

## IN CONVERSATION

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# Transparency is improving

CLP India is a wholly owned subsidiary of CLP Group, which is listed on the Hong Kong stock exchange and is one of the leading investor-owned power businesses in Asia. It is one of the largest foreign investors in the Indian power sector with investments of over Rs 14,500 crore. The company has a diversified generation portfolio of a little over 3,000 MW, which includes renewable energy, supercritical coal and gas-fired power plants. CLP India's managing director Rajiv Mishra opens up with FC on the industry and the company's plans.

■ **CLP India is one of the largest foreign investors in the Indian power sector. Can you recount the journey thus far?**

We made our first investment in India in 2002 through the 655 MW gas fired power plant located in Bharuch, Gujarat. This plant was one of the first independent power projects in India. In 2006, we added wind energy to our portfolio. We were again one of the first foreign companies to enter this segment. We have now added about 1,080 MW of wind power capacity across states in the country. In the year 2008, we successfully participated in a competitive bid to build, own and operate a 1,320 MW (2X 660MW) supercritical coal-fired power plant in Jhajjar, Haryana. This plant is one of the largest of its kind in CLP's generation portfolio in Asia Pacific and is one of India's first and largest plants of its kind. We now have a little over 3,000 MW of generation capacity in India.

Of course, the journey so far has been full of ups and downs. The foremost being the time when we entered India and invested in the gas-fired power plant in Gujarat. That was when Enron and its Dabhol project were in the limelight. That project went up in smoke. The sector was in trouble. We struggled as a result. Gas supply was a problem. Even though it was a dual-fuel power project, with 50 per cent to be run on gas and the balance on naphtha, the latter became too expensive. The Gujarat electricity board did not

have the money around that time. Our stress was on putting this project back on track. We resolved it step by step. First, we entered into a gas supply agreement with Cairn Energy and the gas was competitively priced. We then tried to rework the tariff. The current prime minister was chief minister of the state then. By 2005, this investment was turned around and it has remained profitable till date.

The second phase of our journey started in the 2006-09 period. There was an explosive jump in the number of competitive bids due to a thrust on private sector for setting up large power projects, including ultra mega power projects. There were challenges and several projects, due to the ways they were planned, were not sustainable. Power generation is a very capital intensive business and one has to look at the long term. There were several bids where we participated but could not win. That's when we looked at renewable energy as a focus area. Around that time Jhajjar happened. The state government assured land and the required linkages. We had a smooth run for three years until 2012, when we faced trouble over lack of coal supply. Around mid-2013, the state government permitted us to use a mix of domestic and imported coal. Going forward, we envisage growth in both coal and renewable energy.

Yes, people ask — why no solar so far? We did look at that sector earlier, but we did not want to take land



acquisition risk. Later, state governments came up with tariff support, but still we saw that as a risk, since the tariff offered was Rs 16 per unit and we were not sure whether entities would continue to pay for 25 years, which was the agreement period. We waited for the tariffs to come down and it is now hovering around Rs 7 per unit. Here again, the competitive bidding and the L1 approach have their own flaws. One can make money, only when the sector is sustainable and for this, the projects too should be sustainable. Hence, 'sustainable bids' should be the key. When we compare ourselves to Thailand, and not even China and the developed markets, our per

capita consumption of power is still very low. Hence, there are enough opportunities for everyone. The supply side (coal) constraints are being resolved now, the focus should be on distribution companies to make money. If they do not make money, they will not pay the generating companies. The power sector is in the concurrent list and as a result, it is not only the centre, but state governments too have a greater role to play.

■ **Indian power sector offers tremendous opportunities. However, it is also plagued by project delays, policy issues and payment defaults by power utilities. Is it still worth the risk?**  
There is a need to distin-

guish between micro and macro situations. If one is selective, it is worth the risk. There are opportunities and we made the right decisions. We may have limited numbers, but there are enough opportunities for all. We bring our core efficiency to the table. This is not charity. We need to make profits and there is a need to distribute that profit to our investors. The distribution companies need to make money and fellow bidders too should submit responsible bids. If that happens, it will be good to all.

■ **Which are the states that are in the forefront to help India achieve energy security?**

There are two things — choice of states and choice of projects. I do not want to name the states that are not doing the right things and instead name states like Gujarat that are doing well, and leave the rest to your knowledgeable readers to infer.

■ **Is CLP comfortable in investing in power projects in all these states? Or will it be selective?**

We will definitely be selective. A lot depends on credit worthiness of the power utilities in the states and state governments' reform friendliness.

We want to be in states, where business ethics are followed. There are states where we have wind power assets, but those do not have enough evacuation facilities. However, things are set to change for the better. Transparency is improving. Hopefully, things will change and create a scenario in which all the

30 states in the country will be comfortable for doing business.

■ **Between conventional power and renewable energy, which one does CLP prefer for creating power assets in India?**

We have made a conscious decision to be a mainstream power producer. Hence we will have a mix of power assets, both conventional and renewable. Of course, one has to be wary of the carbon dioxide footprint that we leave behind in the long term. Hence we have been focusing on utilising the latest in technology, even if it involves higher costs, for our coal-based projects.

■ **Besides coal-based power projects and wind energy, solar is yet to be part of CLP's focus in India. That's a bit surprising since solar has been on the radar for both government and the private sector in India for quite some time now?**

One has to look at two-three factors in the solar energy space. About three-four years back, availability of fuel (coal) was an issue, as was the case with the availability of land and payment capability of the power utilities. The fuel issue has been resolved to a large extent by the government, but there are still land and payment issues. Governments are now coming forward to offer land. We need to just step in, set up and generate power, since fuel is not an issue at all in the case of solar. The business should be manageable and that is where we are focusing. govardand@mydigitalfc.com