BUSINESS RECORDER
Founded by M.A. Zuberi

31st October, 2019

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FCA for Sept, Nepra shelves Rs2.84/unit hike in power tariff

ISLAMABAD: National Electric Power Regulatory Authority (Nepra) Wednesday shelved an increase of Rs 2.84 per unit in electricity tariff for September 2019 for six days, just a day before Azadi March of JUI (F), apparently due to non availability of accurate data on economic merit order of power plants.

This was the crux of the public hearing on monthly Fuel Price Adjustment (FCA) presided over by Chairman Nepra, Tauseef H. Farooqi while Vice Chairman/Member KP, Engineer Bahadar Khan, Member Sindh, Rafique Ahmed Shaikh and Member Balochistan, Rehmatullah Baloch were also present .

As the public hearing started, Nepra's case officer presented the details of tariff petition filed/power purchase data submitted by the Central Power Purchasing Agency- Guaranteed (CPPA-G). He informed the committee that net delivered electricity in September 2019 was recorded at 13,255.35 GWh. 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.

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 917 GWh from furnace oil based plants costing Rs 13.535 billion i.e. at Fuel Cost Component (FCC) of Rs 16.561 per unit.

"Had the units generated on furnace oil be 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.

Nepra's technical team further stated that the Authority directed CPPA-G that in future such details along with analysis showing financial impact of non-utilization of efficient power plants along with the FCA data be also submitted. No such analysis is provided with the FCA request at present. The technical team requested the Authority to inquire from CPPA-G/NPCC about non-utilization of efficient power plants.

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

The Authority noted that a mix variance of Rs 22.5 billion (including Rs 3.2 billion using coal as generation) was higher against the reference of Rs 13.5 billion generation recorded from RFO giving an unfavorable variance of Rs 9.5 billion.

The Authority was informed that CPPA-G claimed a positive amount of Rs 6.961 billion as per previous adjustments of which Rs 1.9 billion has been approved for Nishat Power and Nishat Chunian and supplementary charges while documents of Rs 4.9 billion were received last Friday which are yet to be verified technically.

CPPA-G had also sought Rs 26.9 billion as fuel cost of following power plants: NPGCL, Orient Power, Saif Power, Saphire, Hamlore, QATPL, HBS, Sahiwal Coal and Balloki but the Authority approved Rs 24 billion as the cost and Rs 2.8 billion was not allowed.

Chairman Nepra enquired if there was any out of merit running of power plants, and the case officer informed the Authority that CPPA-G did not share data or details about the reasons for using expensive power plants.

Chairman, took serious cognizance of half cooked information provided by the CPPA-G/NPCC and questioned whether both the organisations did not want to carry out this exercise or were facing any other issue. He maintained that without this information there is no benefit of such a public hearing.

CFO CPPA-G, Rehan argued that analysis was the prime responsibility of NPCC and not CPPA-G. A this, Chairman Nepra, addressing the CFO CPPA- said that he is the accountant of the industry due to which his role or responsibility is very crucial and he should state if the justification given by NPCC was relevant or not.

He said, Nepra would not allow any increase if proper justification was not provided by the CPPA-G, adding in his view Rs 7 billion of national exchequer had been wasted.

“If we pass on the increase it would have a burden on our consumers,” he maintained.

NPCC was asked to sit with Nepra officials and explain the reasons for deviating from the approved economic merit order of power plants. NPCC should provide solid reasons for running expensive power plants,” he continued.

General Manager of NPCC, Muhammad Ayub argued that billions of rupees have been saved by running furnace oil power plants otherwise NPCC would have been compelled to go for one hour load shedding.

There was heated debate between the officials of NPCC and Nepra’s technical team on issue of use of furnace oil and its non-inclusion in the reference. Muhammad Ayub, GM NPCC asked how it is possible that electricity demand is met without running the plants on RFO. He challenged the reference relating to the use of furnace oil. Both sides continued their arguments and counter arguments even after the Chairman left to attend ECC meeting.

The three members present enquired about the reasons for not sharing accurate plant-wise data along with reasons for running them on furnace oil.

After a discussion of about 20 minutes, the Authority deferred the hearing till next Tuesday despite the fact that both CFO CPPA-G and GM NPCC argued that delay in approval of FCA will have negative implications on the liquidity of power sector.