

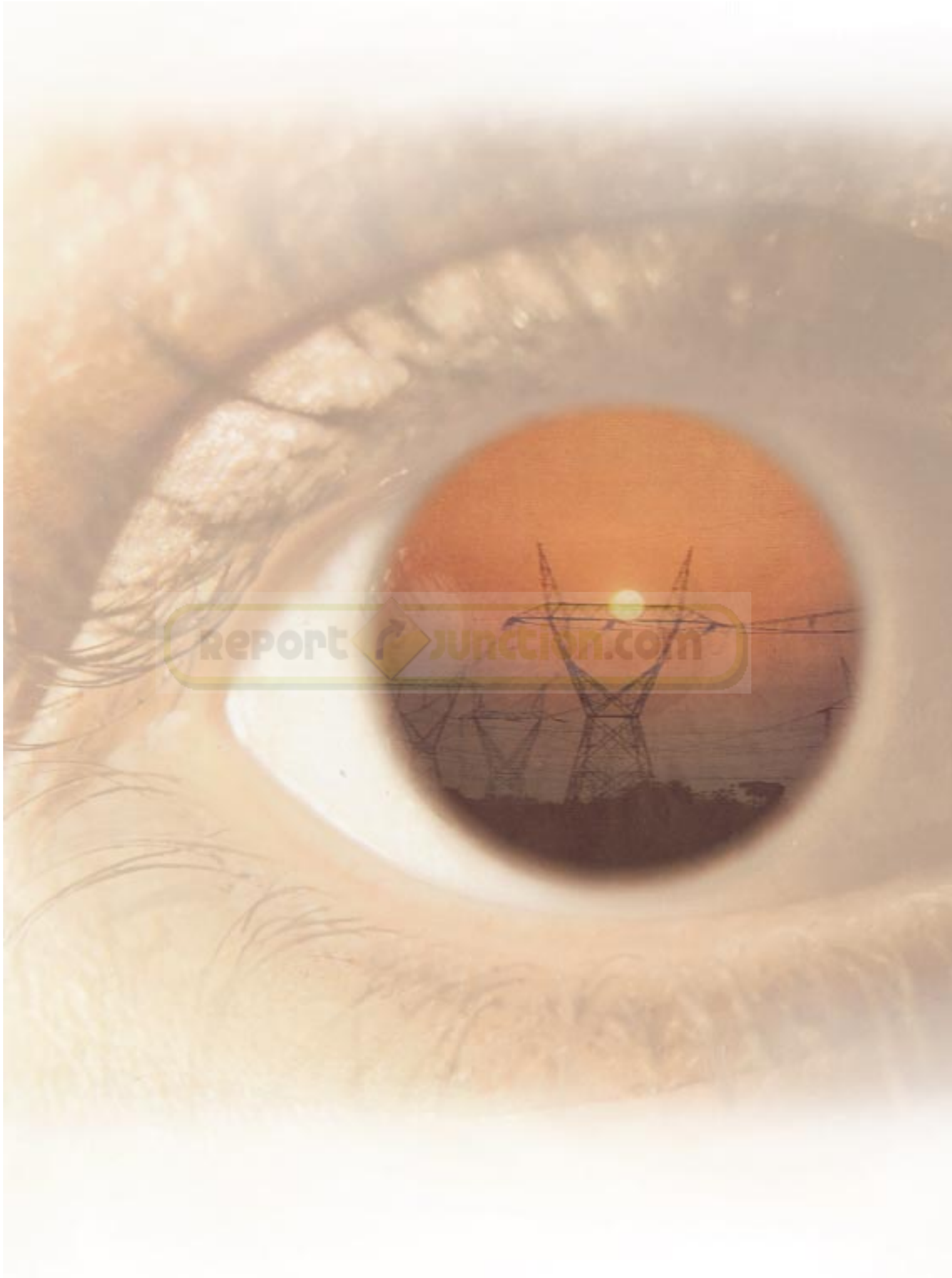
Steering towards...




... a competitive Power Market



Power Trading Corporation of India Ltd.



report  junction.com

VISION

- ◆ Promote Power Trading to optimally utilize the existing resources
- ◆ Catalyze development of Mega and other Power Projects including Hydro Projects
- ◆ Promote Exchange of Power with neighbouring countries
- ◆ Develop power market in not too distant a future

CORPORATE OBJECTIVES

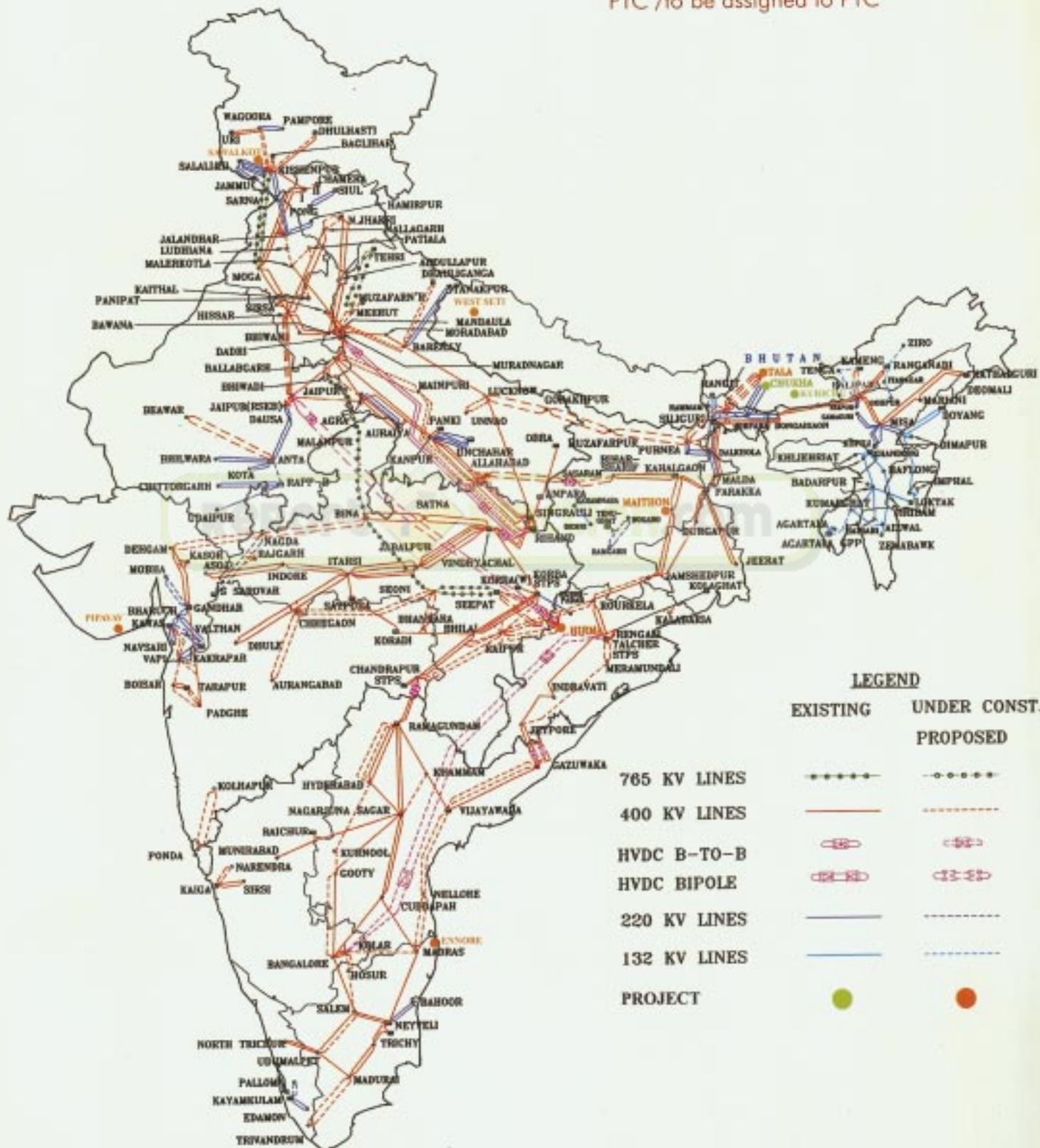
- Plan, promote and take up necessary developmental work for the power sector, purchase power from generating companies and trade in an optimal manner;
- Plan, promote, develop and establish an efficient, reliable power trading and distribution system, policies and procedures;
- Engage in business of purchasing, procuring, selling, importing, exporting and trading all forms of electric power and ancilliary services on commercial basis;
- Own, acquire, establish, operate and maintain generating stations and transmission system for supply to bulk power offtakers;
- Act as agent of public/ private sector enterprises, financial institutions, banks, central government, state governments, etc. engaged in planning and development of power sector, and
- Promote and organise research and development and carry out consultancy services in power sector and related activities.

PTC's SERVICES

- Facilitate development of Mega and other Inter-State Power Projects which can generate electricity at competitive tariff;
- Identify probable Buyers and Sellers and tie up the most economic arrangements for both;
- Co-ordinate arrangements for Evacuation System, Transmission Service Agreements, Implementation and Fuel Supply Agreements;
- Co-ordinate with Regional Electricity Boards, Regional Load Despatch Centres and POWERGRID for Dispatch, Metering and Billing;
- Structure Payment Security Mechanism, Negotiate and Finalise Power Purchase Agreements with Developers/Suppliers and with Buyers;
- Arrange for Revenue Realisation, Timely Payments and find alternative buyer(s) in default situation;
- Conduct Studies for Transmission Feasibility for transfer of power including transfer through displacement;
- Provide Single Window for Buyers and Sellers and Work as Nodal agency for Power Trading across the Border.

MAP OF INDIA

- Showing i) Central Transmission Network
ii) Location of Projects under development by PTC /to be assigned to PTC



PTC ADOPTS NEW LOGO



The Power Trading Corporation of India Ltd. is the nodal agency for trading of power in India and is the bridge between producers and consumers of power. The logo has been designed to reflect this orientation.

The 2 half arrows are placed on the periphery of an ellipse, denoting the cyclical and non-stop nature of the operations viz. generation and consumption of power. Trading is the connective, the bridge between these two. The halved arrowheads and the tapering tails reflect action and dynamism. The blue colour of these arrows symbolises stability which the Company strives to bring to the power scenario.

Placed centrally within the ellipse is the '**Power Bolt**' the universal symbol of electrical energy. The colour of rising sun for the bolt denotes the growing strength and progressive outlook of the Company.

Within the '**Power Bolt**' are the transparent letters in Roman as well as Devnagri scripts symbolising transparency in the Company's operations. The letters in Italics introduce an element of action, which is indicative of the Company's commitment to development of the power sector.

STEERING TOWARDS A COMPETITIVE POWER MARKET

Two major benefits associated with power interconnections and trading are improved security of supply and better economic efficiency. A constituent system rather than depending on its internal resources can increase system reliability through the import of energy from neighbouring constituent systems. Economic efficiency is improved when the interconnected areas have load profiles complimentary to each other, on either daily or seasonal basis. In addition to the long-term benefits of planning infrastructure expansion as an inter-connected power system, in real time operation also there is ample scope to minimize the cost of production of electricity by arranging economic interchanges. Economic interchanges between entities has been the first step in opening up electricity supply markets and sharing benefits of operating efficiencies between utilities. In an effort to increase the value of such economic trading, the “natural monopoly” structure of electricity supply industry is being reformed and restructured worldwide to encourage competition and free trade. The trend is to favour free electricity transactions within regions and between countries. In the wake of this background, formation of PTC assumes importance.

Development of Projects

PTC is presently negotiating Power Purchase Agreements (PPAs) for purchase of power from two large Power Projects namely, Hirma (3960 MW) in Orissa and Ennore (1850 MW) in Tamil Nadu. In addition, PTC has taken up development of Pipapav Mega Power Project (2000 MW) in Gujarat through ICB route. Energy from these projects will be sold to only those states, which undertake reform of their power sector. The attractive tariff would encourage the states to undertake power sector reforms in order to be the beneficiaries.

Trading of Power

Despite constraints in inter-regional transmission of power, PTC has embarked upon trading market albeit in a modest way by organizing purchase of power from surplus locations and selling to deficit SEBs. Seasonal diversity in generation and demand of different power utilities gives ample opportunities for short term trading. PTC traded energy to the extent of 28.35 MUs in its first year of operation (Financial Year 1999-2000). Trading volume increased to around 45 MUs in the subsequent year and is expected to be over 1000 MUs in FY 2001-02.

PTC is likely to take over trading of 270 MW of Chukha Hydro Power (Bhutan) very shortly and future trading opportunities include purchase of power from Tala Hydro Power Project (1020 MW) and Kurichhu Hydro Power Project (60 MW) in Bhutan and some small power projects in Nepal.

PTC as Risk Mitigator

PTC will act as a Risk Mitigator and shall ensure timely payment to the power generators. The Payment Security Mechanism for PTC is presently under finalisation and is likely to have a multi-layer structure.

Opportunities and Constraints

One of the main constraints in enhancing trading of power has been the present generation tariff, under which the fixed charges are also recovered in proportion to energy drawl rather than capacity, which is not considered conducive to economic operation. Implementation of ABT would encourage short-term and long-term trading and there will be ample avenues for the same.

With the new legislation, which is on the anvil, there would be number of players in the power market, which will go a long way in establishing a market driven power trading in which PTC will have a very significant role to play.

Financial Status

PTC was incorporated with an authorized capital of Rs 150 Crores. PTC has so far received Rs 24 Crores (60%) as equity from the Promoter Companies (POWERGRID, NTPC and PFC) and equity of Rs 16 Crores (40%) has to be raised from the Financial Institutions and other Investment Companies. This was as per the Business Plan prepared in May 2000. However, the capital structure of PTC is being reviewed and the equity is being strengthened within the parameters of an optimal capital base. The Government of India has allocated Rs. 50 Crores for PTC in the budget for 2001-02.

Perspective

Power trading scenario in the country is in the nascent stage and is growing. It is expected that power markets will develop gradually with reforms in the sector.


Unlike in other emerging markets, Indian grids have constraints in free transfer of power across the country. Strengthening of grid by construction of EHV


STEERING TOWARDS A COMPETITIVE POWER MARKET



transmission highways planned in future will help in development of a national electricity market and a new era could be ushered in whereby trading of power will result in the best price and reliable electricity for the consumers.

In such a scenario, not only PTC's outlook will continue to be quite positive and proactive, the company will make all efforts to take best advantage of the opportunities.



Report  Junction.com