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BGR, Kalinga among firms shelving thermal power plans

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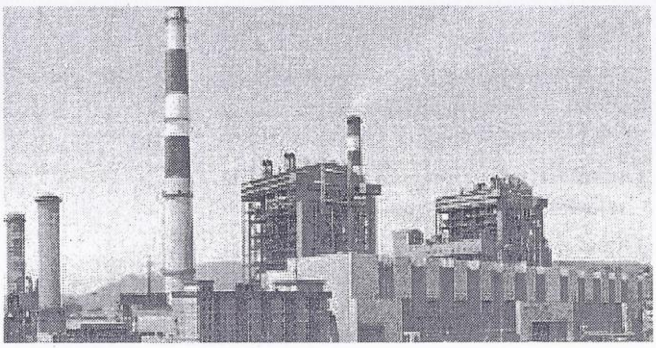
Thermal power projects are gradually losing traction in Odisha, with a clutch of developers deciding to shelve their planned projects.

After Tata Power, BGR Energy Systems Ltd and Kalinga Energy and Power have communicated their intent to scrap their proposed coal-fired projects in the state.

Chennai-based BGR Energy Systems had proposed to set up a 1,320-Mw coal-based power station at Bhapur in Odisha's Nayagarh district, committing an investment of ₹6,288 crore. Kalinga Energy & Power Ltd, an Odisha-based developer, had sought to develop a 1,000-Mw power project at a cost of ₹4,261 crore.

"Both BGR Energy and Kalinga Energy have written to the state government they want to shelve their projects. Without coal block or firm linkages, thermal power producers are finding it tough to commission their projects. Also, the scenario is shifting in favour of renewable power with tariffs getting more competitive," said a state government official.



The decisions to shelve thermal projects has posed a threat to Odisha's potential to emerge as a power hub

On its own, the state government has not renewed the lapsed pacts of Essar Power and Vijay Ferro Power over their lack of interest to implement projects.

The decisions to shelve thermal projects has posed a threat to Odisha's potential to emerge as a power hub. Weak power demand, lack of coal block or firm linkages, delay in land acquisition and difficulty in raising credit has prompted the promoters to withdraw their plans. Between 2000 and 2014, Odisha signed MoUs with 30 IPPs with a total generation capacity of 37,000 Mw. The state government went on a MoU signing spree to secure long-term power security.

Though Odisha was already a power-surplus state, the idea behind chasing coal-based power projects was to get power at competitive rates from independent power producers (IPPs) and sell excess power through its trading agency, Gridco. The sale of surplus power by Gridco either to the spot exchanges or to states with deficits through bilateral pacts was seen as a strategy to shore up its stressed finances.

But IPPs have struggled to secure coal blocks despite the state government's recommendations. Later, Odisha lost its discretionary advantage to recommend award of coal blocks, with the system moving to auctions. Some developers like Monnet Power, who managed to win a coal block after tough bidding, found the coal block unsustainable.

"For IPPs, there is no coal block or the guarantee of a firm linkage in Odisha. This together with trouble in land acquisition and longer breakeven periods due to cost and time overruns do not make thermal power projects a safe bet," said a senior executive with a power company.