

New coal-fired power plants may see easier lending norms

Govt Looks To Do Away With Power Purchase Agreement

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New Delhi: The government is looking at easing lending norms for new coal-fired power stations as it doubles down on the most-polluting fuel to meet a sharp uptick in electricity demand, amid reports that France and the US are preparing to propose a ban on private funding for coal at the forthcoming COP-28 climate meet.

People aware of discussions in power ministry indicated requirement of power purchase agreements (PPAs) with distribution companies for lending to new coal-based power stations may be done away with to ease flow of funds. The context for such a move was created on November 6 when power minister R K Singh told his counter-

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- Delinking funding from power purchase agreements (PPAs) for new projects suits ministry's aim of gradually moving away from PPA regime
- PPA regime is short on flexibility
- Power ministry wants to make market more



responsive, reduce cost for distribution utilities and consumers through competition

- Push for expanding coal-based generation capacity comes on back of power demand recording annual growth of 20% in August, September and October

parts from states that India must start work on 30,000 MW (megawatt) new thermal generation capacity on top of 50,000 MW already underway to avoid electricity shortage in future.

At an average construction cost of Rs 8.3 crore per MW of coal-fired power estimated by a power ministry report in May, setting up the

additional 30,000 MW capacity will entail investments of almost Rs 2.5 lakh crore. Given the 70:30 debt-equity ratio for power projects, it will entail a debt exposure in excess of Rs 1.7 lakh crore for lenders.

The figures reach astronomical proportions if the 50,000 MW coal-based capacity under implementation is taken into consideration, tho-

ugh admittedly at least half of these projects would have been planned at lower costs and must have secured funding.

The push for expanding coal-based generation capacity comes on the back of power demand posting annual growth of 20% in August, September and October. Peak demand touched 2.4 lakh MW this year against 1.9 lakh MW in 2017-18. "If the peak grows higher, we may not be able to meet it," Singh had pointed out. The plant load factor of coal-based plants has risen to about 65% in line with rising demand in spite of a healthy production of green power. This shows India will need more coal-based power to keep the grid stable as the share of renewable power, which suffers from intermittency, increases.