

Franchisee in Generation

With rapid urbanization and increasing demand for electricity, generation of electricity has to be increased in an efficient manner; hence it becomes necessary to use the available resources in most sufficient manner. We already have Franchisee in distribution, but it still has to be introduced to all the electricity boards across the country. The Franchisee model in Generation is to bring in private player to increase the operational efficiency, improve PLF, and also reduce the risk associated. The main objective of the power generators in availing the franchising option is to achieve the above objectives through economies of scale and economies of scope.

The SEBs today are fuel less, cash less. When it comes to generation, particularly for state sector over the past decades, very less generation capacity is being added by the state sector and most of the assets are aging year by year. Bulk of the investment of state utility goes into managing the old units. With such existing conditions of the state GENCOs, a generation franchisee is certainly a future. The sale of the older units is not possible as the question of employee security comes into picture. The other options would be to lease or go for a revenue shared model. Lease is ruled out because nobody would be interested for the old units whose operational life is short. Hence revenue sharing model would be appropriate one for the existing scenario.

The model is a good idea but considering the failure in revision of tariffs by the RCs and not giving any attention on power purchase cost, the private operator would certainly rethink this option; there is an element of fuel risk associated too. These factors will certainly be considered by the private operator.

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