

## INTERVIEW

# Distribution Sector Reforms Are Key For Growth Of The Sector

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*Energy firms across the spectrum face the new reality of the energy transition to a higher share for renewable energy. Apraava Energy, formerly CLP India, one of the many firms that have tasked themselves with the task to make the shift as smoothly as possible. SaurEnergy got responses from **Naveen Munjal, Director Business Development and Commercial (Conventional)** at the now **Apraava Energy**, that started life as a coal and gas based power generator.*

**Q** Between the name change from CLP India and the stake sale to CDPQ and the shift to a 'greener' portfolio, how does he see the future for Apraava? What are the firm's short term and long-term goals?

In October 2021, we announced our new corporate identity, Apraava Energy. As the name suggests, we have further strengthened our commitment to support the development of a green economy in India. The recent announcement of a 10% stake sale in Apraava Energy by CLP Holdings to CDPQ is a step to catalyze our growth journey.

Apraava Energy has announced its ambition to fast-track growth that includes:

- Doubling the energy portfolio by 2025
- Focusing on low-carbon growth areas, and exploring diversification into other customer-focused energy businesses

In the short term, Apraava Energy will continue to focus on growing its renewable and transmission portfolio through greenfield as well as acquisition opportunities. We will also explore opportunities in customer-facing areas with a long-term objective of becoming a trusted integrated energy utility/ energy solution provider in the country.

**Q** As energy transition gathers pace, do you see a challenge for standalone power generators to adapt to new realities? How is Apraava managing it?

India has been amongst the leaders in the energy transition space with serious commitments and real progress on the ground with a very large Renewable Energy capacity in play. Most players in the Indian power market – both public and private, have made substantial commitments and actual investments in RE capacities. It has therefore not been a challenge for power generation companies to adapt to the new realities.

Apraava Energy has always been one of the frontrunners in the renewable space. We were one of the first companies to see the possibilities of renewable energy in India and had established a wind farm as far back as 2009. We were also the first power company in Southeast Asia to issue a green bond and one of the early corporate partners of the International Solar Alliance. Over the years, the company has steadily grown its wind and solar energy portfolio and currently has 47% renewable-energy-led installed capacity. Our overall portfolio stands at ~3000 MW, of which ~1175 MW is wind energy (this includes an under-construction 252 MW wind project at Sidhpur, Gujarat) and ~250 MW is solar energy projects spread across seven Indian states. In addition, the company is pursuing setting up of green power capacities at its power plant in Jhajjar as part of the GoI's scheme for 'Flexibility in Generation and Scheduling of Thermal/ Hydro Power Stations through bundling with Renewable Energy and Storage Power.'

Acceleration of the energy transition is essential for long-term energy security, price

stability and national resilience. The biggest challenge with the country is its widely spread and uneven distribution of renewable energy sources across different regions – this needs better coordination for the flow of power across state-run grids and calls for large investments not only in RE generation but also in the T&D sector for augmentation and modernization of the network.



**Q Is the move into transmission a strategic shift? Will you be building on it?**

Transmission has always been one of the identified growth areas for Apraava Energy. We have been looking for investment opportunities selectively for a long time and will continue to explore growth in transmission business selectively through both greenfield and acquisition routes.

With Apraava's vision to grow its portfolio in low/zero carbon areas, transmission fits very well into the strategy; it helps diversifying our portfolio and business risks while continuing to achieve our long-term vision.

While we have seen substantial investments and growth in the interstate transmission space over the last few years, intra-state sector has lagged behind despite there being a large need and therefore potential for improvement. We expect large-scale investments in state grids to catch up with the growth requirements of the sector including for augmenting existing transmission and transformation capacities for building the infrastructure required under the green corridor plan. Apraava Energy is very keen to be a part of this growth of the Transmission sector.

**Q What's your capex plan for the next year, next 3 years?**

Depending on the various areas, Apraava's annual investment outlay will be approximately INR 5000 crore over the next three years. This will be distributed across generation, transmission, and other non-carbon opportunities in electricity. These investments will be funded with a combination of debt and equity.

**Q How has the spike in gas costs impacted your plant? Do you think Gas still has a role beyond say, 2030? What are the prices that will enable it, what is the price beyond which building gas transmission infrastructure will not make sense?**

Our gas-fired plant in Gujarat had a 20-year PPA that ended in 2018; while the plant and machinery have a reasonable remaining life and can be put to use for the merchant market, the lack of availability of reasonably priced domestic gas has been the major factor for the plant not being put to use post expiry of the PPA.

While gas is an ideal fuel during the transition as its carbon intensity is just about half vis-à-vis coal, coupled with the fact that gas-based plants tend to be most complementary with RE in dealing with the variability of RE generation due to the flexibility of the gas turbines, the economics are overwhelmingly in favour of coal-based generation considering the very large coal reserves of the country. Even if the economics of gas-based power remain unviable vis-à-vis coal, there is a substantial need for gas in the future for the transportation segment, the fertilizer sector and also for domestic cooking purposes necessitating the need for growth in the Gas Transmission Infrastructure.

**Q Will Apraava continue to consider only discoms as customers? Or do you plan to venture into C&I segment too?**

We intend to grow as an integrated power utility and are open to exploring opportunities that align with our strategy. Distribution privatization, AMI and C&I segments all fit into our long-term objectives and investments in these spaces will be pursued at an opportune time.

**Q Do you have future fund-raising plans?**

The fund-raising plan will depend on the capital requirements and the growth pipeline – all suitable options including participation from local shareholders will be considered at the appropriate time.

**Q Even as India stays committed to thermal for the foreseeable future, do you feel the time is right to reconsider the long term PPA structure in India? Would the push to higher share for power trading work? Could it accelerate the transition or hurt it?**

The need of the hour in the power sector is to maintain a judicious mix between long-term and short-term power procurement. In light of discom finances, long/medium-term PPAs are probably needed for fresh investments to be financeable for power generation unless more innovative structures are explored. The Federal Government has been working tirelessly to improve discom finances – if a breakthrough is made successfully, then the need for longer-term PPAs may get obviated. In any case, thermal capacity addition is likely to come mainly in the

state sector as private companies may not be able to raise finances, especially from international banks for such projects. There is no doubt that power exchanges have emerged as a viable platform as they provide an option to buyers/sellers of energy to choose the most optimal solutions available in the market for their specific energy needs. Given that optimal usage of resources is key for the sustainability of any sector, power exchanges have a pivotal role to play in energy transition.

**Q What are the policy gaps we still need to fill to ensure a more orderly and thriving energy sector?**

Distribution is the sole point for revenue collection in the electricity value chain - its efficiency is critical for the viability of the entire sector. Despite substantial efforts, inefficiencies in the distribution sector have resulted in large under-recoveries leading to heavy accumulated losses and large unpaid dues of generation and transmission companies. Distribution sector reforms are critical for the growth of the sector – these include revision of tariffs and receipt of subsidy on a timely basis, reduction of high T&D losses as also operating costs etc.

The Electricity (Amendment) Bill 2022 proposes multiple distribution licensees and the new licensees being able to use the incumbent licensees' network – this significantly lowers the barriers to entry in the distribution sector. The long-awaited segregation of content & carriage is also needed in the distribution sector.

With the increase in renewable energy generation across the country, there is a need to build & strengthen transmission and distribution networks throughout the country – both interstate and intrastate. More rigorous planning and a responsive transmission and distribution (T&D) grid market for the timely supply of renewable energy generation, which is intermittent but low-cost and clean is needed, as India continues its energy transition journey.

The recent guiding principles issued by MOP for the Monetization of Transmission Assets in the Public Sector through Acquire, Operate, Maintain and Transfer (AOMT) based Public Private Partnership model is a welcome move and expected to boost investments. Further, the enforceability of the Contracts and faster dispute resolution along with the alignment of center and state policies/regulations will certainly help in boosting investor sentiment. ●