

India Electricity 2009

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Power sector needs to raise Rs 500,000 crore to create fresh capacity



The government admitted that the slow pace of capacity addition in India's power sector could be attributed to the problem of viability and marketing risk, inadequate fuel supplies coupled with operational inefficiency, with a gap of Rs 500,000 crore in financing of capacity addition projects staring it in the face.

"In order to achieve financial closure in a time-bound manner, it is suggested to increase the exposure limit of banks and financial institutions for financing power sector companies. The limit should be increased from 20% to 30% for individual borrowers and from 50% to 70% for group borrowers. In addition, it is suggested that ECBs by financial institutions like PFC and REC may be brought under the automatic route," said Bharatsinh Solanki, Minister of State for Power at the inauguration of 'India Electricity 2009' organized jointly by the Ministry of Power and FICCI.

Solanki said that the opportunity in India's power sector "is for real and it needs a long term commitment and planning," adding that the Indian power sector was faced with various

problems such as low growth, low and cumbersome implementation, relatively obsolete technology, low performance of generation utilities in terms of plant availability, plant load factor and thermal efficiency.

He said that to achieve the power generation of 350 GW by 2017, the average capacity addition per year should be 27,000 MW. "This is a daunting and formidable task which needs cooperative effort from all stakeholders. We know power projects are high investment-intensive but it is also true that financial closures in power sector projects are also achieved speedily.

The Minister said that capacity addition in the area of project management had been identified as an area of utmost importance. "Many a time, unnecessary time and cost overruns could be easily avoided if management agency is capable and we look forward to an immediate action from the industry on this front."

Solanki also alluded to the capacity building needs in the area of fuel resources. In this context, he stressed the need for ensuring the availability of coal

and natural gas and LNG for running the power plants smoothly. "My efforts would be to work closely with the ministries concerned in this regard," he declared.

He said that the Power Ministry was also focusing strongly on building capacities for development of manpower resources to meet the requirements of all business segments. "The accelerated development of the power sector has put a strain on the human resources. The entry of private players in the sector has also added to this strain and has led to poaching of human resources from the public sector utilities," he pointed out.

Solanki also announced the launch of a national campaign on Energy Efficiency involving all the stakeholders and interest groups at the national, sub-national and regional levels to disseminate and popularize energy efficiency measures.

Tom Cutler, Acting Director, Office of the European and Asian Affairs, US Department of Energy, gave a snapshot of the power sector in the US, its plans for green energy growth and the reasons why successful energy cooperation between the US and India was more important now than ever before. He said,

"From our exiting and successful US-India Energy Dialogue to our multilateral engagement in the Carbon Sequestration Leadership Forum and in the International Partnership for Energy Efficiency Cooperation, India and the United States are well positioned to work together and meet the challenge of building a low-carbon energy economy."

Y K Modi, Chairman & CEO, Great Eastern Energy Corporation Ltd. and Past President, FICCI, pointed out that the Indian power sector offered immense business opportunities on a long term basis. Huge demand-supply gap in the face of rising electricity demand backed by a growing economy are well recognized are the key characteristics today of the Indian power sector. Whether it is the induction of new and advanced technologies including super-critical technologies or production and supply of main and balance of plant equipments, the potential is huge.

S R Ramanujam, CEO, CRISIL Risk & Infrastructure Solutions Ltd., gave the theme presentation on 'Indian Power Sector: Strategies for Continued Capacity Addition in the Challenging Global Environment'.



Mr Bharatsinh Solanki, Minister of State for Power with Daljeet Kaur, HPL India Limited