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POWER FIRMS FINALIZE MODELS FOR ASSET MONETISATION PLAN

Relevant for: Indian Economy | Topic: Infrastructure: Energy incl. Renewable & Non-renewable

NTPC, NHPC and Power Grid have firmed up a mix of models to realize the maximum value

NEW DELHI : Three state-run power companies, NTPC Ltd, NHPC Ltd and Power Grid Corp. of India Ltd (PGCIL), have firmed up a mix of models to realize the maximum value from their hydropower and renewable energy transmission and assets as part of the National Monetization Pipeline (NMP) plan, Union power secretary Alok Kumar told *Mint*.

These models include creating a holding company and then divesting stake in the holding company, cashflow monetization, and setting up infrastructure investment trusts (InvITs), Kumar said.

The power sector comprises 14% of the total assets on offer under NMP. Power transmission assets total 28,608 circuit km for monetization, accounting for 45,200 crore. Power generation assets totalling 6 gigawatts (GW) of hydropower and renewable energy assets account for 39,832 crore.

“It will be a mix of models. Somewhere it will be InvIT model. Somewhere it will involve creating a holding company and then divesting stake in the holding company and somewhere it will be say cashflow monetisation. So, there will be three-four models, whatever is suitable for the assets concerned. The basic goal is that there shall be no loss of value of public assets," Kumar said.

InvITs are trusts that manage income-generating infrastructure assets, typically offering investors a regular yield and a liquid method of investing in infrastructure projects. The InvIT route was proposed by the government as an alternative fundraising route for state-run companies to manage their funding requirements without having to depend on government support.

“We have been given some targets according to the NMP. All three of our companies, NTPC, NHPC, and PGCIL, are to meet the targets. So, they have prepared detailed action plans. They have also settled down on the models that they will follow for asset monetization and we are on track to achieve our targets so that there is no value loss of the assets and we realize the best possible value of these assets," Kumar said.

“We are in continuous touch with Niti Aayog and the ministry of finance. We have had several meetings and there are certain taxation issues and certain permissions to be taken, so we are working with Niti Aayog and the finance ministry. As far as the ministry of power is concerned, we are completely on track on asset monetization targets," Kumar said.

In addition, India’s largest power generation utility, NTPC, is in talks with state-run SAIL Ltd to sell its stake in NTPC-SAIL Power Co. Pvt. Ltd (NSPCL), a 50:50 joint venture, to the steel maker as reported by *Mint* earlier. NSPCL, which was formed in March 2001, supplies electricity to Chhattisgarh, besides the Union territories of Dadra and Nagar Haveli, and Daman and Diu, as well as SAIL.

The joint venture took over the captive power plants of SAIL’s steel plants at Durgapur in West

Bengal, Rourkela in Odisha, and Bhilai in Chhattisgarh. State-run firms under the Union power ministry had made a capital expenditure of 40,395.34 crore till December and have also met 80% of 50,690.52 crore capex target for FY 2021-22.

India's electricity availability has increased to 22 hours in rural areas and 23.5 hours in urban areas, according to power and new and renewable energy minister Raj Kumar Singh.

As part of its energy transition efforts, India is also working toward electrification of the economy by developing action plans for greening of electricity.

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