DAWN

6th February, 2019

New gas price, pressure factor causing unrest among consumers

ISLAMABAD: The prevailing unrest among domestic gas consumers due to excessive billing, mostly in Punjab and Khyber Pakhtunkhwa, is creation of a combination of three critical policy decisions and improved gas supply, besides the usual higher winter consumption.

As public anger goes up, Prime Minister Imran Khan has called an urgent meeting of the Cabinet Committee on Energy on Wednesday, with a single-point agenda — disturbances caused by the gas prices and the factors involved.

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The prime minister himself will preside over the meeting even though the committee is otherwise led by Petroleum Minister Ghulam Sarwar Khan.

Prime minister calls meeting of Cabinet Committee on Energy to discuss issue today

Background discussions with key players suggest that the gas price increase was perhaps the most deliberated item at the highest level of the Pakistan Tehreek-i-Insaf government, including the prime minister, federal cabinet and Economic Coordination Committee (ECC) of the cabinet, apart from in-house inter-ministerial discussions before the price increase notification was issued on Oct 4 last year.

But before these forums, the petroleum division, Oil and Gas Regulatory Authority (Ogra) and two gas companies — SNGPL and SSGCL — had set the stage for the policy decision that ultimately led to an unprecedented increase in the gas price for some categories of domestic consumers.

The prime minister has already ordered an inquiry into the gas price hike. A four-member committee of the petroleum division for the probe was notified on Monday.

Interestingly, the gas price increase was first cleared in principle by the prime minister himself in September on a presentation by the petroleum division and then formally ratified as head of the federal cabinet the decision of the ECC that fixed specific rates for various categories.

Besides the carryover cumulative loss of about Rs152 billion mainly because of litigations and regulatory disputes, the government decision to charge the highest rate of almost Rs1,710 per unit (million British Thermal Unit) or 143 per cent shock to domestic gas consumers of the highest slab and about Rs913 per unit to the second highest slab was the key devastating factor for consumers. The ECC and the cabinet were explained before the decision as to how much the bills would increase and for how many consumers in normal months.

The impact is so evident that about 20pc consumers in December 2018-January 2019 move into the top three categories of domestic consumers with consumption of 300 cubic meters (3 hm3), compared to less than one per cent in those categories in normal months like September-October. On top of that is the impact of gas price increase from a maximum of Rs600 to about Rs1,710 per unit including sales tax for the top two categories above 400cubic meters. About one million consumers fall in the category of 400 cubic metre consumption per month.

As a consequence, the bill for 400 cubic metre that used to be about Rs5,534 per month in 2008-09 went up to Rs24,100 per month in January this year. The bill for 500 cubic metre also increased from Rs8,850 to

Rs30,100. A final summary on the basis of which the ECC approved the gas price increase contained the exact number of consumers in each category and the average increase in their monthly bills.

What the ECC members perhaps did not question or is not on record is the data as to how many additional consumers would graduate to the high cost categories carrying Rs1,000-1,700 per unit price. It has now transpired that about 20pc consumers have moved into this category as the injection of liquefied natural gas (LNG) improved the general gas supply situation. This is evident from the fact that gas shortage complaints have not been as serious this winter as in previous years.

Interestingly, Ogra had proposed only three domestic consumer categories which were changed to seven to keep the lowest slabs on the lower side of gas price increase. More importantly, the slab engineering was not worked out by the directorate general of gas — a dedicated forum on the subject — but the directorate general of petroleum concessions (GDPC) which deals with gas price at the gas field and has nothing to do with retail consumers.

Secondly, the application of a presumptive ‘pressure factor’ was already in place that dovetailed the impact of price increase. Presumptive factor is used by the gas companies with the consent of the regulator as an adjustment for use of compressors by consumer or any other method of tickling with the gas regulator to secure higher than available gas pressure. On this subject alone, Ogra and the SNGPL have been blaming each other as the cumulative impact of price increase and pressure factor started pinching the consumers.

Recently, Ogra has ordered the SNGPL to take corrective measures to ensure application of correct pressure factor in the domestic bill and make adjustment in bills on this account. Under rules, gas should be supplied to consumer at a pressure not exceeding eight inches of water column above atmosphere pressure.

“Application of higher pressure factor by the gas company is resulting in higher gas bills as it may put the consumer to the next higher billing slab,” said Ogra.

The SNGPL on the other hand, sought Ogra’s guidance whether to immediately discontinue applying actual site pressure factor on the consumers and initiate permanent disconnection of all domestic consumers who have fiddled with their gas regulators and increased to 16 inches under clause 18(iv) or continue following the existing practice of applying the actual site pressure factor on the consumer to recover all the volume of gas supplied to it under clause 19 of the contract as domestic consumers started using gas generators for power production by increasing their gas pressure through regulators.

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