

Micro-economics

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Microeconomics Microeconomics is the arm of economics that deals with the tendencies of how an individual or a firm arrives at decisions to allot limited resources (Glazer and Hirshleifer, 56). (Glazer and Hirshleifer, 57). In the attached article on the influence of coal on production of electricity, it is evident that the National thermal power corporation has shown trends of high increase in its Plant Availability Factor (PAF). This has been attributed to increase in the supply of coal. In the previous periods, the company has been recording low profits due unavailability coal. The first two months of the fourth quarter PAF was 95%. For the second and the third quarter the company recorded 83% and 85% respectively which was as a result of increased supply of coal from India. The steady supply of coal to meet demand will be facilitated by the signed agreement with India, to supply coal which will be fully completed by 2013.

The terms price, demand and supply have their application in the attached article. Supply is the quantity of goods that are available to clients. In the attached article, thermal power corporation effectiveness depends on the amount of coal supplied. Demand is the aspiration to have something for instance, the power produced will be in great demand when the plant availability factor is low, because of scarcity. Price on the other hand is the amount paid back for goods or services provided (Glazer and Hirshleifer, 68). In this case price will stabilize if the supply of coal will be guaranteed as a result of signed pact. Coal therefore is an important natural resource for power production in the economy and to the people who consumes it.

Work Cited

<https://assignbuster.com/micro-economics/>

Hirshleifer, Jack, and Glazer, Amihai. Price theory and applications: Decisions, markets, and information (7th ed.). Cambridge University Press, 2005. 56-68. Print.

News By Industry

27 Mar, 2012, 12. 38 am IST, Jwalit Vyas, ET Bureau

NTPC: Better fuel availability augurs well for the company

National Thermal Power Corporation or NTPC has shown higher capacity availability or plant availability factor during the first two months of the current quarter, indicating improved coal supply, according to data with the Central Electricity Authority.

This augurs well for the state-run company considering that the previous two quarters were not so good for it and earnings declined due to lack of coal availability. This led to concerns over capacity availability of its thermal plants, which is directly linked to availability of coal.

The plant availability factor or PAF of a plant is the maximum time that it can produce electricity over a given period and is mainly linked to fuel availability. Higher the availability of fuel, higher will be the PAF. NTPC's PAF for the first two months of the fourth quarter was 95%.

The company witnessed PAF of 83% and 85% for the second and third quarters of FY12, respectively, while the average for the past four years was close to 90%. Lower fuel availability in the previous two quarters can be attributed to excessive rains, which impacted coal mining and transporting operations.

This was a one-off event. The main reason for the higher availability of coal since January is improved supply of coal from Coal India.

Materialization of coal from Coal India has been around 95% in the first two quarters of the current quarter. NTPC is hopeful that it will remain at the same level in the coming year too.

Besides this, the fuel supply agreement to be signed according to the advice given by the Prime Ministers Office (PMO) to Coal India will help NTPC secure coal for its 5 GW capacity, which is expected to become operational in FY13.

Fuel shortage and slow capacity addition have led to continuous multiple (valuation) de-rating of the company over the past few years.

Timely commissioning of this capacity, which is in the final stages of execution, and higher availability of coal can be a positive trigger

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