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ECC urged to review gas diversion decision

The Economic Coordination (ECC) of the Cabinet was requested to review decision of diversion of gas to other sectors and give priority to the power sector as running of power plants on RFO due to less availability of gas has already accrued Rs 10 billion on account of differential that may be passed on to the power consumers through fuel price adjustment. A meting of the ECC of the Cabinet was told that ECC decision for diversion of gas to other sectors may be reviewed and allocated priority of gas to power sector be maintained. In case gas is required to be diverted, the cost of equivalent megawatts of generation from RFO may be subsidised.

Power Division in a summary stated that this diversion with the differential that has already been accrued due to running of RFO based power plants will result in about Rs 10 billion of differential to be passed on to the end-consumer in the form of Fuel Price Adjustment till January 12, 2019. However, an official, when contacted, said no decision has been taken on the proposal.

The proposal stated that Power Section has a combination of power plants available on hydel, thermal, nuclear and renewable. Major portion of this generation (about 54%) is either based on oil or gas.

Out of this 54% generation, 26% power plants operate on RLNG. All these power plants are dispatched based on economic merit order to ensure that dispatching of power plants is done in a way to minimise the cost of production of electricity to the end consumers, other than conditions related to system integrity reliability, stability and continuity of supply, when priorities given to certain power plants in specific situation as per grid code.

The cheapest generation available is from hydel power plants followed by local/ well head gas, nuclear, coal, RLNG, and furnace oil based power plants respectively. With the introduction of RLNG in the power system as fuel, sector dependency on imported RLNG as a fuel for generating electricity has increased manifold. During the winter, the cheapest source of energy, hydel, is not available due to non-availability of water in the reservoirs and minimum indents by IRSA. After coal, nuclear and local gas based power plants, plants on RLNG are dispatched.

The RFO generation had been envisaged for the months of November 2018 to March 2019. However, to maintain strategic reserve at RFO based power plants and to handle the high inventory of furnace oil at refineries, RFO and LSFO supplies were requested at Muzaffargarh, Jamshoro, HUBCO and KAPCO, at a steady rate. This was communicated to the Petroleum Division on November 22, 2018. The gas requirements presented during the Cabinet Committee on Energy (CCOE) meetings on November 28, December 5, and December 26, 2018 were based on the foregoing parameters and were 393, 495, 405, 857 and 1043 MMCFD.

But, during December 2018, only 180 to 200 MMCFD gas was allocated to power sector which was sufficient for generation of 1200 MW average instead of 2600 MW planned and projected. This resulted in a daily average 1600 MW RFO based generation. This also resulted in differential of Rs 5.5 billion on the same number of units, if generated through RLNG for a period of December 6, 2018 to January 1, 2019.

The other important element has been the RFO consumption which started from 4200 MT per day to about 18,000 MT per day on January 1, 2019 which has adversely impacted the stock strategic building exercise for plants running during the high demand months.

The situation will further aggravate with the diversion of gas required by the power sector to other sectors which are at low priority for gas allocation. Power sector is placed at second on priority allocation of gas after domestic sector.

This diversion with the differential that has already been accrued due to running of RFO based power plants will result in about Rs 10 billion of differential to be passed on to the end consumer in the form of Fuel Price Adjustment till January 12, 2019.

In similar instances in the past, government had allowed, through decisions of ECC and Cabinet in 2008, 2010 and 2011, K-Electric to run their plants on RFO instead of gas from SSGC and had picked the difference of cost as subsidy under the Gas Load Management Plan (GLMP).

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