ENERGY SCENARIO

1.1 Introduction

Energy is one of the major inputs for the economic development of any country. In the case of the developing countries, the energy sector assumes a critical importance in view of the ever-increasing energy needs requiring huge investments to meet them.

Energy can be classified into several types based on the following criteria:

- Primary and Secondary energy
- Commercial and Non commercial energy
- Renewable and Non-Renewable energy

1.2 Primary and Secondary Energy

Primary energy sources are those that are either found or stored in nature. Common primary energy sources are coal, oil, natural gas, and biomass (such as wood). Other primary energy sources available include nuclear energy from radioactive substances, thermal energy stored in earth's interior, and potential energy due to earth's gravity. The major primary and secondary energy sources are shown in Figure 1.1

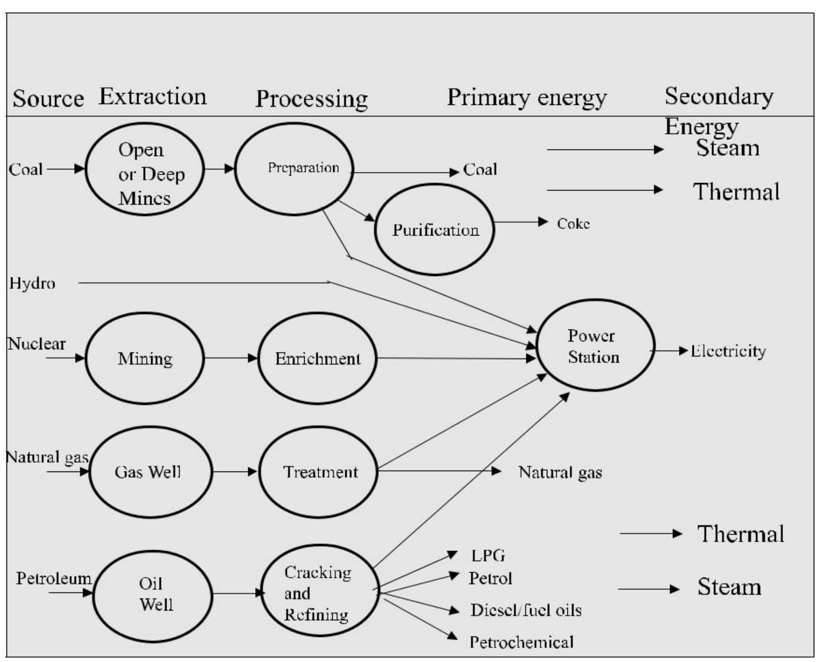


Figure 1.1 Major Primary and Secondary Sources

Primary energy sources are mostly converted in industrial utilities into secondary energy sources; for example coal, oil or gas converted into steam and electricity. Primary energy can also be used directly. Some energy sources have non-energy uses, for example coal or natural gas can be used as a feedstock in fertiliser plants.

1.3 Commercial Energy and Non Commercial Energy

Commercial Energy

The energy sources that are available in the market for a definite price are known as commercial energy. By far the most important forms of commercial energy are electricity, coal and refined petroleum products. Commercial energy forms the basis of industrial, agricultural, transport and commercial development in the modern world. In the industrialized countries, commercialized fuels are predominant source not only for economic production, but also for many household tasks of general population.

Examples: Electricity, lignite, coal, oil, natural gas etc.

Non-Commercial Energy

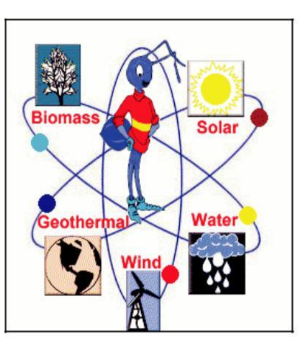
The energy sources that are not available in the commercial market for a price are classified as non-commercial energy. Non-commercial energy sources include fuels such as firewood, cattle dung and agricultural wastes, which are traditionally gathered, and not bought at a price used especially in rural households. These are also called traditional fuels. Non-commercial energy is often ignored in energy accounting.

Example: Firewood, agro waste in rural areas; solar energy for water heating, electricity generation, for drying grain, fish and fruits; animal power for transport, threshing, lifting water for irrigation, crushing sugarcane; wind energy for lifting water and electricity generation.

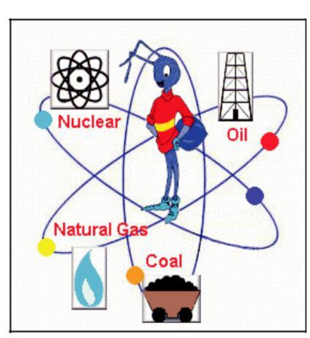
1.4 Renewable and Non-Renewable Energy

Renewable energy is energy obtained from sources that are essentially inexhaustible. Examples of renewable resources include wind power, solar power, geothermal energy, tidal power and hydroelectric power (See Figure 1.2). The most important feature of renewable energy is that it can be harnessed without the release of harmful pollutants.

Non-renewable energy is the conventional fossil fuels such as coal, oil and gas, which are likely to deplete with time.



Renewable



Non-Renewable

Figure 1.2 Renewable and Non-Renewable Energy

1.5 Global Primary Energy Reserves

Coal

The proven global coal reserve was estimated to be 9,84,453 million tonnes by end of 2003. The USA had the largest share of the global reserve (25.4%) followed by Russia (15.9%), China (11.6%). India was 4^{th} in the list with 8.6%.

Oil

The global proven oil reserve was estimated to be 1147 billion barrels by the end of 2003. Saudi Arabia had the largest share of the reserve with almost 23%.

(One barrel of oil is approximately 160 litres)

Gas

The global proven gas reserve was estimated to be 176 trillion cubic metres by the end of 2003. The Russian Federation had the largest share of the reserve with almost 27%.

(*Source: BP Statistical Review of World Energy, June 2004)

> **World oil and gas reserves are estimated at just 45 years and 65 years respectively. Coal is likely to last a little over 200 years**

Global Primary Energy Consumption

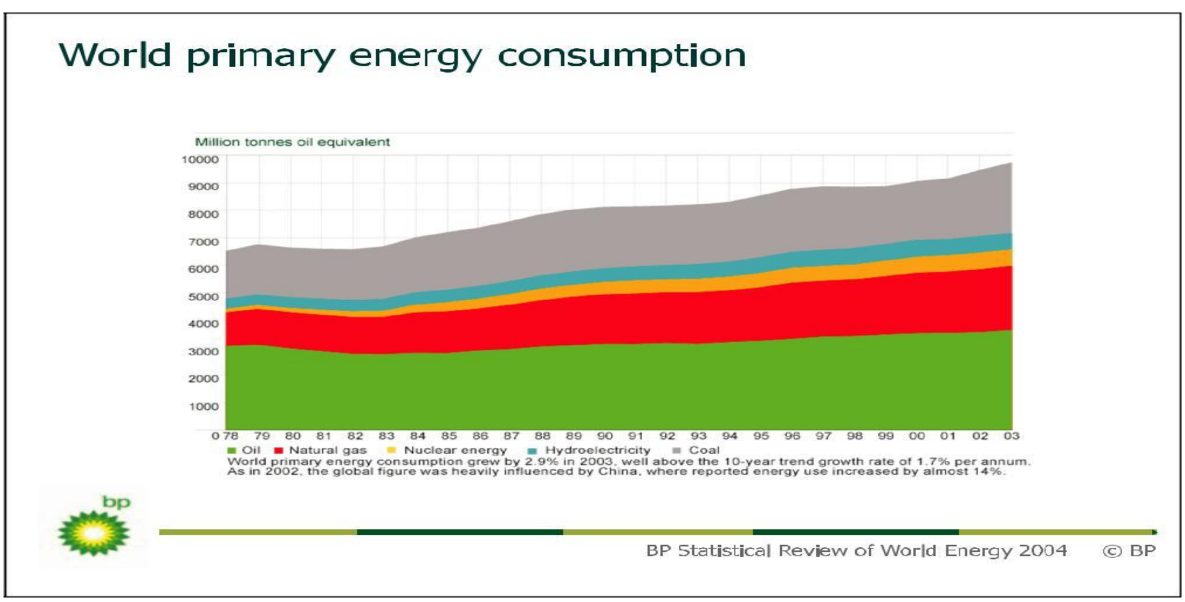


Figure 1.3 Global Primary Energy Consumption

The global primary energy consumption at the end of 2003 was equivalent to 9741 million tonnes of oil equivalent (Mtoe). The Figure 1.3 shows in what proportions the sources mentioned above contributed to this global figure.

The primary energy consumption for few of the developed and developing countries is shown in Table 1.1. It may be seen that India's absolute primary energy consumption is only 1/29th of the world, 1/7th of USA, 1/1.6th time of Japan but 1.1, 1.3, 1.5 times that of Canada, France and U.K respectively.

TABLE 1.1 PRIMARY ENERGY CONSUMPTION BY FUEL, 2003

In Million tonnes oil equivalent

Country	Oil	Natural Gas	Coal	Nuclear Energy	Hydro electric	Total
USA	914.3	566.8	573.9	181.9	60.9	2297.8
Canada	96.4	78.7	31.0	16.8	68.6	291.4
France	94.2	39.4	12.4	99.8	14.8	260.6
Russian Federation	124.7	365.2	111.3	34.0	35.6	670.8
United Kingdom	76.8	85.7	39.1	20.1	1.3	223.2
China	275.2	29.5	799.7	9.8	64.0	1178.3
India	113.3	27.1	185.3	4.1	15.6	345.3
Japan	248.7	68.9	112.2	52.2	22.8	504.8
Malaysia	23.9	25.6	3.2	-	1.7	54.4
Pakistan	17.0	19.0	2.7	0.4	5.6	44.8
Singapore	34.1	4.8	-	-	-	38.9
TOTAL WORLD	3636.6	2331.9	2578.4	598.8	595.4	9741.1

Energy Distribution between Developed and Developing Countries

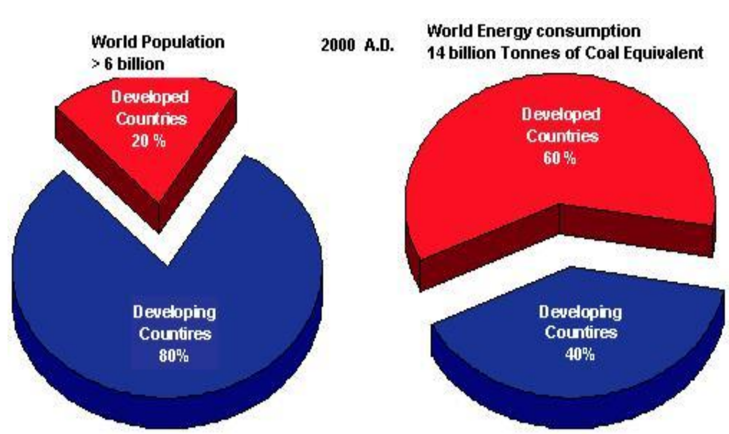


Figure 1.4: Energy Distribution between Developed & Developing countries

Although 80 percent of the world's population lies in the developing countries (a four-fold population increase in the past 25 years), their energy consumption amounts to only 40 percent of the world total energy consumption. The high standards of living in the developed countries are attributable to high-energy consumption levels. Also, the rapid population growth in the developing countries has kept the per capita energy consumption low compared with that of highly industrialized developed countries. The world average energy consumption per person is equivalent to 2.2 tonnes of coal. In industrialized countries, people use four to five times more than the world average, and nine times more than the average for the developing countries. An American uses 32 times more commercial energy than an Indian.

1.6 Indian Energy Scenario

Coal dominates the energy mix in India, contributing to 55% of the total primary energy production. Over the years, there has been a marked increase in the share of natural gas in primary energy production from 10% in 1994 to 13% in 1999. There has been a decline in the share of oil in primary energy production from 20% to 17% during the same period.

Energy Supply

Coal Supply

India has huge coal reserves, at least 84,396 million tonnes of proven recoverable reserves (at the end of 2003). This amount to almost 8.6% of the world reserves and it may last for about 230 years at the current Reserve to Production (R/P) ratio. In contrast, the world's proven coal reserves are expected to last only for 192 years at the current R/P ratio.

Reserves/Production (R/P) ratio- If the reserves remaining at the end of the year are divided by the production in that year, the result is the length of time that the remaining reserves would last if production were to continue at that level.

India is the fourth largest producer of coal and lignite in the world. Coal production is concentrated in these states (Andhra Pradesh, Uttar Pradesh, Bihar, Madhya Pradesh, Maharashtra, Orissa, Jharkhand, and West Bengal).

Oil Supply

Oil accounts for about 36 % of India's total energy consumption. India today is one of the top ten oil-guzzling nations in the world and will soon overtake Korea as the third largest consumer of oil in Asia after China and Japan. The country's annual crude oil production is peaked at about 32 million tonne as against the current peak demand of about 110 million tonne. In the current scenario, India's oil consumption by end of 2007 is expected to reach 136 million tonne(MT), of which domestic production will be only 34 MT. India will have to pay an oil bill of roughly $50 billion, assuming a weighted average price of $50 per barrel of crude. In 2003-04, against total export of $64 billion, oil imports accounted for $21 billion. India imports 70% of its crude needs mainly from gulf nations. The majority of India's roughly 5.4 billion barrels in oil reserves are located in the Bombay High, upper Assam, Cambay, Krishna-Godavari. In terms of sector wise petroleum product consumption, transport accounts for 42% followed by domestic and industry with 24% and 24% respectively. India spent more than Rs.1,10,000 crore on oil imports at the end of 2004.

The ever rising import bill

Year	Quantity (MMT)	Value (Rs Crore)
1996-97	33.90	18,337
1997-98	34.49	15,872
1998-99	39.81	19,907
1999-00	57.80	40,028
2000-01	74.10	65,932
2001-02	84.90	80116
2002-03	90	85,042
2003-04	95	93,159
*2004-05	100	1,30,000

* Estimated

Source: Ministry of Petroleum and Natural Gas

Natural Gas Supply

Natural gas accounts for about 8.9 per cent of energy consumption in the country. The current demand for natural gas is about 96 million cubic metres per day (mcmd) as against availability of 67 mcmd. By 2007, the demand is expected to be around 200 mcmd. Natural gas reserves are estimated at 660 billion cubic meters.

Electrical Energy Supply

The all India installed capacity of electric power generating stations under utilities was 1,12,581 MW as on 31st May 2004, consisting of 28,860 MW- hydro, 77,931 MW - thermal and 2,720 MW- nuclear and 1,869 MW- wind (Ministry of Power). The gross generation of power in the year 2002-2003 stood at 531 billion units (kWh).

Nuclear Power Supply

Nuclear Power contributes to about 2.4 per cent of electricity generated in India. India has ten nuclear power reactors at five nuclear power stations producing electricity. More nuclear reactors have also been approved for construction.

Hydro Power Supply

India is endowed with a vast and viable hydro potential for power generation of which only 15% has been harnessed so far. The share of hydropower in the country's total generated units has steadily decreased and it presently stands at 25% as on 31st May 2004. It is assessed that exploitable potential at 60% load factor is 84,000 MW.

Final Energy Consumption

Final energy consumption is the actual energy demand at the user end. This is the difference between primary energy consumption and the losses that takes place in transport, transmission & distribution and refinement. The actual final energy consumption (past and projected) is given in Table 1.2.

TABLE 1.2 DEMANDS FOR COMMERCIAL ENERGY FOR FINAL CONSUMPTION

Source	**Units**	**1994-95**	**2001-02**	**2006-07**	**2011-12**
Electricity	Billion Units	289.36	480.08	712.67	1067.88
Coal	Million Tonnes	76.67	109.01	134.99	173.47
Lignite	Million Tonnes	4.85	11.69	16.02	19.70
Natural Gas	Million Cubic Meters	9880	15730	18291	20853
Oil Products	Million Tonnes	63.55	99.89	139.95	196.47

Sector Wise Energy Consumption in India

The major commercial energy consuming sectors in the country are classified as shown in the Figure 1.5. As seen from the figure, industry remains the biggest consumer of commercial energy and its share in the overall consumption is 49%. (Reference year: 1999/2000).

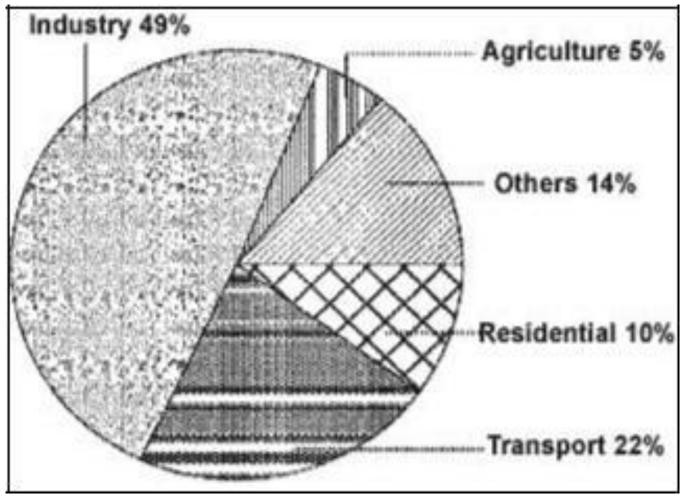


Figure 1.5 Sector Wise Energy Consumption (1999-2000)

1.7 Energy Needs of Growing Economy

Economic growth is desirable for developing countries, and energy is essential for economic growth. However, the relationship between economic growth and increased energy demand is not always a straightforward linear one. For example, under present conditions, 6% increase in India's Gross Domestic Product (GDP) would impose an increased demand of 9 % on its energy sector.

In this context, the ratio of energy demand to GDP is a useful indicator. A high ratio reflects energy dependence and a strong influence of energy on GDP growth. The developed countries, by focusing on energy efficiency and lower energy-intensive routes, maintain their energy to GDP ratios at values of less than 1. The ratios for developing countries are much higher.

India's Energy Needs

The plan outlay vis-à-vis share of energy is given in Figure 1.6. As seen from the Figure, 18.0% of the total five-year plan outlay is spent on the energy sector.

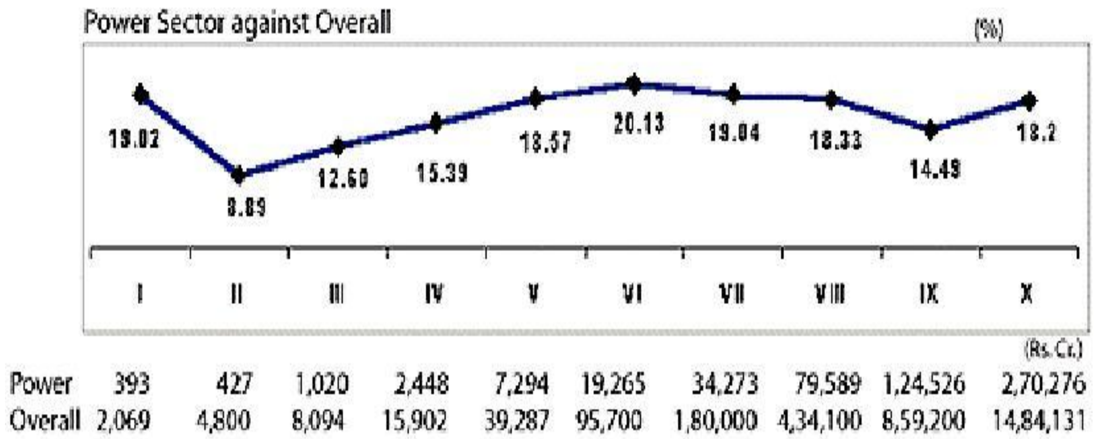


Figure 1.6 Expenditure towards Energy Sector

Per Capita Energy Consumption

The per capita energy consumption (see Figure 1.7) is too low for India as compared to developed countries. It is just 4% of USA and 20% of the world average. The per capita consumption is likely to grow in India with growth in economy thus increasing the energy demand.

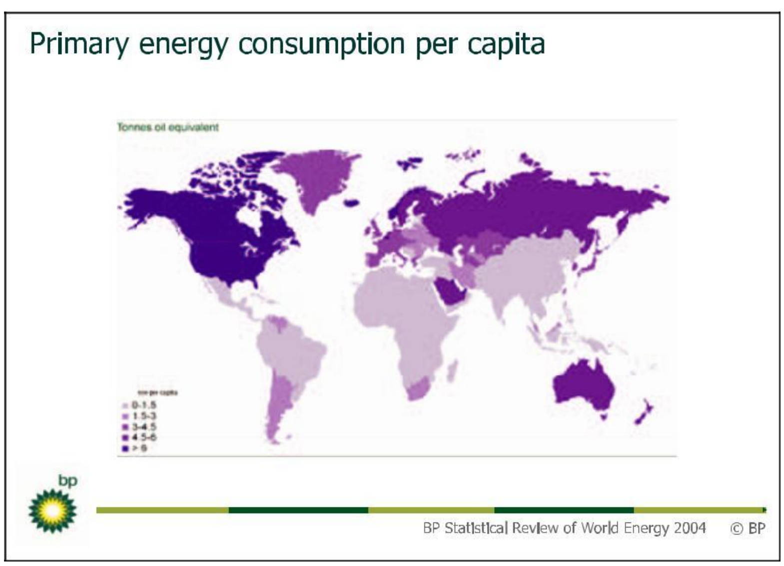


Figure 1.7 Per Capita Energy Consumption

Energy Intensity

Energy intensity is energy consumption per unit of GDP. Energy intensity indicates the development stage of the country. India's energy intensity is 3.7 times of Japan, 1.55 times of USA, 1.47 times of Asia and 1.5 times of World average.

1.8 Long Term Energy Scenario for India

Coal

Coal is the predominant energy source for power production in India, generating approximately 70% of total domestic electricity. Energy demand in India is expected to increase over the next 10-15 years; although new oil and gas plants are planned, coal is expected to remain the dominant fuel for power generation. Despite significant increases in total installed capacity during the last decade, the gap between electricity supply and demand continues to increase. The resulting shortfall has had a negative impact on industrial output and economic growth. However, to meet expected future demand, indigenous coal production will have to be greatly expanded. Production currently stands at around 290 Million tonnes per year, but coal demand is expected to more than double by 2010. Indian coal is typically of poor quality and as such requires being beneficiated to improve the quality; Coal imports will also need to increase dramatically to satisfy industrial and power generation requirements.

Oil

India's demand for petroleum products is likely to rise from 97.7 million tonnes in 2001-02 to around 139.95 million tonnes in 2006-07, according to projections of the Tenth Five-Year Plan. The plan document puts compound annual growth rate (CAGR) at 3.6 % during the plan period. Domestic crude oil production is likely to rise marginally from 32.03 million tonnes in 2001-02 to 33.97 million tonnes by the end of the 10th plan period (2006-07). India's self sufficiency in oil has consistently declined from 60% in the 50s to 30% currently. Same is expected to go down to 8% by 2020. As shown in the figure 1.8, around 92% of India's total oil demand by 2020 has to be met by import.

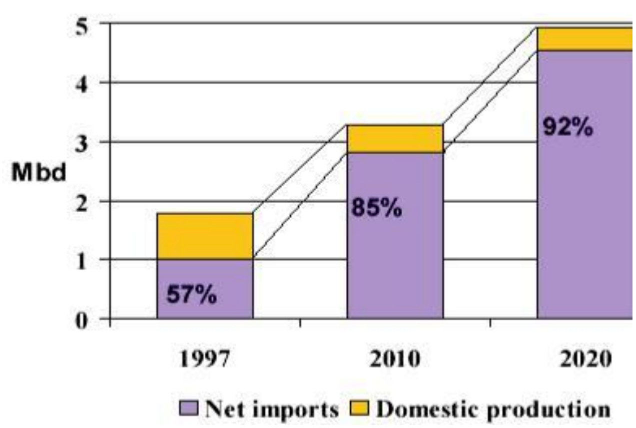


Figure 1.8 India's Oil Balance

Natural Gas

India's natural gas production is likely to rise from 86.56 million cmpd in 2002-03 to 103.08 million cmpd in 2006-07. It is mainly based on the strength of a more than doubling of production by private level of 100,010 MW as on March 2001, that is a capacity addition of 115,794 MW in the next 11 years (Table 1.3). In the area of nuclear power the objective is to achieve 20,000 MW of nuclear generation capacity by the year 2020.

TABLE 1.3 INDIA'S PERSPECTIVE PLAN FOR POWER FOR ZERO DEFICIT POWER BY 2011/12 (SOURCE TENTH AND ELEVENTH FIVE-YEAR PLAN PROJECTIONS)

	Thermal (Coal) (MW)	**Gas / LNG / Diesel (MW)**	**Nuclear (MW)**	**Hydro (MW)**	**Total(MW)**
Installed capacity as on March 2001	61,157	Gas: 10,153 Diesel: 864	2720	25,116	100,010
Additional capacity (2001-2012)	53,333	20,408	9380	32,673	115,794
Total capacity as on March 2012	114,490 (53.0%)	31,425 (14.6%)	12,100 (5.6%)	57,789 (26.8%)	215,804

1.9 Energy Pricing in India

Price of energy does not reflect true cost to society. The basic assumption underlying efficiency of market place does not hold in our economy, since energy prices are undervalued and energy wastages are not taken seriously. Pricing practices in India like many other developing countries are influenced by political, social and economic compulsions at the state and central level. More often than not, this has been the foundation for energy sector policies in India. The Indian energy sector offers many examples of cross subsidies e.g., diesel, LPG and kerosene being subsidised by petrol, petroleum products for industrial usage and industrial, and commercial consumers of electricity subsidising the agricultural and domestic consumers.

Coal

Grade wise basic price of coal at the pithead excluding statutory levies for run-of-mine (ROM) coal are fixed by Coal India Ltd from time to time. The pithead price of coal in India compares favourably with price of imported coal. In spite of this, industries still import coal due its higher calorific value and low ash content.

Oil

As part of the energy sector reforms, the government has attempted to bring prices for many of the petroleum products (naphtha, furnace oil, LSHS, LDO and bitumen) in line with international prices. The most important achievement has been the linking of diesel prices to international prices and a reduction in subsidy. However, LPG and kerosene, consumed mainly by domestic sectors, continue to be heavily subsidised. Subsidies and cross-subsidies have resulted in serious distortions in prices, as they do not reflect economic costs in many cases.

Natural Gas

The government has been the sole authority for fixing the price of natural gas in the country. It has also been taking decisions on the allocation of gas to various competing consumers. The gas price varies from Rs 5 to Rs.15 per cubic metre.

Electricity

Electricity tariffs in India are structured in a relatively simple manner. While high tension consumers are charged based on both demand (kVA) and energy (kWh), the low-tension (LT) consumer pays only for the energy consumed (kWh) as per tariff system in most of the electricity boards. The price per kWh varies significantly across States as well as customer segments with-in a State. Tariffs in India have been modified to consider the time of usage and voltage level of supply. In addition to the base tariffs, some State Electricity Boards have additional recovery from customers in form of fuel surcharges, electricity duties and taxes. For example, for an industrial consumer the demand charges may vary from Rs. 150 to Rs. 300 per kVA, whereas the energy charges may vary anywhere between Rs. 2 to Rs. 5 per kWh. As for the tariff adjustment mechanism, even when some States have regulatory commissions for tariff review, the decisions to effect changes are still political and there is no automatic adjustment mechanism, which can ensure recovery of costs for the electricity boards.

1.10 Energy Sector Reforms

Since the initiation of economic reforms in India in 1991, there has been a growing acceptance of the need for deepening these reforms in several sectors of the economy, which were essentially in the hands of the government for several decades. It is now been realized that if sub-stance has to be provided to macroeconomic policy reform, then it must be based on reforms that concern the functioning of several critical sectors of the economy, among which the infra-structure sectors in general and the energy sector in particular, are paramount.

Coal

The government has recognized the need for new coal policy initiatives and for rationalization of the legal and regulatory framework that would govern the future development of this industry. One of the key reforms is that the government has allowed importing of coal to meet our requirements. Private sector has been allowed to extract coal for captive use only. Further reforms are contemplated for which the Coal Mines Nationalization Act needs to be amended for which the Bill is awaiting approval of the Parliament.

The ultimate objective of some of the ongoing measures and others under consideration is to see that a competitive environment is created for the functioning of various entities in this industry. This would not only bring about gains in efficiency but also effect cost reduction, which would consequently ensure supply of coal on a larger scale at lower prices. Competition would also have the desirable effect of bringing in new technology, for which there is an urgent and overdue need since the coal industry has suffered a prolonged period of stagnation in technological innovation.

Oil and Natural Gas

Since 1993, private investors have been allowed to import and market liquefied petroleum gas (LPG) and kerosene freely; private investment is also been allowed in lubricants, which are not subject to price controls. Prices for naphtha and some other fuels have been liberalized. In 1997 the government introduced the New Exploration Licensing Policy (NELP) in an effort to promote investment in the exploration and production of domestic oil and gas. In addition, the refining sector has been opened to private and foreign investors in order to reduce imports of refined products and to encourage investment in downstream pipelines. Attractive terms are being offered to investors for the construction of liquefied natural gas (LNG) import facilities.

Electricity

Following the enactment of the Electricity Regulatory Commission Legislation, the Central Electricity Regulatory Commission (CERC) was set up, with the main objective of regulating the Central power generation utilities. State level regulatory bodies have also been set up to set tariffs and promote competition. Private investments in power generation were also allowed. The State SEBs were asked to switch over to separate Generation, Transmission and

Distribution corporations. There are plans to link all SEB grids and form a unified national power grid.

Electricity Act, 2003

The government has enacted Electricity Act, 2003 which seeks to bring about a qualitative transformation of the electricity sector. The Act seeks to create liberal framework of development for the power sector by distancing Government from regulation. It replaces the three existing legislations, namely, Indian Electricity Act, 1910, the Electricity (Supply) Act, 1948 and the Electricity Regulatory Commissions Act, 1998. The objectives of the Act are "to consolidate the laws relating to generation, transmission, distribution, trading and use of electricity and generally for taking measures conducive to development of electricity industry, promoting competition therein, protecting interest of consumers and supply of electricity to all areas, rationalization of electricity tariff, ensuring transparent policies regarding subsidies, promotion of efficient and environmentally benign policies, constitution of Central Electricity Authority, Regulatory Commissions and establishment of Appellate Tribunal and for matters connected therewith or incidental thereto."

The salient features of the Electricity Act, 2003 are:

i) The Central Government to prepare a National Electricity Policy in consultation with State Governments. (Section 3).

ii) Thrust to complete the rural electrification and provide for management of rural distribution by Panchayats, Cooperative Societies, non-Government organisations, franchisees etc. (Sections 4, 5 & 6).

iii) Provision for licence free generation and distribution in the rural areas. (Section 14).

iv) Generation being delicensed and captive generation being freely permitted. Hydro projects would, however, need clearance from the Central Electricity Authority. (Sections 7, 8 & 9).

v) Transmission Utility at the Central as well as State level, to be a Government company - with responsibility for planned and coordinated development of transmission network. (Sections 38 & 39).

vi) Provision for private licensees in transmission and entry in distribution through an independent network, (Section 14).

vii) Open access in transmission from the outset. (Sections 38-40).

viii) Open access in distribution to be introduced in phases with surcharge for current level of cross subsidy to be gradually phased out along with cross subsidies and obligation to supply. SERCs to frame regulations within one year regarding phasing of open access. (Section 42).

ix) Distribution licensees would be free to undertake generation and generating companies would be free to take up distribution businesses. (Sections 7, 12).

x) The State Electricity Regulatory Commission is a mandatory requirement. (Section 82).

xi) Provision for payment of subsidy through budget. (Section 65).

xii) Trading, a distinct activity is being recognised with the safeguard of the Regulatory Commissions being authorised to fix ceilings on trading margins, if necessary. (Sections 12, 79 & 86).

xiii) Provision for reorganisation or continuance of SEBs. (Sections 131 & 172).

xiv) Metering of all electricity supplied made mandatory. (Section 55).

xv) An Appellate Tribunal to hear appeals against the decision of the CERC and SERCs. (Section 111).

xvi) Provisions relating to theft of electricity made more stringent. (Section 135-150).

xvii) Provisions safeguarding consumer interests. (Sections 57-59, 166) Ombudsman scheme (Section 42) for consumer's grievance redressal.

1.14 Energy Strategy for the Future

The energy strategy for the future could be classified into immediate, medium-term and long-term strategy. The various components of these strategies are listed below:

Immediate-term strategy:

- Rationalizing the tariff structure of various energy products.
- Optimum utilization of existing assets
- Efficiency in production systems and reduction in distribution losses, including those in traditional energy sources.
- Promoting R&D, transfer and use of technologies and practices for environmentally sound energy systems, including new and renewable energy sources.

Medium-term strategy:

- Demand management through greater conservation of energy, optimum fuel mix, structural changes in the economy, an appropriate model mix in the transport sector, i.e. greater dependence on rail than on road for the movement of goods and passengers and a shift away from private modes to public modes for passenger transport; changes in design of different products to reduce the material intensity of those products, recycling, etc.

- There is need to shift to less energy-intensive modes of transport. This would include measures to improve the transport infrastructure viz. roads, better design of vehicles, use of compressed natural gas (CNG) and synthetic fuel, etc. Similarly, better urban planning would also reduce the demand for energy use in the transport sector.
- There is need to move away from non-renewable to renewable energy sources viz. solar, wind, biomass energy, etc.

Long-term strategy:

Efficient generation of energy resources

- Efficient production of coal, oil and natural gas
- Reduction of natural gas flaring

Improving energy infrastructure

- Building new refineries
- Creation of urban gas transmission and distribution network
- Maximizing efficiency of rail transport of coal production.
- Building new coal and gas fired power stations.

Enhancing energy efficiency

- Improving energy efficiency in accordance with national, socio-economic, and environmental priorities
- Promoting of energy efficiency and emission standards
- Labeling programmes for products and adoption of energy efficient technologies in large industries

Deregulation and privatization of energy sector

- Reducing cross subsidies on oil products and electricity tariffs
- Decontrolling coal prices and making natural gas prices competitive
- Privatization of oil, coal and power sectors for improved efficiency.
- Investment legislation to attract foreign investments.
- Streamlining approval process for attracting private sector participation in power generation, transmission and distribution .

3. ENERGY MANAGEMENT AND AUDIT

Syllabus
Energy Management & Audit: Definition, Energy audit- need, Types of energy audit, Energy management (audit) approach-understanding energy costs, Bench marking, Energy performance, Matching energy use to requirement, Maximizing system efficiencies, Optimizing the input energy requirements, Fuel and energy substitution, Energy audit instruments

3.1 Definition & Objectives of Energy Management

The fundamental goal of energy management is to produce goods and provide services with the least cost and least environmental effect.

The term energy management means many things to many people. One definition of energy management is:

> *"The judicious and effective use of energy to maximize profits (minimize costs) and enhance competitive positions"*
>
> (Cape Hart, Turner and Kennedy, Guide to Energy Management Fairmont press inc. 1997)

Another comprehensive definition is

> "The strategy of adjusting and optimizing energy, using systems and procedures so as to reduce energy requirements per unit of output while holding constant or reducing total costs of producing the output from these systems"

The objective of Energy Management is to achieve and maintain optimum energy procurement and utilisation, throughout the organization and:

- To minimise energy costs / waste without affecting production & quality
- To minimise environmental effects.

3.2 Energy Audit: Types And Methodology

Energy Audit is the key to a systematic approach for decision-making in the area of energy management. It attempts to balance the total energy inputs with its use, and serves to identify all the energy streams in a facility. It quantifies energy usage according to its discrete functions. Industrial energy audit is an effective tool in defining and pursuing comprehensive energy management programme.

As per the Energy Conservation Act, 2001, Energy Audit is defined as "the verification, monitoring and analysis of use of energy including submission of technical report containing recommendations for improving energy efficiency with cost benefit analysis and an action plan to reduce energy consumption".

3.2.1 Need for Energy Audit

In any industry, the three top operating expenses are often found to be energy (both electrical and thermal), labour and materials. If one were to relate to the manageability of the cost or potential cost savings in each of the above components, energy would invariably emerge as a top ranker, and thus energy management function constitutes a strategic area for cost reduction. Energy Audit will help to understand more about the ways energy and fuel are used in any industry, and help in identifying the areas where waste can occur and where scope for improvement exists.

The Energy Audit would give a positive orientation to the energy cost reduction, preventive maintenance and quality control programmes which are vital for production and utility activities. Such an audit programme will help to keep focus on variations which occur in the energy costs, availability and reliability of supply of energy, decide on appropriate energy mix, identify energy conservation technologies, retrofit for energy conservation equipment etc.

In general, Energy Audit is the translation of conservation ideas into realities, by lending technically feasible solutions with economic and other organizational considerations within a specified time frame.

The primary objective of Energy Audit is to determine ways to reduce energy consumption per unit of product output or to lower operating costs. Energy Audit provides a " bench-mark" (Reference point) for managing energy in the organization and also provides the basis for planning a more effective use of energy throughout the organization.

3.2.2 Type of Energy Audit

The type of Energy Audit to be performed depends on:

- Function and type of industry
- Depth to which final audit is needed, and
- Potential and magnitude of cost reduction desired

Thus Energy Audit can be classified into the following two types.

i) Preliminary Audit
ii) Detailed Audit

3.2.3 Preliminary Energy Audit Methodology

Preliminary energy audit is a relatively quick exercise to:

- Establish energy consumption in the organization
- Estimate the scope for saving
- Identify the most likely (and the easiest areas for attention
- Identify immediate (especially no-/low-cost) improvements/ savings
- Set a 'reference point'
- Identify areas for more detailed study/measurement
- Preliminary energy audit uses existing, or easily obtained data

3.2.4 Detailed Energy Audit Methodology

A comprehensive audit provides a detailed energy project implementation plan for a facility, since it evaluates all major energy using systems.

This type of audit offers the most accurate estimate of energy savings and cost. It considers the interactive effects of all projects, accounts for the energy use of all major equipment, and includes detailed energy cost saving calculations and project cost.

In a comprehensive audit, one of the key elements is the energy balance. This is based on an inventory of energy using systems, assumptions of current operating conditions and calculations of energy use. This estimated use is then compared to utility bill charges.

Detailed energy auditing is carried out in three phases: Phase I, II and III.

Phase I - Pre Audit Phase
Phase II - Audit Phase
Phase III - Post Audit Phase

A Guide for Conducting Energy Audit at a Glance

Industry-to-industry, the methodology of Energy Audits needs to be flexible.

A comprehensive ten-step methodology for conduct of Energy Audit at field level is presented below. Energy Manager and Energy Auditor may follow these steps to start with and add/change as per their needs and industry types.

Ten Steps Methodology for Detailed Energy Audit

Step No	PLAN OF ACTION	PURPOSE / RESULTS
	Phase I –Pre Audit Phase	
Step 1	• Plan and organise • Walk through Audit • Informal Interview with Energy Manager, Production / Plant Manager	• Resource planning, Establish/organize a Energy audit team • Organize Instruments & time frame • Macro Data collection (suitable to type of industry.) • Familiarization of process/plant activities • First hand observation & Assessment of current level operation and practices
Step 2	• Conduct of brief meeting / awareness programme with all divisional heads and persons concerned (2-3 hrs.)	• Building up cooperation • Issue questionnaire for each department • Orientation, awareness creation
	Phase II –Audit Phase	
Step 3	• Primary data gathering, Process Flow Diagram, & Energy Utility Diagram	• Historic data analysis, Baseline data collection • Prepare process flow charts • All service utilities system diagram (Example: Single line power distribution diagram, water, compressed air & steam distribution. • Design, operating data and schedule of operation • Annual Energy Bill and energy consumption pattern (Refer manual, log sheet, name plate, interview)
Step 4	• Conduct survey and monitoring	• Measurements : Motor survey, Insulation, and Lighting survey with portable instruments for collection of more and accurate data. Confirm and compare operating data with design data.
Step 5	• Conduct of detailed trials /experiments for selected energy guzzlers	• Trials/Experiments: - 24 hours power monitoring (MD, PF, kWh etc.). - Load variations trends in pumps, fan compressors etc.

		- Boiler/Efficiency trials for (4 – 8 hours) - Furnace Efficiency trials Equipments Performance experiments etc
Step6	• Analysis of energy use	• Energy and Material balance & energy loss/waste analysis
Step 7	• Identification and development of Energy Conservation (ENCON) opportunities	• Identification & Consolidation ENCON measures • Conceive, develop, and refine ideas • Review the previous ideas suggested by unit personal • Review the previous ideas suggested by energy audit if any • Use brainstorming and value analysis techniques • Contact vendors for new/efficient technology
Step 8	• Cost benefit analysis	• Assess technical feasibility, economic viability and prioritization of ENCON options for implementation • Select the most promising projects • Prioritise by low, medium, long term measures
Step9	• Reporting & Presentation to the Top Management	• Documentation, Report Presentation to the top Management.
	<u>Phase III –Post Audit phase</u>	
Step10	• Implementation and Follow-up	Assist and Implement ENCON recommendation measures and Monitor the performance • Action plan, Schedule for implementation • Follow-up and periodic review

Phase I -Pre Audit Phase Activities

A structured methodology to carry out an energy audit is necessary for efficient working. An initial study of the site should always be carried out, as the planning of the procedures necessary for an audit is most important.

Initial Site Visit and Preparation Required for Detailed Auditing

An initial site visit may take one day and gives the Energy Auditor/Engineer an opportunity to meet the personnel concerned, to familiarize him with the site and to assess the procedures necessary to carry out the energy audit.

During the initial site visit the Energy Auditor/Engineer should carry out the following actions: -

- Discuss with the site's senior management the aims of the energy audit.
- Discuss economic guidelines associated with the recommendations of the audit.
- Analyse the major energy consumption data with the relevant personnel.
- Obtain site drawings where available - building layout, steam distribution, compressed air distribution, electricity distribution etc.
- Tour the site accompanied by engineering/production

The main aims of this visit are: -

- To finalise Energy Audit team
- To identify the main energy consuming areas/plant items to be surveyed during the audit.
- To identify any existing instrumentation/ additional metering required.
- To decide whether any meters will have to be installed prior to the audit eg. kWh, steam, oil or gas meters.
- To identify the instrumentation required for carrying out the audit.
- To plan with time frame
- To collect macro data on plant energy resources, major energy consuming centers
- To create awareness through meetings/ programme

Phase II- Detailed Energy Audit Activities

Depending on the nature and complexity of the site, a comprehensive audit can take from several weeks to several months to complete. Detailed studies to establish, and investigate, energy and material balances for specific plant departments or items of process equipment are carried out. Whenever possible, checks of plant operations are carried out over extended periods of time, at nights and at weekends as well as during normal daytime working hours, to ensure that nothing is overlooked.

The audit report will include a description of energy inputs and product outputs by major department or by major processing function, and will evaluate the efficiency of each step of the manufacturing process. Means of improving these efficiencies will be listed, and at least a preliminary assessment of the cost of the improvements will be made to indicate the expected payback on any capital investment needed. The audit report should conclude with specific recommendations for detailed engineering studies and feasibility analyses, which must then be performed to justify the implementation of those conservation measures that require investments.

The information to be collected during the detailed audit includes: -

1. Energy consumption by type of energy, by department, by major items of process equip ment, by end-use
2. Material balance data (raw materials, intermediate and final products, recycled materials, use of scrap or waste products, production of by-products for re-use in other industries, etc.)
3. Energy cost and tariff data
4. Process and material flow diagrams
5. Generation and distribution of site services (eg.compressed air, steam).
6. Sources of energy supply (e.g. electricity from the grid or self-generation)
7. Potential for fuel substitution, process modifications, and the use of co-generation systems (combined heat and power generation).
8. Energy Management procedures and energy awareness training programs within the establishment.

Existing baseline information and reports are useful to get consumption pattern, production cost and productivity levels in terms of product per raw material inputs. The audit team should collect the following baseline data:

- Technology, processes used and equipment details
- Capacity utilisation
- Amount & type of input materials used
- Water consumption
- Fuel Consumption
- Electrical energy consumption
- Steam consumption
- Other inputs such as compressed air, cooling water etc
- Quantity & type of wastes generated
- Percentage rejection / reprocessing
- Efficiencies / yield

DATA COLLECTION HINTS

It is important to plan additional data gathering carefully. Here are some basic tips to avoid wasting time and effort:

- measurement systems should be easy to use and provide the information to the accuracy that is needed, not the accuracy that is technically possible
- measurement equipment can be inexpensive (flow rates using a bucket and stopwatch)
- the quality of the data must be such that the correct conclusions are drawn (what grade of prod uct is on, is the production normal etc)
- define how frequent data collection should be to account for process variations.
- measurement exercises over abnormal workload periods (such as startup and shutdowns)
- design values can be taken where measurements are difficult (cooling water through heat exchang er)

DO NOT ESTIMATE WHEN YOU CAN CALCULATE
DO NOT CALCULATE WHEN YOU CAN MEASURE

Draw process flow diagram and list process steps; identify waste streams and obvious energy wastage

An overview of unit operations, important process steps, areas of material and energy use and sources of waste generation should be gathered and should be represented in a flowchart as shown in the figure below. Existing drawings, records and shop floor walk through will help in making this flow chart. Simultaneously the team should identify the various inputs & output streams at each process step.

Example: A flowchart of Penicillin-G manufacturing is given in the figure3.1 below. Note that waste stream (Mycelium) and obvious energy wastes such as condensate drained and steam leakages have been identified in this flow chart

The audit focus area depends on several issues like consumption of input resources, energy efficiency potential, impact of process step on entire process or intensity of waste generation / energy consumption. In the above process, the unit operations such as germinator, pre-fermentor, fermentor, and extraction are the major conservation potential areas identified.

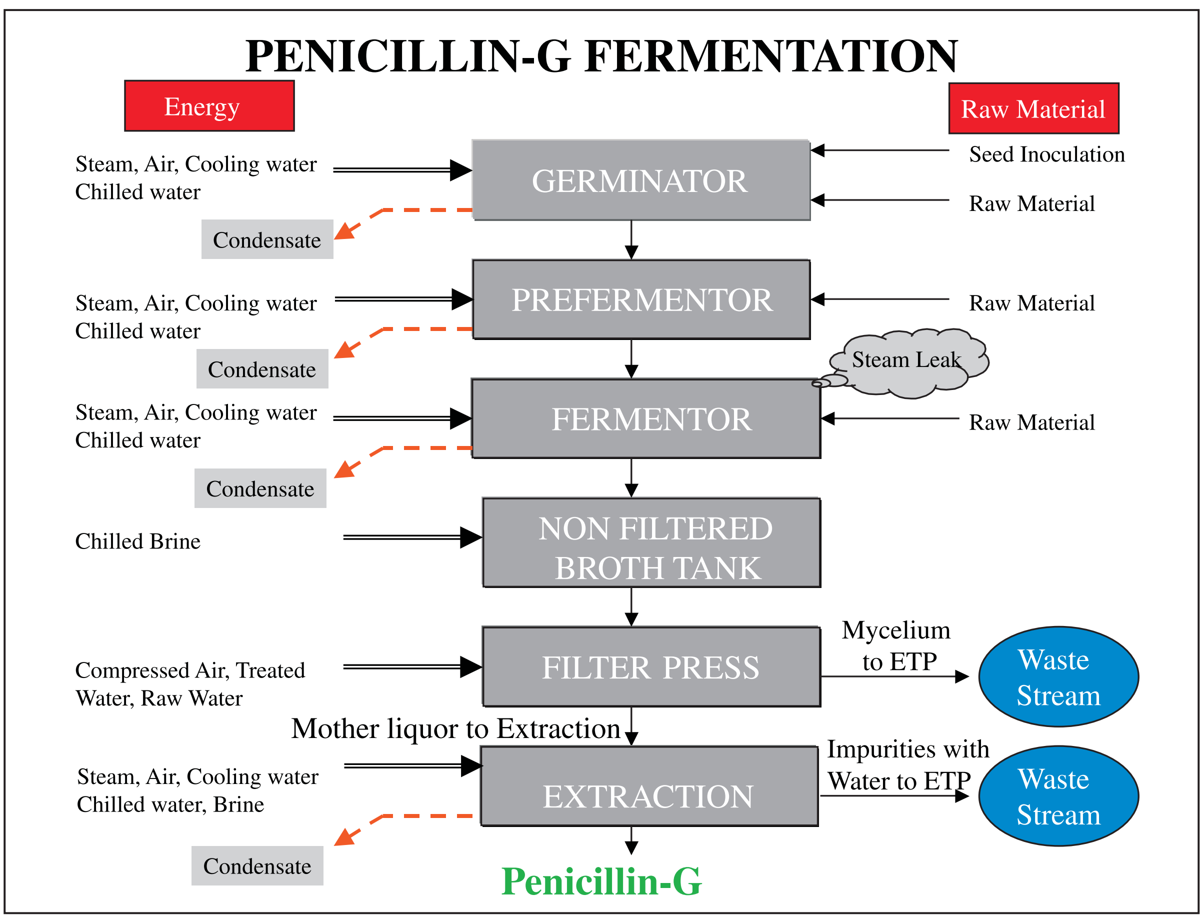


Figure 3.1

Identification of Energy Conservation Opportunities

Fuel substitution: Identifying the appropriate fuel for efficient energy conversion

Energy generation : Identifying Efficiency opportunities in energy conversion equipment/utility such as captive power generation, steam generation in boilers, thermic fluid heating, optimal loading of DG sets, minimum excess air combustion with boilers/thermic fluid heating, optimising existing efficiencies, efficienct energy conversion equipment, biomass gasifiers, Cogeneration, high efficiency DG sets, etc.

Energy distribution: Identifying Efficiency opportunities network such as transformers, cables, switchgears and power factor improvement in electrical systems and chilled water, cooling water, hot water, compressed air, Etc.

Energy usage by processes: This is where the major opportunity for improvement and many of them are hidden. Process analysis is useful tool for process integration measures.

Technical and Economic feasibility

The technical feasibility should address the following issues

- Technology availability, space, skilled manpower, reliability, service etc
- The impact of energy efficiency measure on safety, quality, production or process.
- The maintenance requirements and spares availability

The Economic viability often becomes the key parameter for the management acceptance. The economic analysis can be conducted by using a variety of methods. Example: Pay back method, Internal Rate of Return method, Net Present Value method etc. For low investment short duration measures, which have attractive economic viability, simplest of the methods, payback is usually sufficient. A sample worksheet for assessing economic feasibility is provided below:

Sample Worksheet for Economic Feasibility

Name of Energy Efficiency Measure

i. Investment	2. Annual operating costs	3. Annual savings
a. Equipments	• Cost of capital	• Thermal Energy
b. Civil works	• Maintenance	• Electrical Energy
c. Instrumentation	• Manpower	• Raw material
d. Auxiliaries	• Energy	• Waste disposal
	• Depreciation	

Net Savings /Year (Rs./year)	Payback period in months
= (Annual savings-annual operating costs)	= (Investment/net savings/year) x 12

Classification of Energy Conservation Measures

Based on energy audit and analyses of the plant, a number of potential energy saving projects may be identified. These may be classified into three categories:

1. Low cost - high return;
2. Medium cost - medium return;
3. High cost - high return

Normally the low cost - high return projects receive priority. Other projects have to be analyzed, engineered and budgeted for implementation in a phased manner. Projects relating to energy cascading and process changes almost always involve high costs coupled with high returns, and may require careful scrutiny before funds can be committed. These projects are generally complex and may require long lead times before they can be implemented. Refer Table 3.1 for project priority guidelines.

TABLE 3.1 PROJECT PRIORITY GUIDELINE

Priority	Economical Feasibility	Technical Feasibility	Risk / Feasibility
A - Good	Well defined and attractive	Existing technology adequate	No Risk/ Highly feasible
B -May be	Well defined and only marginally acceptable	Existing technology may be updated, lack of confirmation	Minor operating risk/May be feasible
C -Held	Poorly defined and marginally unacceptable	Existing technology is inadequate	Doubtful
D -No	Clearly not attractive	Need major breakthrough	Not feasible

3.3 Energy Audit Reporting Format

After successfully carried out energy audit energy manager/energy auditor should report to the top management for effective communication and implementation. A typical energy audit reporting contents and format are given below. The following format is applicable for most of the industries. However the format can be suitably modified for specific requirement applicable for a particular type of industry.

Report on

DETAILED ENERGY AUDIT

TABLE OF CONTENTS

4.0 Detailed Process flow diagram and Energy& Material balance

4.1 Flow chart showing flow rate, temperature, pressures of all input-output streams

4.2 Water balance for entire industry

5.0 Energy efficiency in utility and process systems

5.1 Specific Energy consumption

5.2 Boiler efficiency assessment

5.3 Thermic Fluid Heater performance assessment

5.4 Furnace efficiency Analysis

5.5 Cooling water system performance assessment

5.6 DG set performance assessment

5.7 Refrigeration system performance

5.8 Compressed air system performance

5.9 Electric motor load analysis

5.10 Lighting system

6.0 Energy Conservation Options & Recommendations

6.1 List of options in terms of No cost/ Low Cost, Medium cost and high investment Cost, Annual Energy & Cost savings, and payback

6.2 Implementation plan for energy saving measures/Projects

ANNEXURE

A1. List of Energy Audit Worksheets

A2. List of instruments

A3. List of Vendors and Other Technical details

The following Worksheets (refer Table 3.2 & Table 3.3) can be used as guidance for energy audit assessment and reporting.

TABLE 3.2 SUMMARY OF ENERGY SAVING RECOMMENDATIONS

S.No.	Energy Saving Recommendations	Annual Energy (Fuel & Electricity) Savings (kWh/MT or kl/MT)	Annual Savings Rs.Lakhs	Capital Investment (Rs.Lakhs)	Simple Payback period
1					
2					
3					
4					
Total					

TABLE 3.3 TYPES AND PRIORITY OF ENERGY SAVING MEASURES

	Type of Energy Saving Options	Annual Electricity /Fuel savings	Annual Savings	Priority
		KWh/MT or kl/MT	(Rs Lakhs)	
A	No Investment (Immediate) - Operational Improvement - Housekeeping			
B	Low Investment (Short to Medium Term) - Controls - Equipment Modification - Process change			
C	High Investment (Long Term) - Energy efficient Devices - Product modification - Technology Change			

Reporting Format for Energy Conservation Recommendations		
A: Title of Recommendation	**:**	**Combine DG set cooling tower with main cooling tower**
B: Description of Existing System and its operation	**:**	Main cooling tower is operating with 30% of its capacity. The rated cooling water flow is 5000 m^3/hr.Two cooling water pumps are in operation continuously with 50% of its rated capacity. A separate cooling tower is also operating for DG set operation continuously.
C: Description of Proposed system and its operation	**:**	The DG Set cooling water flow is only 240 m^3/h. By adding this flow into the main cooling tower, will eliminate the need for a separate cooling tower operation for DG set, besides improving the %loading of main cooling tower. It is suggested to stop the DG set cooling tower operation.
D: Energy Saving Calculations		
Capacity of main cooling tower	=	5000 m^3/ hr
Temp across cooling tower (design)	=	8 ^oC
Present capacity	=	3000 m^3/hr
Temperature across cooling tower(operating)	=	4 ^oC
% loading of main cooling tower	=	(3000 x 4)/(5000 x 8) = 30%
Capacity of DG Set cooling tower	=	240 m^3/hr
Temp across the tower	=	5^oC
Heat Load (240x1000 x 1x 5)	=	1200,000 K.Cal/hr
Power drawn by the DG set cooling tower		
No of pumps and its rating	=	2 nos x 7.5 kW
No of fans and its rating	=	2 Nos x 22 kW
Power consumption@ 80% load	=	(22 x2 +7.5 x2) x.80 = 47 kW
Additional power required for main cooling tower for additional water flow of 240m^3/h (66.67 l/s) with 6 kg/cm^2	=	(66.67 x 6) / (102 x 0.55) = 7 kW
Net Energy savings	=	47 – 7 = 40 kW
E: Cost Benefits		
Annual Energy Saving Potential	=	40kWx 8400hr = 3,36,000 Units/Year
Annual Cost Savings	=	3,36,000 xRs.4.00 = Rs.13.4 Lakh per year
Investment (Only cost of piping)	=	Rs 1.5Lakhs
Simple Pay back Period	=	**Less than 2 months**

3.4 Understanding Energy Costs

Understanding energy cost is vital factor for awareness creation and saving calculation. In many industries sufficient meters may not be available to measure all the energy used. In such cases, invoices for fuels and electricity will be useful. The annual company balance sheet is the other sources where fuel cost and power are given with production related information.

Energy invoices can be used for the following purposes:

- They provide a record of energy purchased in a given year, which gives a base-line for future reference
- Energy invoices may indicate the potential for savings when related to production requirements or to air conditioning requirements/space heating etc.
- When electricity is purchased on the basis of maximum demand tariff
- They can suggest where savings are most likely to be made.
- In later years invoices can be used to quantify the energy and cost savings made through energy conservation measures

Fuel Costs

A wide variety of fuels are available for thermal energy supply. Few are listed below:

- Fuel oil
- Low Sulphur Heavy Stock (LSHS)
- Light Diesel Oil (LDO)
- Liquefied Petroleum Gas (LPG)
- COAL
- LIGNITE
- WOOD ETC.

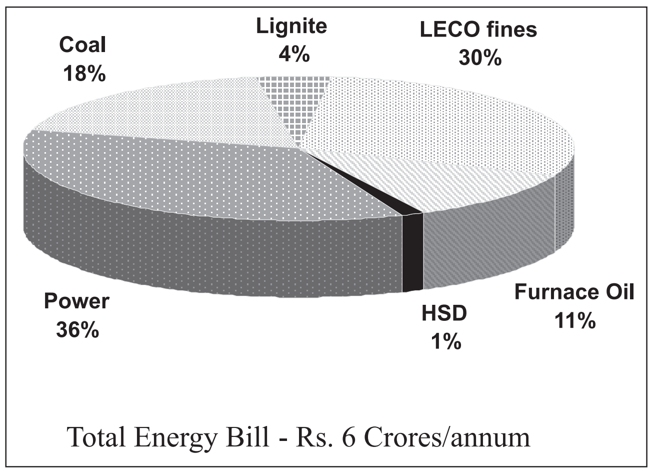


Figure 3.2 Annual Energy Bill

Understanding fuel cost is fairly simple and it is purchased in Tons or Kiloliters. Availability, cost and quality are the main three factors that should be considered while purchasing. The following factors should be taken into account during procurement of fuels for energy efficiency and economics.

- Price at source, transport charge, type of transport
- Quality of fuel (contaminations, moisture etc)
- Energy content (calorific value)

Power Costs

Electricity price in India not only varies from State to State, but also city to city and consumer to consumer though it does the same work everywhere. Many factors are involved in deciding final cost of purchased electricity such as:

- Maximum demand charges, kVA
  (i.e. How fast the electricity is used?)

- Energy Charges, kWh
  (i.e., How much electricity is consumed?)
- TOD Charges, Peak/Non-peak period
  (i.e. When electricity is utilized ?)
- Power factor Charge, P.F
  (i.e., Real power use versus Apparent power use factor)
- Other incentives and penalties applied from time to time
- High tension tariff and low tension tariff rate changes
- Slab rate cost and its variation
- Type of tariff clause and rate for various categories such as commercial, residential, industrial, Government, agricultural, etc.
- Tariff rate for developed and underdeveloped area/States
- Tax holiday for new projects

Example: Purchased energy Bill

A typical summary of energy purchased in an industry based on the invoices

TABLE 3.4

Type of energy	Original units	Unit Cost	Monthly Bill Rs.
Electricity	5,00,000 kWh	Rs.4.00/kWh	20,00,000
Fuel oil	200 kL	Rs.10,000/ kL	20,00,000
Coal	1000 tons	Rs.2,000/ton	20,00,000
Total			60,00,000

Unfortunately the different forms of energy are sold in different units e.g. kWh of electricity, liters of fuel oil, tonne of coal. To allow comparison of energy quantities these must be converted to a common unit of energy such as kWh, Giga joules, kCals etc.

Electricity (1 kWh) = 860 kCal/kWh (0.0036 GJ)
Heavy fuel oil (Gross calorific value, GCV) =10000 kCal/litre (0.0411 GJ/litre)
Coal (Gross calorific value, GCV) =4000 kCal/kg (28 GJ/ton)

3.5 Benchmarking and Energy Performance

Benchmarking of energy consumption internally (historical / trend analysis) and externally (across similar industries) are two powerful tools for performance assessment and logical evolution of avenues for improvement. Historical data well documented helps to bring out energy consumption and cost trends month-wise / day-wise. Trend analysis of energy consumption, cost, relevant production features, specific energy consumption, help to understand effects of capacity utilization on energy use efficiency and costs on a broader scale.

External benchmarking relates to inter-unit comparison across a group of similar units. However, it would be important to ascertain similarities, as otherwise findings can be grossly misleading. Few comparative factors, which need to be looked into while benchmarking externally are:

- Scale of operation
- Vintage of technology
- Raw material specifications and quality
- Product specifications and quality

Benchmarking energy performance permits

- Quantification of fixed and variable energy consumption trends vis-à-vis production levels
- Comparison of the industry energy performance with respect to various production levels (capacity utilization)
- Identification of best practices (based on the external benchmarking data)
- Scope and margin available for energy consumption and cost reduction
- Basis for monitoring and target setting exercises.

The benchmark parameters can be:

- Gross production related
  e.g. kWh/MT clinker or cement produced (cement plant)
  e.g. kWh/kg yarn produced (Textile unit)
  e.g. kWh/MT, kCal/kg, paper produced (Paper plant)
  e.g. kCal/kWh Power produced (Heat rate of a power plant)
  e.g. Million kilocals/MT Urea or Ammonia (Fertilizer plant)
  e.g. kWh/MT of liquid metal output (in a foundry)

- Equipment / utility related
  e.g. kW/ton of refrigeration (on Air conditioning plant)
  e.g. % thermal efficiency of a boiler plant
  e.g. % cooling tower effectiveness in a cooling tower
  e.g. kWh/NM^3 of compressed air generated
  e.g. kWh /litre in a diesel power generation plant.

While such benchmarks are referred to, related crucial process parameters need mentioning for meaningful comparison among peers. For instance, in the above case:

- For a cement plant - type of cement, blaine number (fineness) i.e. Portland and process used (wet/dry) are to be reported alongside kWh/MT figure.
- For a textile unit - average count, type of yarn i.e. polyester/cotton, is to be reported along side kWh/square meter.
- For a paper plant - paper type, raw material (recycling extent), GSM quality is some important factors to be reported along with kWh/MT, kCal/Kg figures.
- For a power plant / cogeneration plant - plant % loading, condenser vacuum, inlet cool ing water temperature, would be important factors to be mentioned alongside heat rate (kCal/kWh).
- For a fertilizer plant - capacity utilization(%) and on-stream factor are two inputs worth comparing while mentioning specific energy consumption
- For a foundry unit - melt output, furnace type, composition (mild steel, high carbon steel/cast iron etc.) raw material mix, number or power trips could be some useful oper

ating parameters to be reported while mentioning specific energy consumption data.

- For an Air conditioning (A/c) plant - Chilled water temperature level and refrigeration load (TR) are crucial for comparing kW/TR.
- For a boiler plant - fuel quality, type, steam pressure, temperature, flow, are useful com parators alongside thermal efficiency and more importantly, whether thermal efficiency is on gross calorific value basis or net calorific value basis or whether the computation is by direct method or indirect heat loss method, may mean a lot in benchmarking exer cise for meaningful comparison.
- Cooling tower effectiveness - ambient air wet/dry bulb temperature, relative humidity, air and circulating water flows are required to be reported to make meaningful sense.
- Compressed air specific power consumption - is to be compared at similar inlet air tem perature and pressure of generation.
- Diesel power plant performance - is to be compared at similar loading %, steady run condition etc.

Plant Energy Performance

Plant energy performance (PEP) is the measure of whether a plant is now using more or less energy to manufacture its products than it did in the past: a measure of how well the energy management programme is doing. It compares the change in energy consumption from one year to the other considering production output. Plant energy performance monitoring compares plant energy use at a reference year with the subsequent years to determine the improvement that has been made.

However, a plant production output may vary from year to year and the output has a significant bearing on plant energy use. For a meaningful comparison, it is necessary to determine the energy that would have been required to produce this year production output, if the plant had operated in the same way as it did during the reference year. This calculated value can then be compared with the actual value to determine the improvement or deterioration that has taken place since the reference year.

Production factor

Production factor is used to determine the energy that would have been required to produce this year's production output if the plant had operated in the same way as it did in the reference year. It is the ratio of production in the current year to that in the reference year.

$$\text{Pr}\mathit{oduction\ factor} = \frac{\mathit{Current\ \ year's\ \ production}}{\text{Reference year's production}}$$

Reference Year Equivalent Energy Use

The reference year's energy use that would have been used to produce the current year's production output may be called the "reference year energy use equivalent" or "reference year equivalent" for short. The reference year equivalent is obtained by multiplying the reference year energy use by the production factor (obtained above)

Reference year equivalent = Reference year energy use x Production factor

The improvement or deterioration from the reference year is called "energy performance" and is a measure of the plant's energy management progress. It is the reduction or increase in the current year's energy use over the reference, and is calculated by subtracting the current year's energy use from the reference years equivalent. The result is divided by the reference year equivalent and multiplied by 100 to obtain a percentage.

$$\text{Plant energy performance} = \frac{\text{Reference year equivalent - Current year's energy}}{\text{Reference year equivalent}} \times 100$$

The energy performance is the percentage of energy saved at the current rate of use compared to the reference year rate of use. The greater the improvement, the higher the number will be.

Monthly Energy Performance

Experience however, has shown that once a plant has started measuring yearly energy performance, management wants more frequent performance information in order to monitor and control energy use on an on-going basis. PEP can just as easily be used for monthly reporting as yearly reporting.

3.6 Matching Energy Usage to Requirement

Mismatch between equipment capacity and user requirement often leads to inefficiencies due to part load operations, wastages etc. Worst case design, is a designer's characteristic, while optimization is the energy manager's mandate and many situations present themselves towards an exercise involving graceful matching of energy equipment capacity to end-use needs. Some examples being:

- Eliminate throttling of a pump by impeller trimming, resizing pump, installing variable speed drives
- Eliminate damper operations in fans by impeller trimming, installing variable speed dri ves, pulley diameter modification for belt drives, fan resizing for better efficiency.
- Moderation of chilled water temperature for process chilling needs
- Recovery of energy lost in control valve pressure drops by back pressure/turbine adop tion
- Adoption of task lighting in place of less effective area lighting

3.7 Maximising System Efficiency

Once the energy usage and sources are matched properly, the next step is to operate the equipment efficiently through best practices in operation and maintenance as well as judicious technology adoption. Some illustrations in this context are:

- Eliminate steam leakages by trap improvements
- Maximise condensate recovery
- Adopt combustion controls for maximizing combustion efficiency
- Replace pumps, fans, air compressors, refrigeration compressors, boilers, furnaces, heaters and other energy consuming equipment, wherever significant energy efficiency margins exist.

Optimising the Input Energy Requirements

Consequent upon fine-tuning the energy use practices, attention is accorded to considerations for minimizing energy input requirements. The range of measures could include:

- Shuffling of compressors to match needs.
- Periodic review of insulation thickness
- Identify potential for heat exchanger networking and process integration.
- Optimisation of transformer operation with respect to load.

3.8 Fuel and Energy Substitution

Fuel substitution: Substituting existing fossil fuel with more efficient and less cost/less polluting fuel such as natural gas, biogas and locally available agro-residues.

Energy is an important input in the production. There are two ways to reduce energy dependency; energy conservation and substitution.

Fuel substitution has taken place in all the major sectors of the Indian economy. Kerosene and Liquefied Petroleum Gas (LPG) have substituted soft coke in residential use.

Few examples of fuel substitution

- Natural gas is increasingly the fuel of choice as fuel and feedstock in the fertilizer, petro chemicals, power and sponge iron industries.
- Replacement of coal by coconut shells, rice husk etc.
- Replacement of LDO by LSHS

Few examples of energy substitution

- ✓ Replacement of electric heaters by steam heaters
- ✓ Replacement of steam based hotwater by solar systems

Case Study : Example on Fuel Substitution

A textile process industry replaced old fuel oil fired thermic fluid heater with agro fuel fired heater. The economics of the project are given below:

A: Title of Recommendation	**:**	**Use of Agro Fuel (coconut chips) in place of Furnace oil in a Boiler**
B: Description of Existing System and its operation	:	A thermic fluid heater with furnace oil currently. In the same plant a coconut chip fired boiler is operating continuously with good performance.
C: Description of Proposed system and its operation	:	It was suggested to replace the oil fired thermic fluid heater with coconut chip fired boiler as the company has the facilities for handling coconut chip fired system.

D: Energy Saving Calculations

Old System

Type of fuel Firing	**:**	**Furnace Oil fired heater**
GCV	:	10,200 kCal/kg
Avg. Thermal Efficiency	:	82%
Heat Duty	:	15 lakh kCal / hour
Operating Hours	:	25 days x 12 month x 24 hours = 7,200 hrs.
Annual Fuel Cost	:	Rs.130 lakh (7200 x 1800 Rs./hr.)

Modified System

Type of fuel saving	**= Coconut chips fired Heater**
GCV	= 4200 kCal/kg
Average Thermal Efficiency	= 72 %
Heat Duty	= 15 lakh kCal / hour
Annual Operating Cost	= 7200 x 700 Rs./hr = 50 lakh
Annual Savings	= 130 - 50 = Rs.80 lakh .
Additional Auxiliary Power + Manpower Cost	= Rs. 10 lakh
Net Annual Saving	= Rs. 70 lakh
Investment for New Coconut Fired heater	= Rs. 35 lakh
Simple pay back period	**= 6 months**

3.9 Energy Audit Instruments

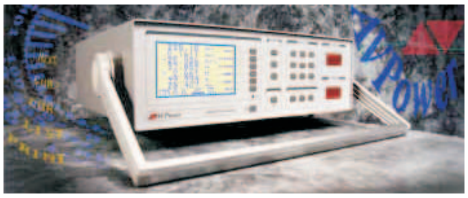
The requirement for an energy audit such as identification and quantification of energy necessitates measurements; these measurements require the use of instruments. These instruments must be portable, durable, easy to operate and relatively inexpensive. The parameters generally monitored during energy audit may include the following:

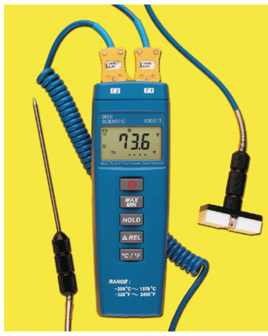
Basic Electrical Parameters in AC &DC systems - Voltage (V), Current (I), Power factor, Active power (kW), apparent power (demand) (kVA), Reactive power (kVAr), Energy consumption (kWh), Frequency (Hz), Harmonics, etc.

Parameters of importance other than electrical such as temperature & heat flow, radiation, air and gas flow, liquid flow, revolutions per minute (RPM), air velocity, noise and vibration, dust concentration, Total Dissolved Solids (TDS), pH, moisture content, relative humidity, flue gas analysis - CO_2, O_2, CO, SO_x, NO_x, combustion efficiency etc.

Key instruments for energy audit are listed below.

The operating instructions for all instruments must be understood and staff should familiarize themselves with the instruments and their operation prior to actual audit use.

 	**Electrical Measuring Instruments:** These are instruments for measuring major electrical parameters such as kVA, kW, PF, Hertz, kVAr, Amps and Volts. In addition some of these instruments also measure harmonics. These instruments are applied on-line i.e on running motors without any need to stop the motor. Instant measurements can be taken with hand-held meters, while more advanced ones facilitates cumulative readings with print outs at specified intervals.
	**Combustion analyzer:** This instrument has in-built chemical cells which measure various gases such as O_2, CO, NO_X and SO_X.
	**Fuel Efficiency Monitor:** This measures oxygen and temperature of the flue gas. Calorific values of common fuels are fed into the microprocessor which calculates the combustion efficiency.
	**Fyrite:** A hand bellow pump draws the flue gas sample into the solution inside the fyrite. A chemical reaction changes the liquid volume revealing the amount of gas. A separate fyrite can be used for O_2 and CO_2 measurement.

	**Contact thermometer:** These are thermocouples which measures for example flue gas, hot air, hot water temperatures by insertion of probe into the stream. For surface temperature, a leaf type probe is used with the same instrument.
	**Infrared Thermometer:** This is a non-contact type measurement which when directed at a heat source directly gives the temperature read out. This instrument is useful for measuring hot spots in furnaces, surface temperatures etc.
	**Pitot Tube and manometer:** Air velocity in ducts can be measured using a pitot tube and inclined manometer for further calculation of flows.
	**Water flow meter:** This non-contact flow measuring device using Doppler effect / Ultra sonic principle. There is a transmitter and receiver which are positioned on opposite sides of the pipe. The meter directly gives the flow. Water and other fluid flows can be easily measured with this meter.

 Tachometer	 Stroboscope	**Speed Measurements:** In any audit exercise speed measurements are critical as thay may change with frequency, belt slip and loading. A simple tachometer is a contact type instrument which can be used where direct access is possible. More sophisticated and safer ones are non contact instruments such as stroboscopes.
		**Leak Detectors:** Ultrasonic instruments are available which can be used to detect leaks of compressed air and other gases which are normally not possible to detect with human abilities.
		**Lux meters:** Illumination levels are measured with a lux meter. It consists of a photo cell which senses the light output, converts to electrical impulses which are calibrated as lux.