



Market Indicators
As on 20 May, 2015, 10:18 AM

NIFTY
8422.65

57.00 (0.68%)

SENSEX
27836.21

190.68 (0.69%)

BSE MIDCAP
10688.53

37.51 (0.35%)

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Regasified LNG Auction to Revive Stalled Gas-Based Projects: Care

Press Trust of India | Updated On: May 20, 2015 01:07 (IST)

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Mumbai: The recent e-auction of regasified liquefied natural gas (R-LNG) will revive stranded gas-based projects but improving domestic gas availability will be crucial for the sector, Care Ratings said.

According to the rating agency, the scheme has been devised for utilisation of stranded gas-based power plants by providing the subsidised fuel and tariff subsidy to improve availability of power and arrest deterioration in the credit quality for banks/financial institutions.

The auctions were conducted on May 12 and 13 and power plants with aggregate capacity of 10.27 GW have been selected based on the lowest quantum of subsidy per unit quoted.

"However, the success of entire scheme is critically dependent on softer prices of R-LNG and favourable dollar/rupee exchange rate. While the scheme is intended for interim relief, the long term viability of the gas based projects would depend on improvement in domestic gas availability," it said.

Apart from this, the ability of power generators to find buyers for electricity generated will be challenging as per unit price to distribution companies has been fixed at Rs 4.7-5.5 for stranded projects and Rs 3.39 for plants receiving limited domestic gas.

These power plants are expected to add 31.49 billion units power in primarily three states of Andhra Pradesh, Gujarat and Maharashtra.

"The average cost of power purchase for discoms (distribution companies) in these states are likely to increase between 35-40 paisa per unit in FY16 after implementation of the scheme. As the tariff, as per the scheme, is higher than the average power purchase cost for distribution entities in these states where power deficit levels are negligible, the ability to tie up PPAs would be crucial," it said.

Besides, the ability of power producer to get a moratorium on principal repayments of two years from the lenders and R-LNG availability at reasonable rates and support from respective state governments, will also be crucial for the success of the scheme, Care opined.

"At current subsidy per unit and fuel prices, the project companies would be able to meet the operation and maintenance expenses and service the interest on term loans and would require moratorium on principal repayments," Care said.

Story first published on: May 19, 2015 23:55 (IST)

Tags: [e-auction](#), [gas availability](#), [regasified liquefied natural gas](#), [R-LNG](#), [gas-based projects](#), [Care Ratings](#)

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Dainik Bhaskar

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