

India Electricity 2011

October 12, 2011

Welcome address by Mr. Harsh Mariwala, President FICCI & Managing Director, Marico Ltd.

Mr. Sushilkumar Shinde, Hon'ble Union Minister for Power, Govt. of India

Mr. P. Uma Shankar, Secretary, Ministry of Power, Govt. of India

Mr. Mr. R.S. Sharma, Managing Director, Jindal Power Ltd. and Chairman, FICCI Power Committee:

Mr. Ravi Sharma, CEO, Adani Power Ltd. and Co- Chairman, FICCI Power Committee

Mr. Nitin Zamre, Managing Director, ICF International

Mr. Rajan Kohli, Advisor, FICCI

Distinguished Guests, Ladies & Gentlemen

- Pleasure to welcome you to India Electricity - 2011.
- An annual initiative of FICCI and the Ministry of Power - sixth in the series. Reflects our continued commitment to work with government in identifying opportunities in India's power sector.
- 40% of population without access to electricity and per capita electricity consumption of a mere 730 units in comparison to China's consumption of over 2500 units and a world average of 3000 units- Indian power sector has a long way to go.
- Huge demand-supply gap implies numerous investment opportunities in the sector. Capacity expansion needs to be accelerated, supply networks to be expanded and modernized to arrest very high transmission & distribution losses, and high efficiency equipment developed and adopted. An opportunity where multiple stakeholders could contribute to and benefit from India's plans for electricity sector growth.
- Past few years- positive developments. Reforms and competition, laid down by Electricity Act, 2003, has been further strengthened with legislations like the National Tariff Policy, competitive bidding guidelines etc. Ignited private investors' interest in power sector. Share of private sector participation in power sector- currently at 23% - is expected to go over 50% by the end of the XII Plan period.
- Growth story needs to continue if we are to achieve the targeted growth of 1 lakh MW of power capacity by 2017. However, some concerns loom large:
- Immediate concern - availability of adequate fuel. Coal- becoming a scarce resource. In spite of vast coal reserves in India. Uncertain domestic availability and volatile international prices of coal set to derail capacity addition plans of projects developers. It is reported that up to 25000 MW of

thermal power capacity is presently stranded. This implies a locking up of Rs. 100,000 crore installed power projects.

- Rising costs of imported coal may lead to a situation where many project developers could default on their power purchase agreements. Else, a lot of upcoming capacity may lie idle as buyers may not purchase power at higher costs. Need to come out with a short-term solution immediately to tide over the current crisis to be followed by serious fuel sector reforms to ensure long-term stability.
- Crux of the problem - the fuel sector has failed to keep pace with power sector reforms. FICCI suggests the following measures should be taken up in the coal sector on a priority basis:
 - Introduction of a bill in the Winter Session of Parliament for establishing an Independent Coal Regulator
 - Delinking coal mining from the activities of end-users by engaging Mine Developer-cum-Operator, who specialize in mine development activities
 - Competitive bidding of coal blocks and
 - Finally, the denationalization of Coal India Limited
- In addition - there is a need for concerted action in obtaining forest and environmental clearances in a time bound manner and acquisition of land for mining and project related activities.
- Recently passed Land Acquisition, Resettlement and Rehabilitation Bill 2011 - a welcome step, as it will replace an outdated law. However, there is a need to review Rehabilitation & Resettlement provisions, since its implementation will be very difficult and also cost of acquisition will go up phenomenally for industry, including power projects.
- On positive side- Industry glad that the impasse that had been created over the "Go and No-go areas" is being resolved and some projects have been cleared. We at FICCI feel that growth needs have to be balanced with environmental concerns and it is important that any such policy change should be brought in with due consultation with sectors likely to be impacted.
- The other important area for reforms today is power distribution- Estimated cumulative losses of Rs. 750 billion, which are projected to go up to Rs. 1.16 trillion by 2014-15.
- FICCI urges state governments to take lead in ensuring governance reforms. The commercial concerns of power utilities should be taken out of the political ambit. Cost-reflective tariffs, load shedding protocols, prudent power procurement planning, open access, and timely subsidy support may be some of the enablers for a growing power sector.
- The conference will bring out suggestions on managing challenges of fuel, competition and reforms which FICCI will put up to government to consider and implement.
- India Electricity also hosts a concurrent exhibition. Over 70 companies from India and abroad have joined us as exhibitors. China, emerging as an important player in India's power sector, has a separate pavilion highlighting its accomplishments in the sector. Leading CPSUs including NTPC, NHPC, NEEPCO, PowerGrid and SJVNL among others are also participating. The state of West Bengal, which is participating as Partner State, will showcase its achievements both at the Conference as well as exhibition.

- Wish the Conference and Exhibition a grand success.

Thank you.