

Govt removes PPA hurdle to cut power purchase cost

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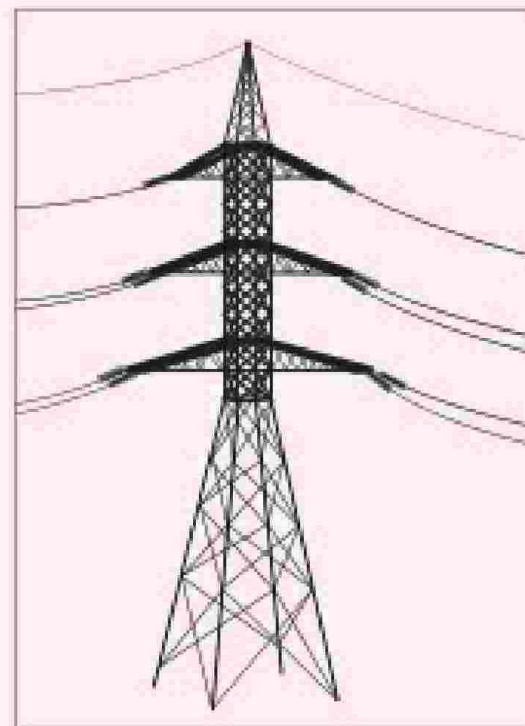
FE BUREAU
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THE POWER MINISTRY has allowed power generation firms to supply less expensive power from their preferred plants to distribution companies (discoms), even if power purchase agreements (PPAs) are linked to other (more expensive) plants.

Currently, power companies can sell electricity to discoms only from the specific

power plants identified in the PPA. The cost savings made from this process would be shared between the states and generation companies. The scheme is applicable for companies having multiple generating assets whose tariffs have not been determined through competitive bidding (under Section 62 of the Electricity Act). While all plants of state-run NTPC can avail of this scheme, only a few private power units belonging to firms such as Reliance Power, Tata Power, JPVL and Lanco sell power under Section 62.

Some of the newer power plants of NTPC, such as Bongaigaon and Barh, sell electricity to Assam and Chhattisgarh at high tariffs ranging between ₹5/unit and ₹6/unit. However, many other older plants of NTPC have very low power tariffs, bringing down its average



power price at ₹3.23/unit, which is 8.5% lower than the national average rate for thermal power.

The introduction of the PPA rationalisation scheme is also expected to address the coal shortage issue stemming out of shortage of railway rakes with optimum utilisation of

plants located near coal mines.

Union power minister RK Singh had conveyed his intention of coming up with such a scheme at the conference of power ministers of the states, held in Shimla in early July. The PPA rationalisation scheme follows the power ministry allowing thermal gencos the flexibility of using renewable energy sources to meet their contractual generation obligations.

The government has also introduced the policy of coal linkage rationalisation, which allows thermal power plants to transfer existing coal linkages to generation units nearer to mines. Coal and railways minister Piyush Goyal recently said the annual potential savings through the policy was ₹3,359 crore by shortening transportation distances for 55.7 MT of fuel in the last four years.