

Power Ministry mulling options to monetise brownfield transmission projects

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New Delhi

The Power Ministry and the Central Electricity Authority will discuss with the Forum of Regulators to establish a mechanism to monetise brownfield transmission projects with the States.

The development follows a high-level workshop organised by the CEA on monetising transmission assets. Representatives from 24 States and Union Territories participated in the day-long deliberations.

Identifying private sector participation as "critical" in enhancing power infrastructure, the workshop emphasised that they should be encouraged to invest in the transmission sector.

The Forum of Regulators may be approached for guidance on the way to monetise State transmission projects that belong to the Regulated Tariff Mechanism (RTM) asset category, it was suggested.

Siddhartha Ramakanth Ke-

shavadasu, Associate Director, Power Sector Advisory at Nangia & Co, said the roadmap emphasises piloting monetisation initiatives, developing model bidding documents and exploring tradable transmission rights to improve congestion management and planning.

"However, the document lacks operational examples or pilot case studies to enhance stakeholder confidence. Demonstrations before implementation and stronger Centre-State coordination are needed. While the General Network Access Regulations have advanced planning and congestion management, introducing tradable physical and financial transmission rights could further enhance market maturity," he added.

KEY VALUE DRIVERS

During the workshop, it was informed that investors have emphasised on certainty and transparency around the bid process and certainty of revenues as key value drivers. The thrust on monetising

brownfield projects is based on the rationale that such assets offer a less risky and more attractive way for private investment.

It was suggested that as the bulk of States' assets belong to the regulated assets category, RTM, which are controlled by the parent entity's balance sheet and not under separate SPVs, may require a scheme of arrangement/demerger and related formalities.

A way forward to deal with this issue, the States recommended, was that the Forum of Regulators, in consultation with the Ministry/CEA, develop a process to derive predictable long term revenue from such assets. The States also suggested approaching the Finance Ministry for clarity regarding tax implication on these assets.

To encourage the private sector, it was suggested that issues like bid process certainty, high level preparedness for consultations with regulators, treatment of pre-existing litigation related to transferred assets, treat-



THE WAY FORWARD. The Power Ministry is exploring ways to attract private sector investments to transmission infrastructure

ment of existing human resource and associated costs directly connected to the transferred asset and payment security are critical.

Expected revenues to private investors should be predictable through the monetisation/concession term.

A robust payment security mechanism at the State level is the cornerstone for bankability. On this, the CEA, in consultation with Power Ministry, will meet

with the National Investment and Infrastructure Fund and selected States.

Besides, high quality technical, financial and legal diligence of the assets and information being made available to investors at the bidding stage were other key recommendations.

The Department of Economic Affairs (DEA) will be consulted on developing a clear view on any tax implication in the monetisation process at the time of demer-

ger or time of concession award or the return of assets.

Like New South Wales (Australia), the States can consider setting up a ring-fenced fund for a structured recycling programme to help overcome public apprehension of monetisation and to leverage funds for new infrastructure investments.

According to the CEA's National Electricity Plan 2023-32, about ₹9.16 lakh crore would be required for creation of new transmission infrastructure during 2023-32, of which more than 30 per cent will be required at the intra-State level.

The Centre's view is that there is limited experience in monetisation of the trans-

mission sector, but the States can adapt learnings from monetisation of other infrastructure, such as the toll-operate-transfer model in highways and non-metro airports.

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