

“The government’s hierarchical system is a big challenge”

In a free-wheeling interaction with *PWI*, Mr Sandeep Jajodia, Executive Vice Chairman and Managing Director, Monnet Group, speaks about the company’s plans in power generation, the hindrances to the growth of the sector and the promise of super critical technologies...

Monnet Ispat and Energy Limited (MIEL) started with two captive power plants. Share the experience of the company as a captive power generator and the transition to trading of power as merchant capacity.

In the year 1997, Monnet Ispat and Energy Limited (MIEL) started off with a small captive power plant of 7.5 MW. The idea of establishing captive power plants sprang from the need of optimal utilization of waste steam and char. We employed waste steam to set-up a zero fuel cost power plant and with popularization of AFPC and EFPC technologies in India, char for power generation. Steel making is a power intensive process. With our own power plants, we could avert the challenges of high tariffs and irregular supply of power and reduce our dependence on power grids.

With reforms in the power sector and impetus provided by the government to IPPs and merchant power, we decided to venture into the trading of power, as the business opportunity was robust and entailed steady inflows of revenue. Currently, through our subsidiary Monnet Power Company Limited, we are looking to set up a 1,710 MW power plant based on captive coal in Angul, Orissa. The private equity firm, Blackstone, has a 12.5% equity in MPCL. We had initially planned 1050 MW for the project. Another 660 MW, using supercritical technology, was added later.

Considering the current momentum towards the evolution of power exchanges as the sole mediator in the power trading business, what role will the same play in the power sector?

Admittance of more power exchanges in the sector will prove to be beneficial for all the participants. Power exchanges will promote healthy competition, leading to moderation of prices for the buyers. For the sellers,

the exchanges will be a valuable source of information about pricing.

Regarding the 1,710 MW power plant in Angul, the initial commencing date was fixed at February 2012; however, the same has now been postponed to July 2013. What are the reasons behind the revision?

The execution of the Angul power plant project was envisaged to occur as per the originally attached time line. However, we faced umpteen challenges such as environmental clearances, rehabilitation of villagers, inaction and delay on the part of local authorities, perturbations by locals, land acquisition issues, etc. This forced us to push the commencing date, and the same has now been revised to July 2013.

IPPs have to get numerous clearances such as environmental, MoEF, coastal, land acquisition, etc. What are the solutions to the problems faced to get such clearance? Can a single-window clearance system be the panacea for this problem?

In a democracy like ours, it is very difficult to find a solution to the above named problems. In certain cases, the problems faced by IPPs go beyond the law. For instance, despite meeting all the requirements of the state with regard to land acquisition and rehabilitation, the villagers in a particular area may refuse to move. In such a scenario, a fix is hard to find. In case of land acquisition, the prices paid to the villagers for land are hiked frequently, and it is often seen that a price higher than the agreed amount is demanded. In a situation where all the prerequisites are met by the IPP, to alleviate the trouble faced, the government must take legal action against villagers or locals refusing to budge. Another remedy for land acquisition can be industrial sectors developed by the government itself. The government can take a few hectares of land under

its belt for the purpose of industrial development, and lease it out to private players.

With regard to environmental, forest and coastal clearances, the hierarchical administrative ladder of the government is the biggest challenge. Any such clearance request has to go through several governmental levels before getting the final approval. So many layers make the entire procedure time consuming. Environmental clearances in certain projects can take upto five or six years. Furthermore, the laws for such clearances are archaic and have not been evolved over the years. Hence, contravening the present situation will be a daunting task.

A single-window clearance system is the quintessential solution to all of the above discussed problems; however, with the current organizational set-up of the government and circumstances in general, executing the same will be strenuous.

For the Angul plant, both BTG units are being set up by Bharat Heavy Electricals Limited (BHEL). However, most players in the industry outsource work to Chinese and Korean companies due to their adherence to set time lines. Is there any specific reason for your decision to go with BHEL?

Barring innocuous delivery delays, we expect BHEL's services to be profoundly reliable. With the Chinese and Korean companies, we were apprised of some trouble and discord in two of West Bengal state government's projects. When we placed our orders, there were no operational Chinese or Korean turbines in the country. Hence, we were dubious about such foreign equipment solving our purpose and chose to go for BHEL.

Recently, the draft CAG report has named several companies as beneficiaries cheap(er) coal allocation. The power ministry has advised the coal ministry to award captive coal blocks to companies only if the cost benefits are transferred to the consumers in the form of low tariffs. In cases of violations, the allocations will be revoked. What are your views on these developments?

The current procedure of allocation of coal mines has been followed by three successive governments now. The same procedure was adopted post an amendment in the Coal Nat. different avenues such as state government, central government, industry in question, etc. Such an unimpaired allocation procedure cannot lead to a scam. As far as the power ministry's contention is concerned, apt decisions must be taken. However, the same must prospective in nature and not retrospective, as any retrospective decision hurts the investment sentiments.

The additional 660 MW capacity for the Angul project is being developed through the super-critical



"The decision over allocation of a coal mine to a company is perused and analyzed by a screening committee consisting of 15-20 members from different avenues such as state government, central government, industry in question, etc. Such an unimpaired allocation procedure cannot lead to a scam."

route. What are your thoughts on super-critical technologies for the thermal power sector?

Super-critical technologies represent the future of the power sector. Super-critical boilers not only consume lesser energy but also lead to reductions in carbon foot print through a 7-9 per cent lesser use of coal. Any technology that produces energy efficiency must be encouraged.

What is the Monnet Group's focus with regard to corporate social responsibility (CSR) initiatives?

The Monnet Group is dedicated towards CSR. We carry out all our CSR activities through a trust held under Monnet Ispat called the Monnet Foundation. We focus on education; we have set up one school in Raipur and one in Raigarh by the name of Monnet-DAV school catering to over 1,900 kids. Another area of contribution has been towards skill development for youth and women. We have set up vocational training centers to instill disciplines such as carpentry, plumbing, welding etc. in the youth and papad making, embroidery, stitching etc. in women. We are also constructing what we call as the Mahila Vikas Kendra, a 1,200 square feet hall, where women can come and work and we help them sell their produce. We are endeavoring to contribute towards health facilities as well, through ambulances with doctors in the villages. Additionally, we have setup health centers in Raipur and Raigarh, where all services are provided for free. Apart from the above named areas, local art and culture, boxing and other sports are other directions we concentrate on.