India Electricity 2011
October 12, 2011

Speech of Shri Sushilkumar Shinde, Hon'ble Union Minister of Power

It is a matter of immense pleasure for me to address you on the occasion of inauguration of the 6th International Exhibition and Conference "India Electricity 2011" being organized by FICCI. The theme of this edition, "Future of Indian Power Sector: Managing Challenges of Fuel, Competition and Reforms" is very relevant and appropriate at this point of time.

Indian economy is growing at CAGR of over 8% for the last five years and has shown its resilience even in the wake of severe global financial crisis by maintaining more or less the same growth trajectory over the last few years. To sustain and accelerate this growth further, the power sector would have to play its legitimate and designated role.

India's fast paced economic growth and its rapid rate of industrialization and urbanization have fueled increased energy demand. It has been estimated that if India continues to grow at the current rate, the Indian economy would emerge as the second largest in the world, next only to China by 2050. It is, therefore, expected that demand for energy would also rise substantially in the coming future.

The unique feature of power as a commodity of service makes the dynamics of demand and supply difficult to comprehend and has a bearing on the cost of supply and quality. Presently, the demand for energy outstrips domestic supply. To address this growing demand we require not only increased capacity for generation of electric power, but also modernization and augmentation of the existing thermal and hydel units and also harness the potential of all other sources of energy.

The last five years had seen rapid strides in capacity addition, and the installed capacity of power generation had gone up from approx 1,23,000 MW in end January 2006 to over 1,81 ,000 MW in August 2011, an unprecedented growth of 47%. 41,618 MW has been added during the Eleventh Plan which is nearly double the capacity added in the entire Tenth Plan and exceeds the capacity addition in the 9th and 10th Plans taken together.

More than 80,000 MW is under construction for likely benefit during the 12th Plan. The accelerated pace of capacity addition was largely a consequence of several key measures initiated by the Ministry. These include augmentation of domestic manufacturing capacity of power plant equipment, adoption of super-critical technologies, UMPP initiative, liberalization of the Mega Power Policy, instituting a robust monitoring mechanism and enhancing the availability of skilled and trained manpower. As a result of these initiatives, the pace of capacity addition in the private sector had picked up substantially in recent years. The private sector is expected to

add nearly 36% of the capacity addition in the XI Plan and over 50% of the capacity addition proposed for the XII Plan, which was only 9% during the 10th Plan.

With the initiative of the Ministry of Power, several new joint venture companies have been formed to manufacture supercritical boilers and turbine-generators for thermal power plants. These joint ventures have been formed between M/s L&T & MHI, Japan; Alstom & Bharat Forge; Toshiba & JSW; Ansaldo & GB Engineering; and Thermax & Babcock and Wilcox. Dussan is also putting up equipment manufacturing facility in India with 100% FDI. One of these joint venture companies has already commissioned its factory and the others are likely to be commissioned over the next 2-3 years. The manufacturing capacity of BHEL is being increased to 20,000 MW by 2012. To augment the Balance of Plants capacity, international conclaves on "Key Inputs for Power Sector" have been held periodically to sensitize the stakeholders to enlarge the vendor base to meet Balance of Plants requirements.

The total installed capacity in the country of approx 1,81 ,000 MW roughly comprises of 65% from fossil fuel, 22% from Hydro, 3% from nuclear and balance 10% from renewable energy sources. This scenario is not going to change much in the next five years on the fossil fuel front as coal would continue to be the main source of power generation in the country. But we do not have enough supply of domestic coal to meet the demand. The gap between demand and availability of domestic coal is necessitating import of coal.

With the growing concern for carbon emission, energy efficiency and clean power, super-critical technology is being adopted in the country. Bulk of the 12th Plan capacity addition is expected to come through super-critical technology. Government of India has approved bulk tendering for 11 units of 660MW each. The bulk ordering for these 11 units is in various advanced stages. The contracts provide for development of phased indigenous manufacturing of supercritical equipment in the country.

Power transmission segment is also opened to private investment. Ministry of Power had identified 14 transmission projects for 1 00 percent private investment. Bidding for six projects is completed and the projects are under execution. The expected investment for schemes, which are under implementation/process of implementation during the 11th Plan by private investment in development of transmission system is approximately Rs 19000 crore.

In so far as distribution is concerned, the Government is pursuing a five-fold strategy for improving governance standards and transparency across power value chain, reducing AT&C losses, technology upgrades, tariff rationalization and strategic investments. The Government has repeatedly stressed the need for fundamental restructuring of the distribution governance structures in urban/ industrial areas with unacceptably high technical and financial losses. This can be achieved by implementing a strategy of making adequate investments for modernization and up-

gradation of distribution infrastructure, 100 per cent metering, application of IT and other modern technologies for energy auditing and accounting, etc.

For reducing AT&C losses, the Ministry is implementing a multi-faceted strategy through the Restructured Accelerated Power Development & Reform Programme (R-APDRP) with a total outlay of Rs. 55,000 crores. DISCOMS are being encouraged to use IT for energy audits and accounting as well as carry out system strengthening and technological upgradation of the distribution network to control power pilferage and theft. The programme has in-built incentive mechanisms wherein part of the loan gets converted into a grant reducing AT&C losses to 15 per cent.

Government is committed to face the challenges in the power sector by effectively addressing the issues relating to generation, transmission and distribution. We, however, would like private sector to contribute more towards realizing the dream of "Power for All". I may also add that there is ample opportunity for foreign investment either directly or through joint ventures with Indian companies as there will be sufficient demand for electricity in times to come.

The immediate concerns are attached to availability, accessibility and affordability of fuel options, growth of healthy competition and adoption of efficient operations across the value chain.

I would like to end my speech by expressing my sincere thanks for inviting me to this conference to share my views with the participants. I also sincerely hope that the deliberations of this conference would be extremely fruitful and beneficial to all the participants.

Thank You,

Jai Hind!