

# Business Standard

## Indian Railways signs first bilateral PPA to cut energy costs

**Under the agreement, North Central Railway will buy 50 Megawatt power from state-owned Damodar Valley Corporation**

**Sudheer Pal Singh | New Delhi February 07, 2015** Last Updated at 13:32 IST



Indian Railways on Thursday signed its first ever bilateral Power Purchase Agreement (PPA) with an electricity producer. This was yet another step implemented by the rail ministry to address the core of the transporter's financial woes – rising energy bills.

Under the agreement, North Central Railway will buy 50 Megawatt power (Mw) from state-owned Damodar Valley Corporation (DVC), that operates power plants in West Bengal and Jharkhand, at Auraiya Grid sub-station in Uttar Pradesh. The purchase will be facilitated by Railways Energy Management

Company under the aegis of Indian Railways.

Railways has a network spanning over 65,000 route km. Electric traction supports 63% of Indian Railways' freight operations and 50% of passenger services. Railways is the biggest consumer of the electricity, consuming about 18 billion units per year, roughly 2% of the country's total power generation, with peak requirement of about 4000 MW.

The transporter is currently required to buy power from state distribution utilities or discoms at a cost that varies widely between Rs 4 per unit and Rs 9 per unit. The average cost last fiscal was Rs 6.45 a unit. Under the changed power purchase regime, railways' average cost of buying power will come down as it will be able to source power from power surplus states that offers lower per unit rates.

“In order to enable Railways to buy power directly from suppliers, Railways have been notified as ‘Deemed Licensee’ by Ministry of Power. Railway is working to go for more such contracts at key load centers in the coming days which will enable Railways to generate significant savings in its traction electricity bills,” a rail ministry official said.

Power suppliers prefer to sell electricity to Railways as it pays higher per unit charges compared with households. Also, it buys more power at night, when demand is typically lower. Railways' average cost of power purchase has shot up from Rs 4.4 per unit in 2009-10 to Rs 6.45 a unit 2013-14.

The Railways' locomotives also consume 2.6 billion litres of diesel annually. Its fuel bill — electricity traction cost apart from diesel — accounted for Rs 28,592 crore, or 22%, of its total working expenses in 2013-14. Diesel accounted for around 70% of the fuel bill.

The transporter has budgeted for an increase of Rs 20,000 in its working expenses — from Rs 1,22,867 crore last financial year to Rs 1,43,318 crore in the current year. The bulk of this additional expenditure was on account of fuel spending, which is expected to increase by Rs 6,500 crore over

last year to Rs 35,181 crore in 2014-15.