.5% year on year throughout the off crop period. The southwest monsoon, which is in the withdrawal phase, is 5% below the Long Period Average (LPA) at 794 millimeters over June 1-September 19 and can be termed a "normal" monsoon. It was forecast to be above-normal by the Indian Meteorological Department at 106-107% above the LPA at the start of the year.

The largest sugar-producing state of Maharashtra has received 746.4 mm of cumulative rain, which is 12% above the LPA. This is good for boosting yields, even to some extent in the ratoon crop available for harvest during 2016-17. So we are maintaining our estimates for sugar production in the state at 6.5 million metric tonne, down 23.5% year on year. Our estimates do factor in much of the yield reduction that has already happened due to the drought over the last two seasons.

North Karnataka, which borders South Maharashtra and shares similar soil and climatic conditions, has also received cumulative rain 4% above the LPA and so we are keeping our production estimate at 3.6 million metric tonne North Karnataka accounts for 80% of the acreage and production in the state. For Maharashtra and Karnataka our agricultural yield estimates are 70 mt/ha and 71 mt/ha respectively, both down 13% and 10% year on year.

In Uttar Pradesh, cumulative rain is 15% below the LPA at this stage but parts of eastern UP did receive heavy bouts of rain along the border with Bihar, which experienced floods during August. Whenever such weather is seen, it usually translates into lodging of cane in these areas due to loose soil. Agronomists at this stage estimate the amount of cane loss due to this weather at 3%-5% of the cane acreage in eastern UP, although our estimates at this stage do not factor in any loss of cane. We expect overall cane availability for the state of 78 million mt and sugar production of 7.4 million metric tonne. We estimate eastern UP to have a 30% share of cane acreage and 24% share of cane availability.

Tamil Nadu's production during 2016-17 is estimated to rise 39% year on year to 1.8 million mttq. Unlike other sugar-producing states, Tamil Nadu gets both the South-West (June-September) and the North-East (October-December) monsoons and hence is able to plant and harvest cane throughout the year. Given that the state had good rains in early 2016 during the planting period, production estimates for 2016-17 were was always high. Cumulative rain in the state currently stands at 239.4 mm, which is 11% below the LPA.

(Source- http://sugarnews.in/indian-sugar-production-estimate-at-23-5-million-metric-tonne-down-6-5-year-on-year-platts/**, published on 28th September, 2016)**

Co-gen/Power

Discoms begin to knock down UDAY and Make in India

State electricity distribution companies, or Discoms, have been the weakest link in India's electricity chain. Discoms link electricity generation companies to the final consumer. Therefore, from the standpoint of a consumer, Discom policies are the most important influence on the quality of electricity supply and its price.

Piyush Goyal, minister of power, in 2015 organized the third union government initiated bail-out of Discoms in the last 14 years. The first two did not work because the union government does not have a mechanism to force Discoms to follow through on reforms after the bail-out. Consequently, the same problems resurface.

Recent developments suggest that Goyal's bail-out plan, Ujwal Discom Assurance Yojana (UDAY), might go the way of the earlier bail-out plans.

Business Standard reported that power tariffs for industrial units in many states have increased on account of higher cross-subsidies. Discoms undercharge some consumers such as farmers or residential units. A part of these losses are recovered through high tariffs for industrial units.

High electricity tariffs are one of the biggest constraints manufacturers in India face.

Separately, Gurdeep Singh, chairman and managing director of NTPC, in an interview to the Business Line observed that electricity tariffs for industries are too high and this can harm Discoms.

"But, one thing is clear that tariff for industrial sector needs to come down, otherwise DISCOMs will not come out of the stress. Industries need to be supplied electricity at some kind of competitive rates. The problem is that the peak industrial tariff has gone very high. However, this is a subject which needs detailed discussion and needs to be studied — how electricity sector is treated by the individual States."

How do these things add up?

Discoms need industry to cross-subsidize a lot of other customers. Industry is the foundation on which the political economy of electricity pricing rests.

Industry, however, has an escape route in the form of open access policy. This policy allows consumers with electricity load over 1 MW to purchase electricity directly from the market. Unsurprisingly, state governments' do all they can through additional charges or non-tariff barriers to discourage industry from leaving their fold.

Despite the efforts of state governments, industry has constantly explored other sources of power. For instance, between 2006-07 and 2014-15, electricity procurement from utilities was outpaced by the growth of captive generation capacity.

The final outcome is that the political economy of electricity pricing not only leads to bail-outs to help financial institutions, it also harms the Make in India project on account of high tariffs.

This situation will not change till state governments have an incentive to change their approach.

(Source- http://blogs.timesofindia.indiatimes.com/cash-flow/discoms-begin-to-knock-down-uday-and-make-in-india/, published on 27th September, 2016)

Open access power consumers move TNERC against utility

Open access power consumers have approached the Tamil Nadu Electricity Regulatory Commission seeking relief from the high cross-subsidy surcharge levied by the utility.

The latest National Tariff Policy notified in January 2016 allows public sector utilities levy CSS on all segments of open access consumers up to a ceiling of 20 per cent of the electricity tariff set for that segment.

But the CSS levied by the Tamil Nadu Generation and Distribution Corporation (Tangedco) continues to follow the National Tariff Policy of 2006 which does not set a ceiling on CSS. Open access consumers, the large power users, are shelling out double or more as CSS.

The Open Access Users Association, a registered, national body representing the open access consumers had petitioned the Commission, which issued notice to Tangedco today.

The association maintainted that open access – allowing large power consumers to buy power directly from private generators – was aimed at enhancing competitiveness and efficiency in the power sector.

CSS compensates the public sector utility for the loss of revenue and also provides for the use of the transmission and distribution infrastructure. But it cannot constrain open access.

The latest policy provides for a CSS of ₹ 1.46 to ₹ 1.98 a kWh depending on the tariff levied on various segments such as HT Industry which pays ₹ 8.20 a kWh; Government Educational Institution ₹ 7.32; Private Educational Institutions ₹ 7.74; Commercial and other HT Consumers ₹ 9.93; Railway Traction ₹ 7.82.

But the CSS now ranges from ₹ 2.36 to ₹ 5.23 a kWh based on the older policy which does not set a ceiling on CSS. The petition urged the Regulator to re-determine the CSS in line with the new policy.

(Source- http://www.thehindubusinessline.com/news/national/open-access-power-consumers-move-tnerc-against-utility/article9154755.ece?homepage=true)

Coal India to e-auction 20 million tonnes of coal for all

Coal India will offer 20 million tonnes of coal for e-auction soon after the festive season. All consumers including traders would be eligible for participating in the auction. However, this volume of coal cannot be exported.

Nevertheless, if Coal India manages to sell the entire quantity, its total volumes sold through the e-auction platform would touch around 60 million tonnes against a total volume of 79 million tonnes achieved during the whole of 2015-16.

Nevertheless, revenues from e-auction have dipped from the recent past on account of adequate coal stocks and a dipping international coal price.

In fact, during the first quarter of the current financial, despite having sold more coal, average realisation from e-auctions dipped from Rs 2,184 per tonne during the quarter ended 30, June 2015 to Rs 1,570 per tonne in the first quarter of the current fiscal leading to declining net realisation from sales – a 28% fall in realisation from e-auction.

In this auction, power companies which do not have coal supply contract with Coal India can also participate, so can non-power companies.

(Source- http://economictimes.indiatimes.com/industry/indl-goods/svs/metals-mining/coal-india-to-e-auction-20-million-tonnes-of-coal-for-all/articleshow/54548540.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst, published on 27th September, 2016)

Government raises cap on coal sale via state-nominated agencies

The government has hiked the annual cap of coal for sale through state-nominated agencies to 10,000 tonnes per annum from 4,200 tonnes per annum (TPA).

"Union Ministry of Coal has issued an order with respect to the amendment to the New Coal Distribution Policy (NCDP), 2007 to increase the annual cap of coal from 4,200 tonnes per annum for sale through state-nominated agencies (SNA) to 10,000 tonnes per annum," a Coal Ministry statement said on Wednesday.

The New Coal Distribution Policy, 2007 lays down the guidelines for distribution and pricing of coal to various sectors.

The ministry has also amended the phrase "small and medium sector", as mentioned in the NCDP, to "small, medium and others".

The order said the new guidelines will also be applicable to the distribution of coal from Singareni Collieries Company (SCCL).

At a time of surplus coal availability in the country, there have been requests from consumers and state governments for upward revision of the annual cap on coal through SNAs.

The amendments are among the steps taken by the government to improve ease of doing business and make more coal available for small, medium and other sectors.

(Source- http://www.business-standard.com/article/news-ians/government-raises-cap-on-coal-sale-via-state-nominated-agencies-116092900049_1.html, published on 29th September, 2016)

Ministry eases coal sales for small buyers

The Coal Ministry has amended the New Coal Distribution Policy, 2007 to increase the annual cap of coal sales through State Nominated Agencies to 10,000 tonne per annum from the existing 4,200 tonne per annum.

Further, it has also amended the phrase ‘small and medium sector’ to ‘small, medium and others’.

The move will help States gather greater revenues through coal sales to the small and medium sectors as well as other independent businesses. The coal will be sourced from both Coal India Ltd and Singareni Collieries Company Ltd.

“…only small and medium sector consumers having requirement less than 4,200 tonne per annum were entitled to take coal through state nominated agencies. Larger units having requirement less than 4,200 tonne per annum were not recommended for the coal by the District Industries Centre. Moreover, the limit of requirement of less than 4,200 tonne per annum needed to be revised as small units might have expanded over a period of time,” an official statement said.

So far to cater to small consumers, CIL and SCCL have been selling coal to the State nominated agencies, which then sell it to these consumers. “As adequate quantity of coal at notified prices through State Nominated Agencies would be available for this sector, this amendment is seen as one of the many steps taken by the government to improve ease of doing business in the country and make more coal available for small, medium and other sectors,” the statement added.

(Source-http://www.thehindubusinessline.com/economy/ministry-eases-coal-sales-for-small-buyers/article9159150.ece?homepage=true,published on 28th September, 2016)

Quote of the day

When wealth is lost, nothing is lost; when health is lost, something is lost; when character is lost, all is lost. Billy Graham