



## **ABSTRACT**

Energy Department – Restructuring of Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO) into separate generation and distribution companies – Formation of Thermal Generation Company in the name of Tamil Nadu Power Generation Corporation Limited (TNPGL) under the Companies Act, 2013 - Approval accorded - Orders – Issued.

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## **ENERGY (B2) DEPARTMENT**

**G.O(Ms.)No.6**

**Dated: 24.01.2024**

சோபகிருது வருடம், தை 10  
திருவள்ளூர் ஆண்டு 2055

**Read:**

From the Additional Chief Secretary / Chairman and Managing Director, Tamil Nadu Generation & Distribution Corporation Limited Letter No.018522/CFC/G1/FC/G1/Restructuring/2023-1, Dated 03.01.2024.

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## **ORDER:**

In the letter read above, Additional Chief Secretary / Chairman and Managing Director, Tamil Nadu Generation & Distribution Corporation Limited has informed that Tamil Nadu has largely kept pace with the Power Sector Reforms in the country. While the key reforms such as corporatization of its power utilities and establishment of independent regulatory authority have been completed in entirety, the restructuring of state power sector remains only partially complete.

2) The Chairman and Managing Director has stated that in the year 2010, the transmission business was unbundled into a separate company – Tamil Nadu Transmission Corporation Limited (TANTRANSCO), but the generation and distribution business was retained in a single company viz., Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO). Accordingly, he has now proposed to complete the restructuring process in Tamil Nadu as well by unbundling TANGEDCO into separate generation and distribution companies.

### **(1) Need for Restructuring:**

The need to complete the restructuring process in Tamil Nadu by unbundling of TANGEDCO is further emphasized by the following:-

(P.T.O)

**a) Unbundling is complete in most of the States**

As evident in Table 1, nearly all the major States have already aligned the business structure with the power sector value chain by having separate companies in the area of Generation, Transmission and Distribution.

Table 1: State Wise Industry Structure and Chronology			
S.No.	State	Year of Restructuring	Industry Structure
1	Odisha	1996	2G+T+4D
2	Haryana	1998	G+T+2D
3	Rajasthan	2000	G+T+3D
4	Uttar Pradesh	2000	2G+T+5D
5	Karnataka	2002	G+T+5D
6	Uttarakhand	2004	G+T+D
7	Gujarat	2005	G+T+D4
8	Madhya Pradesh	2005	G2+T+D3
9	Maharashtra	2005	G+T+D
10	West Bengal	2007	G+T+D
11	Chhattisgarh	2009	G+T+D
12	Assam	2009	G+T+D
13	Tamil Nadu	2010	GD+T
14	Himachal Pradesh	2010	G+T+D
15	Punjab	2010	G+D+T
16	Bihar	2012	G2+T+D2
17	Jammu & Kashmir	2012	G+T+D2
18	Jharkhand	2014	G+T+D
19	Andhra Pradesh	2014	G+T+D3
20	Telangana	2014	G+T+D2

States like Odisha, Haryana, Rajasthan, Andhra Pradesh, Madhya Pradesh and Uttar Pradesh unbundled their electricity boards and created multiple distribution licensees. States like West Bengal, Maharashtra and Chhattisgarh formed a single distribution utility model to restructure themselves.

**b) Large scale of operation of TANGEDCO:**

TANGEDCO's scale of business is currently among the top 5 States in the country (considering generation and distribution together).

- i. Ranks third in Revenue from Operations (1<sup>st</sup> – Maharashtra, 2<sup>nd</sup> – Uttar Pradesh).
- ii. Ranks fourth in terms of total gross energy sold (1<sup>st</sup> Maharashtra, 2<sup>nd</sup> – Uttar Pradesh, 3<sup>rd</sup> - Gujarat).

It would hence be an operational relief if the generation and distribution business are carved out in separate companies with dedicated management to steer their respective businesses.

**c) Need to align with new age power sector dynamics:**

The power sector is currently going through a paradigm shift with multiple disruptions across the value chain. Most of these disruptions focus on clean energy transition which requires traditional utilities to restructure their business operations to maximize value and minimize environmental impact.

In view of the aforementioned points, the Additional Chief Secretary / Chairman and Managing Director, Tamil Nadu Generation and Distribution Corporation has stated that it may be apt to complete the unbundling process and leverage the unbundling to better prepare to manage the sector disruptions.

**(2) Proposed restructuring of TANGEDCO:**

**I. THERMAL GENERATION COMPANY**

The Company shall take care of the fossil fuel (coal and gas) related existing generation plants with the following functions –

- a) Operations of existing assets – Responsible for operation, maintenance of existing thermal and gas based power plants of State Government.
- b) Monitoring of under construction power plants: Responsible for timely completion of construction works of under construction thermal power plants under the State Government.
- c) Fuel Procurement and Management: Secure sourcing, handling, and management of fuels (coal, natural gas, or oil) for power generation.
- d) Renovation and modernisation – Undertaking renovation and modernisation investments, annual overhauls, residual life assessment for extension of life of existing plants.
- e) Emission Control and Compliance: Implement technologies and processes to manage emissions, ensuring adherence to environmental regulations and reducing environmental impact.

- f) Maintenance and Safety: Conduct regular maintenance, ensure operational safety, and uphold workforce well-being while optimizing plant efficiency.
- g) Resource Management: Effective management of resources, such as fuel reserves, water usage, and waste disposal, for sustainable operation of the plants.
- h) Regulatory compliance: Compliance to regulatory provisions as per Electricity Act, 2003 and mandates as per TNERC.
- i) Coordination with State Transco and Discom on power supply matters, development of off take infrastructure.

## II) DISTRIBUTION COMPANY:

With regard to the distribution business, the country has seen States pursuing both the models – “Single Discom” and “Multiple Discoms”. As is evident from Table 1, the states who went for unbundling in the initial years (Pre-Electricity Act, 2003) adopted the Multiple Discom model (States like Odisha, Haryana, Rajasthan, Andhra Pradesh, Madhya Pradesh, and Uttar Pradesh) whereas the “Single Discom” has been the preferred option in the more recent ones (States like West Bengal, Maharashtra and Chhattisgarh). It may be noted that most States with Single Discom model have achieved similar operational efficiency compared with states having Multiple Discom. In a single discom, administrative overheads are reduced due to economies of scale. Further, with the ongoing IT reforms in the Power Sector and the inevitable digitisation of distribution network in the next few years, a single entity with a common IT backend provides a more conducive setup for integrated operation of the distribution network.

The Additional Chief Secretary / Chairman and Managing Director, Tamil Nadu Generation and Distribution Corporation has stated that existing TANGEDCO shall be renamed as “Tamil Nadu Power Distribution Corporation Limited” (TNPDCCL) and shall continue to undertake operations related to the Electricity Distribution functions and own and maintain the existing Power purchase contracts including LTOA, MTOA, STOA, etc.

### **The key functions of the Company shall be –**

- a) Distribution of Electricity across the State.
- b) Power procurement to cater to the electricity needs of the State and bridging the demand supply gap.
- c) Achieving 100% electrification and timely release of new electricity connections.
- d) Planning, Construction and O&M of medium voltage and low voltage lines and associated sub-stations infrastructure for safe and reliable distribution of Electricity and its upgradation.

(P.T.O)

- e) **Infrastructure Maintenance:** Maintain and manage the distribution infrastructure, including substations, transformers, power lines, and meters, to prevent disruptions and ensure optimal performance.
- f) **Outage Management:** Detect, respond to and resolve power outages efficiently, minimizing downtime and communicating outage information to customers.
- g) **Customer Support:** Provide responsive customer service, handling inquiries, billing issues, and service requests related to power supply and distribution and complaint resolution.
- h) **Metering and Billing:** Install, read, and manage electricity meters, accurately measuring consumption and generating bills for customers based on their usage.
- i) Revenue collection from consumers for sale of electricity.
- j) Compliance to regulatory provisions and guidelines as per the Electricity Act, 2003 and the Hon'ble Tamil Nadu Electricity Regulatory Commission mandates.
- k) Coordination with State GENCO and Transco for power supply and transmission to distribution grids.
- l) Comply with the SLDC directions.
- m) Implementing energy efficiency initiatives.
- n) Coordinating with State Government for Subsidy requirements.

**(3) Key Advantages of proposed Restructuring:**

- a. **Better Governance** – The establishment of a separate Board Structure of the independent companies for the two businesses shall enable better governance of the state power sector. It shall also empower the two companies to take decisions more independently.
- b. **Operational efficiency** – A separate generation company will strive to be more efficient to withstand competition from other Gencos.

**(4) Proposed Board Structure of the Successor Entities:**

Sl. No.	Generation Company	Distribution Company
1.	Chairman	Chairman
2.	Managing Director	Managing Director
3.	Energy Secretary, Government of Tamil Nadu	Energy Secretary, Government of Tamil Nadu.
4.	Representative from Finance Department, Government of Tamil Nadu.	Representative from Finance Department, Government of Tamil Nadu.
5.	Representative from Industries Department, Government of Tamil Nadu.	Representative from Industries Department, Government of Tamil Nadu.
6.	Managing Director, TANTRANSCO	Representative from MA&WS Department Government of Tamil Nadu.

7.	Managing Director, Green Energy Corporation	Representative from Rural Development Department, Government of Tamil Nadu.
8.	Director Finance	Director Finance
9.	Director Technical	Director Technical

#### (5) Next Steps

After Government approval for the incorporation of the new company, the Articles of Association (AOA) & Memorandum of Association (MOA) along with the transfer schemes shall be finalised with details of the opening balance sheets of the new companies, Human Resources issues such as Pension liabilities, inter-company transfers etc. The proposed date for commencement of business operations of the new company is proposed to be in the current financial year.

3. The Additional Chief Secretary/Chairman and Managing Director, TANGEDCO has therefore requested the Government to accord approval for the following :-

- (1) For the formation of Thermal Power Generation Corporation under the Companies Act, 2013.
- (2) To approve the name of the proposed Company as Tamil Nadu Power Generation Corporation Limited (TNPGL).
- (3) To allow Existing TANGEDCO to continue as Generating and Distribution entity until the commencement of business of the new company and consequently to rename TANGEDCO as "Tamil Nadu Power Distribution Corporation Limited" (TNPDL) and permit it to carry on with the Power Distribution business of TANGEDCO with the objects as outlined in item 2 paragraph 2 above.
- (4) To approve the structure of the Board of Directors as in item 4 paragraph 2 above.
- (5) To authorise the following to sign documents with regard to formation of the Company including obtaining the name of the Company and preparation/ registration of MoA and AoA, making corrections thereon and making modification wherever necessary as may be required by the Registrar of Companies and to take other steps besides complying with all formalities in the formation of the Tamil Nadu Power Generation Corporation Limited (TNPGL):-
  - a) Director Generation, TANGEDCO
  - b) Director Finance, Tamil Nadu Generation & Distribution Corporation Limited.
- (6) To incorporate the proposed company as wholly owned subsidiary of the Holding Company, TNEB Limited.

(P.T.O)

4. The Government, after careful examination, have decided to accept the proposal of the Additional Chief Secretary/Chairman and Managing Director, Tamil Nadu Generation & Distribution Corporation Limited for the formation of Thermal Generation Company in the name of Tamil Nadu Power Generation Corporation Limited (TNPGL) under the Companies Act, 2013 with the key functions and Board structure as indicated in paragraph 2 above and order accordingly.

5. Consequent to the grant of approval for the formation of a Thermal Generation Company in the name of Tamil Nadu Power Generation Corporation Limited (TNPGL), the Government approve the following:-

- (1) The following officials are authorised to sign documents with regard to formation of the Company including obtaining the name of the Company and preparation/ registration of Memorandum of Association (MoA) and Articles of Association (AoA), making corrections thereon and making modification wherever necessary as may be required by the Registrar of Companies and to take other steps besides complying with all formalities in the formation of the Tamil Nadu Power Generation Corporation Limited (TNPGL):-
  - a) Director Generation,  
Tamil Nadu Generation & Distribution Corporation Limited.
  - b) Director Finance,  
Tamil Nadu Generation & Distribution Corporation Limited.
- (2) Incorporation of the proposed company as wholly owned subsidiary of the Holding Company, TNEB Limited.
- (3) Existing TANGEDCO is allowed to continue as Generating and Distribution entity until the commencement of business of the new company. Post this, it will be renamed as Tamil Nadu Power Distribution Corporation Limited (TNPDCL) and it will execute the functions as enumerated in paragraph 2(2-II) above.

**(BY ORDER OF THE GOVERNOR)**

**BEELA RAJESH,  
PRINCIPAL SECRETARY TO GOVERNMENT .**

**To**

The Additional Chief Secretary/Chairman and Managing Director,  
Tamil Nadu Generation & Distribution Corporation Limited,  
Chennai-2.

The Secretary, Tamil Nadu Electricity Regulatory Commission,  
Chennai-8.

The Chief Electrical Inspector to Government,  
Chennai-32.

The Chairman and Managing Director,  
Tamil Nadu Power Finance and Infrastructure Development Corporation  
Limited, Chennai-35.

**Copy to:**

The Finance Department, Chennai-9.

Office of the Hon'ble Chief Minister, Chennai-9.


The Senior Personal Assistant to Hon'ble Minister(Finance & HRM), Chennai-9.

The Senior Principal Private Secretary to Chief Secretary to Government,  
Secretariat, Chennai-9.

The Private Secretary to Principal Secretary to Government,  
Energy Department, Chennai-9.

SF/SC.

**// Forwarded // By Order //**

  
Section Officer. 24/1/2024