BUSINESS RECORDER
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# Power tariffs increased by Rs1.83/unit

ISLAMABAD: National Electric Power Regulatory Authority (Nepra) has increased tariffs of power Distribution Companies (Discos) by Rs 1.83 per unit for the month of September 2019 under monthly fuel price adjustment mechanism.

This increase in tariff will be billed in December 2019 across the board except lifeline consumers and K-Electric consumers.

According to the regulator, from perusal of the information provided by CPPA-G, the actual pool fuel cost for the month of September 2019 was Rs 5.8136/kWh, against the reference fuel cost component of Rs 2.8410/kWh as notified consumer-end tariff of Discos for the FY 2017-18. The actual fuel charges, as reported by CPPA-G, for the month of September 2019 increased by Rs 2.9726/kWh as compared to the reference fuel charges.

The Authority conducted the hearing in the matter on October 30, 2019. Representatives from CPPA-G, National Power Control Centre (NPCC), NTDC, Media and general public were present; however, no representative from WAPDA Power Privatization Organization (WPPO), Sui Southern Gas Company Limited (SSGCL), Sui Northern Gas Pipelines Limited (SNGPL), Ministry of Energy and Ministry of Finance attended the hearing despite service of notice.

The Authority in its FCA decision of July and August 2019, directed CPPA-G NPCC to provide complete details alongwith financial analysis regarding non-operation of efficient power plants resulting in costlier generation from REO based power plants during such periods. However, upon inquiry during the hearing, regarding non-submission of required data and financial analysis, representative of NPCC submitted that day-wise detail of plants operated on RFO was submitted to Nepra on October 29, 2019, showing the reasons for such operations, however, financial impact in this regard may be sought from CPPA-G.

The Authority, while taking serious notice of non-compliance of its directions and non-provision of required information by CPPA-G/ NPCC, decided to adjourn the hearing, and directed CPPA-G/ NPCC to submit complete details showing hourly generation along-with the financial impact and the reasons thereof. The Authority announced to resume the hearing on November 5, 2019.

Subsequently, NPCC, in a letter on October 31, 2019 submitted daily hourly log data of all the power plants including RFO, along-with justification for the RFO based generation, loading position of transformers and merit order for the month of September 2019. Regarding financial implication of generation from RFO, NPCC submitted a calculation showing energy served by RFO generation to meet the system demand/constraints and the financial loss that would have been incurred had this energy from furnace not been generated and Discos had carried out load shedding.

The Authority, while going through the data submitted by NPCC, observed that the provided information was not in the required shape to carry out a meaningful analysis or draw any conclusions. Accordingly, NPCC was asked to submit the information on a specific format for the consideration of the Authority.

The hearing was re-conducted on November 5, 2019. The Authority inquired NPCC/CPPA-G about submission of data on the provided format. The representative of NPCC requested the Authority to allow a two week time for submission of data on the Authority's provided format. The Authority acceded to the request of NPCC.

The hearing was also attended by Daniyal Aziz, ex-Minister for Privatization who raised serious concerns over the explanations given by CPPA-G / NPCC regarding utilization of RFO based plants. He submitted that as compared to last year, generation from hydel has increased whereas consumption remained lean. He further opined that independent verification of' such feeders/ transformers and evacuation sites, for which overloading has been claimed, be carried out.

It was also suggested to review the foot notes mentioned at Economic Merit Order (EMO) as exception for almost all plants have been provided. Aziz suggested deferring the decision in the matter till next hearing unless the required data is provided by NPCC/ CPPA-G.

The representative of NPCC, while responding to the concerns raised by the commentators, submitted that present situation in the FY 2019 has changed as compared to FY 2018. Generation capacity has increased by around 10,000MW resultantly zero load shedding is being carried out. He also submitted that RFO consumption has declined by around 60% till September 2019 viz-a-viz FY 2018 and there is zero RFO usage from October 2019 onward. It was further stated that RFO based plants were designed in such a way to cater for the load growth, with minimum line losses and connected at 132 KV. However, the three RLNG power plants have been connected at 500 KV, which requires transformation from 500 to 220 KV and then to 132 KV but the transformers involved in this process (transformation) do not have enough capacity to accommodate the maximum generation from these plants, resultantly RFO based plants are operated to manage the load. The overloading of transformers in previous years was being managed through load shedding, providing relief to these overloaded transformers. It was also submitted that after October 20, 2019, NPCC by using NPCC, PLEXOS and SDDP softwares would be able to provide a day ahead schedule of all plants to be dispatched on hourly basis by incorporating therein all the constraints and fuel prices.

After considering the comments of NPCC and keeping in view the fact that certain vital information is yet to be provided by NPCC, which may justify NPCC stance of running RFO based power plants, the Authority decided to defer the incremental amount of Rs 7.2 billion in the instant adjustment on the plea that this would be considered in the light of data and justification to be provided by NPCC in the next FCA. The Authority again directed NPCC/CPPA-G to ensure the provision of data within the committed time.

The Authority also noted that as per the data submitted by CPPA-G, Discos purchased 10.006 GWh from Captive Power Plants (CPPs) during September 2019.

CPPA-G has reported negative energy from Anoud Textile and Shikarpur Power Captive power plants, during September 2019, implying that these plants have drawn energy from the grid.

The total energy drawn by these CPPs/NCPPs during September 2019 was around 43,040 kWh, however, CPPA-G only reported a negative cost of Rs 292,672 at Rs 6.4408/kWh. In view thereof, an additional amount of Rs 0.814 million has been deducted from the total fuel cost of September 2019, based on the rates charged by CPPA-G for sale of electricity to IPPs during this month.

CPPA-G in its monthly FCA requests included fuel cost of gas based NCPP/CPPs inclusive of GIDC. The Authority in its FCA decision of August 2019, directed CPPA-G to provide details of GIDC paid by Discos to CPPs/ NCPPs, and the amount actually paid by CPPs/ NCPPs to the gas supply companies. However, CPPA-G has not yet provided any such details. Nepra has again directed CPPA-G to provide details of GIDC paid by Discos to CPPs/ NCPPs, and the amount actually paid by CPPs/ NCPPs to the gas supply companies.

Regarding adjustment on account of fuel differential of Rs 1.103 billion pertaining to Nishat Power Limited (NPL) for the month of August 2019, the Authority noted that although CPPA-G included energy generated from NPL, in its FCA claim of August 2019, however, no cost was claimed against that energy. Accordingly, the cost being legitimate has been included in the fuel cost of September 2019. Regarding adjustment of Rs 190.17 million for Engro Energy on account of revision in FCA for July 2019 owing to revision in gas price has been allowed in the fuel cost of FCA September 2019.

For the remaining adjustment of Rs 4.995 billion, CPPA-G although has submitted its workings in this regard, however, it is under verification and once verified, would be considered in the subsequent FCAs. The remaining previous adjustments/supplemental charges of Rs 673.24 million have been allowed in the FCA of September 2019.

The Authority after incorporating the adjustments, has allowed the remaining fuel cost, including costs arising out due to application of various factors as provided in the respective PPAs of the power producers, claimed by CPPA-G in the cost. However, at the same time, the Authority has decided that amount arising out of application of PPA factors, if any, for the six RFO- based IPPs, incorporated under 2002 Power Policy, is allowed on provisional basis and shall be subject to adjustment, based on the final outcome of the ongoing proceedings against RFO- based IPPs.

After incorporating the adjustments, Nepra has reviewed and assessed an increase of Rs 1.8266/kWh for the month of September, 2019.