

**C A G****Citizen consumer and civic Action Group**

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February 6, 2020

Thiru S. Krishnan, IAS  
Additional Chief Secretary  
Finance Department  
Government of Tamil Nadu  
Fort St. George, Chennai 600 009.

Dear Sir,

I write to you from Citizen consumer and civic Action Group (CAG), a 34 year old non-profit, non-political and professional organisation that works towards protecting citizens' rights in environmental, consumer and civic issues, and promoting good governance processes including transparency, accountability, and participatory decision making.

I write this with reference to a news report published in The Times of India, Chennai edition, dated February 1, 2020, titled *TANGEDCO funders want guarantee for investments* (a copy of the same, which appeared on its webpage, has been appended to this letter). In summary, the article specifies that the Power Finance Corporation and the Rural Electrification Corporation, which are funding thermal power projects of a combined capacity up to 5,300 MW, and hydro power projects to the tune of 500 MW, have asked for guarantees from the state government to fund these projects, since TANGEDCO does not enjoy good financial health, and thus does not qualify for lending. And that TANGEDCO has made the request to the state government, seeking such a guarantee.

We request you to not consider the request for guarantee, and would like to explain our reasons for stating the same. It bears relevance to mention that for most of the past decade, the state has been augmenting power capacity at twice the rate at which demand rose. Since 2009-10, the state's annual electricity requirement rose at a Compounded Annual Growth Rate (CAGR) of 3.72%<sup>1</sup> until 2017-18, although its installed capacity in the same period rose at a CAGR of 7.61%. A perusal of the state's Energy Policy Note 2019-20 reveals that for the next three years too, the plan is to augment capacity at about 6.25%.

Such a planned increase in capacity is especially unnecessary in times like these, when the state has been witnessing a slump in demand. The past few months have witnessed a significant fall in demand, prompted by the economic slump

<sup>1</sup> Source: CEA Annual Reports

**Trustees**

Dr. Arjun Rajagopalan (Surgeon)  
Dr. George Thomas (Orthopaedic Surgeon)  
Dr. R. Hema (Associate Professor)

Dr. C. Rammanohar Reddy (Economist and Editor)

Mr. Sriram Panchu (Senior Advocate)

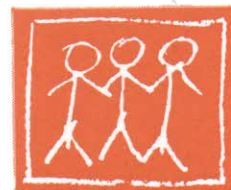
Dr. Suchitra Ramkumar (Doctor and Teacher)

Mr. Keshav Desiraju (IAS, Retd.)

**Advisors**

Ms. Tara Murali (Architect)  
Mr. N.L. Rajah (Senior Advocate)



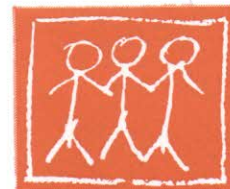


and its effect on industries. This calls for a more realistic estimate of demand growth, and cost-effective means to achieve them. A few of these have been detailed below:

- 1. Improve PLF of existing plants:** As against building more power plants, it would serve the discom to improve the efficiency of its operating power plants. Compared to the previous year, thermal stations operated by TANGEDCO generated nearly 15% less in 2019. They registered a PLF of 57.04%, as against 67.0% in 2018, according to news reports<sup>2</sup>. In Mettur, MTPS-I, whose plants have been functioning for 29-33 years, PLF has dropped from 84.71% in 2014-15 to 69.41% in 2017-18. This is based on the generation data submitted by TANGEDCO, in the annual Environmental Statement (Form V). Similarly Thoothukudi Thermal Power Station, which was functioning at 90.04% of its installed capacity in 2012-13, operated sub-optimally at 77.0% in 2015-16. This is a problem common to more recent units, like MTPS-II, which also recorded a modest PLF of 65.57% in 2016-17- the fourth year of its operation. The design PLF of most of these plants is in the 85 to 90% range.
- 2. Replace old power plants with utility scale RE projects:** Nearly one-third of the thermal power plants in Tamil Nadu are operating beyond their useful life of 30 years, including TANGEDCO's Mettur Thermal Power Station and Thoothukudi Thermal Power Station. They will require to be decommissioned, or will need to be retrofitted with expensive pollution control technology, to operate within the emissions norms set by the MoEFCC in 2015. With the Finance Minister Ms. Nirmala Sitharaman advising discoms to retire old coal plants, and install renewable energy projects in the land, it would be timely and rewarding to decommission these plants. The land occupied by these power plants can be used for developing utility-scale solar projects. For example, in Mettur, Units I, II and III have been functional for more than 3 decades, while the fourth will reach 30 years by 2020. The main plants have been built on an area of 360 acres, in whose place a solar park with a capacity of 90 MW can be developed. The infrastructure for evacuating this power is already in place.

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<sup>2</sup> <https://timesofindia.indiatimes.com/city/chennai/power-consumption-of-state-during-this-pongal-lowest-in-recent-years/articleshow/73340268.cms>



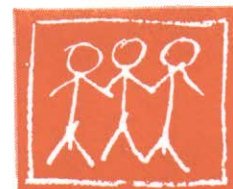
3. **Install solar projects in land of proposed power plants:** If there is any demonstrable need for augmenting capacity, it can be accomplished by installing more solar projects in the lands earmarked for the proposed plants, including Ennore Thermal Power Station-Replacement, Udangudi Stage II and Stage III plants alone, for which land is available or acquisition is underway according to the Policy Note. Based on the national average PLF for the state sector in the past 3 years (56.29%), the net useful capacity addition from these coal plants would amount to only 1,857.5 MW. In the same land, solar plants to the tune of 706 MW can be installed. The project investment would reduce by 86% - from the proposed Rs. 23,000 crore to about Rs. 3,175 crore - for these solar plants.
4. **Solarise rooftops of government buildings across the state:** These would not only enable the state to achieve its 3,600 MW target as part of the Solar Policy for consumer category solar energy systems but also achieve reduction in AT&C losses (since the point of consumption is close to production) and avoid the need for investment in evacuation infrastructure from centralised large scale thermal power plants.
5. **Adopt a leasing model for rooftop solar** among low income groups, and further promote effective land co-utilisation through **solar installations in agricultural land.**

Please let us know in case any information is required about the methodology for the calculations made herewith; we would be glad to provide the details available with us. It is sincerely hoped that the state, as a forerunner in promoting solar energy, will consider these recommendations, and expedite the growth of the renewables sector for energy security without further endangering our financial health by opting for high risk investment, without an established need.

Regards,

Om Prakash Singh  
Executive Director





Link: <https://timesofindia.indiatimes.com/city/chennai/tamil-nadu-tangedco-funders-want-guarantee-for-investments/articleshow/73831819.cms>

## Tamil Nadu: Tangedco funders want guarantee for investments

TNN | Feb 1, 2020, 11.35 AM IST

CHENNAI: Several thermal projects of Tangedco, coming up across Tamil Nadu, are in a limbo as funding agencies like Power Finance Corporation (PFC) and Rural Electrification Corporation (REC) want the state government to provide guarantee for the money lent to Tangedco projects.

The guarantee is for the existing thermal and hydro projects that are in the pipeline. For fresh loans from these two financial agencies, Tangedco must fulfill certain norms before it hopes to get the funds from them.

"Union power minister R K Singh had written a letter to chief minister Edappadi K Palaniswami last month stating that it will be difficult for PFC and REC to provide loans based on the present financial situation of Tangedco. Following this, state power minister P Thangamani and TNEB chairman Vikram Kapur called on Singh, who however stressed on the prudential norms and the need to fulfill them," said a senior Tangedco official.

"The distribution company is not at good credit risk and therefore the PFC and REC will find it difficult to extend further loans to them. The PFC and REC are financial institutions and they have to follow the prudential norms," Singh had said in the letter.

According to the norms, the distribution companies which have over-dues to generating companies and which are running in losses do not qualify for lending. "This is a serious matter for the distribution company because PFC and REC are their major source for raising finances," said the minister.

Following this, Tangedco has written to the state government seeking guarantee for the loans promised to the projects. "We are awaiting the guarantee from the government for the projects which are in the pipeline. But for fresh loans we are working to meet the prudential norms and are confident to meet the norms," said the official. More than 5,300MW of thermal projects and another 500 MW of hydro projects are in the pipeline and the government guarantee has been sought for these projects.