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Nepra approves Rs1.82/unit hike in power tariff

ISLAMABAD: The National Electric Power Regulatory Authority (Nepra) on Tuesday approved Rs 1.82 per unit hike in power tariff for the month of September under monthly fuel adjustment formula.

However, the tariff can be further revised upward to Rs 2.37 per unit, provided furnace oil claims of Rs 7.7 billion submitted by the Central Power Purchasing Agency Guaranteed (CPPA-G) are verified and accepted by Nepra's technical team.

The decision was taken by the Authority at a public hearing presided over by Saif Ullah Chatha, and Members KP/Vice Chairman, Engineer Bahadar Khan and Balochistan, Rehmatullah Baloch were also present.

On October 30, 2019, the Authority put off the decision on CPPA-G's tariff petition due to differences between Nepra's technical team, CPPA-G and NPCC on the available data of furnace oil-based power plants and running of inefficient plants.

While recapping the previous hearing the case officer informed the committee that net delivered electricity in September 2019 was recorded at 13,255.35GWh. The total cost of delivered electricity was Rs 76.886 billion at a rate of Rs 5.8136 per unit against the reference of Rs 2.8410 per unit whereas CPPA-G sough adjustment of Rs 2.97 per unit, which is calculated at Rs 39.4 billion.

Based on CPPA-G data, the requested increase was calculated at Rs 2.97 per unit, total impact of which was Rs 39.4 billion.

The case officer further stated that CPPA-G generated around 917GWh from furnace oil based plants costing Rs 13.535 billion, i.e, at Fuel Cost Component (FCC) of Rs 16.561 per unit.

"Had all the units generated on furnace oil been generated from coal/RLNG based power plants, the total fuel cost for such units would have been around Rs 6.3 billion, thus resulting in reduction in total fuel cost by around Rs 7.2 billion i.e. Paisa 54.63 per unit," the case officer added.

He said, there are two types of variances, i.e, price variance and mix-variance. He said the price variance due to gas was to the tune of Rs 4.1 billion as there was a substantial difference in built in actual price whereas price variance on account of RLNG was Rs 5.5 billion, totaling it to Rs 9.6 billion.

The Authority noted unfavorable mix variance of Rs 22.5 billion of which Rs 3.2 billion was from coal (as generation on coal was higher against the reference), Rs 13.5 billion generation was recorded from RFO. The unfavorable variance of Rs 9.5 billion was recorded in RLNG.

CPPA-G also claimed positive previous adjustment of Rs 6.9 billion, against which Nepra's technical team proposed Rs 1.9 billion, saying that CPPA-G has provided documents of remaining amount of Rs 4.9 billion, which will be adjusted subsequently once technical verification is completed.

General Manager National Power Control Centre (NPCC), Muhammad Ayub stated that eight furnace oil-fired power plants, i.e, Nishat Power, Nishat Chunian, Liberty Power, Attock Gen, Atlas Power, Habco Narowal and Kapco operated on furnace oil to maintain smooth supply.

However, former Minister for Privatisation, Danyal Aziz Ch, who belongs to Shakargarh raised several questions on the performance of power sector, use of furnace oil to some “blue eyed” power plants, which made the public cry. He said extend financial benefits being extended through backdoor to those power companies enabled them to pocket money unfairly in the past.

He suggested that the Authority should order an investigation to probe the furnace-oil fired power plants, requesting that decision on CPPA-G’s tariff petition be put off till the probe is completed.

General Manager, NPCC, Muhammad Ayub said that use of furnace oil has declined by 60 percent during the first four months of fiscal year 2019-20 as compared to the same period of FY 2018-19. He further stated that use of furnace oil in September 2019 was slashed by 42 percent as compared to September 2018. He said no furnace oil was consumed in October 2019.

Muhammad Ayub said that he had held a detailed meeting with technical team of Nepra and provided all the required hourly data. However, it was not on the specified format, adding in future, NPCC will give the required information on the format for which the entity needs 15 weeks time.

NPCC did not share the financial impact of each inefficient power plant or furnace oil based power plants but just stated as to what will happen financially if the furnace oil based or inefficient were not operated. This logic was rejected by Nepra’s technical team.

NPCC also challenged the basis of reference price of Nepra, saying that the regulator should review its formula and also include use of furnace oil. He said the economic merit order is altered in accordance with the directions of Power Division which makes policy on load shedding.

When Nepra’s team argued that some of the unverified costs are not being accounted for in the tariff, CFO, CPPA-G said that the claims/ costs are verified as per agreements and tariff determinations of Nepra.

He further contended that Nepra should allow all the verified costs to CPPA-G as delay is neither in favour of public nor power sector, adding that if Rs 39 billion is excluded, payment of circular debt will be very hard keeping in view cash flow issues. He said CPPA-G was ready to satisfy Nepra’s technical team. He also offered third party technical audit of power sector, saying that September is the best month for audit. He requested the Authority to reverse the decision of withholding Rs 6.9 billion. However, the Authority did not entertain his request.

In reply to a question, he said that the circular debt stock stood at Rs 850 billion, besides debts parked in the books of PHPL.

While announcing the decision, Saif Ullah Chatha said that for the time being claims of Rs 7.7 billion on account of furnace oil based electricity were not being allowed to CPPA-G and if the information is provided within next two weeks, the regulator will look into it. The case officer informed that with this decision, the FCA’s positive impact will be of Rs 1.8266 per unit.