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Govt to help KE raise generation capacity by 1,600MW

ISLAMABAD: Amid delays in K-Electric takeover by the Shanghai Electric Limited (SEL) of China, the government has decided in principle to facilitate the Karachi-based power utility to increase its own generation capacity by 1,600MW and enhance supply from the national grid to 1,400MW on an urgent basis.

For this to deliver, the government would immediately allow the KE to start construction of a 700MW coal-based project, provide about 150 million cubic feet of imported liquefied natural gas (LNG) for another 900MW project and enhance power off-take from the national grid to 1,400MW through diversion of upcoming nuclear power projects in Karachi.

The power division has moved a case to the Cabinet Committee on Energy (CCoE) for allowing the issuance of tariff notification for Datang Coal Power Limited (2x350MW) at Port Qasim. The CCoE has also been requested to exempt the plant from a 2016 ban on imported fuel-based projects until the local coal from Thar becomes available.

The KE will ensure that in case of unavailability of coal from Thar Block II (Phase-III), it may for the purposes of commissioning and operations enter into one or more commercially reasonable coal supply agreements and generate electricity using any local or imported coal.

Supply from national grid will also be increased immediately

The CCoE's approval has also been sought for supply of 500MW to the KE from K2-K3 nuclear power projects. The power division has also advocated allocation and firm supply of 150mmcfd re-gasified LNG through federal government companies (Pakistan LNG Limited and Pakistan LNG Terminal Limited) involved in imports with effect from January 2021 to December 2025 at gas rates notified by the Oil and Gas Regulatory Authority (Ogra).

This comes at a time a team of the KE's top management would be holding talks with the Privatisation Commission on Monday to push for resolution of matters relating to transfer of the KE's majority shareholding to the SEL pending for more than two years now. The KE has been facing a peak shortfall of 600-1000MW in summers.

Following decisions of the CCoE and Private Power and Infrastructure Board, the power division had issued directives in June 2016 that no letter of interest (LoI) or letter of support (LoS) would be issued nor extended to any power plant on imported fuel except those agreed bilaterally by the governments of Pakistan and China under prioritised list of the China-Pakistan Economic Corridor projects.

In August 2011, the power regulator had approved the tariff petition of the Datang Pakistan for determination of its reference/upfront generation tariff for 700MW (2 x 350) coal plant at Port Qasim. The regulator updated the upfront tariff decision in November 2018.

Interestingly, on the insistence of then Punjab government led by Shahbaz Sharif, the CCoE allowed a 1,200MW project on LNG at Trimmu (Punjab) in June 2017 by relaxing the ban on imported fuel based power project.

Conversely, the Datang project has to sell power directly to the KE, without involvement of CPPA-G or any other federal government entities for issuance of LoI or LoS. The power division has, therefore, argued that the June 2016 ban did not cover Dating Power Project under any power policy.

However, its tariff has to be notified by the power division as required under Section 31(7) of the Nepra Act since its power would be provided to KE consumers at basket price. An objection had been raised within the power division that this imported fuel-based power plant would also be governed by the ban on imported fuels.

According to the summary moved by the power division, the KE has been insisting that delays in tariff notification for the Datang plant would impact its commercial operation date (COD) and consequently the power demand-supply gap within the KE's service area. The 700MW the Datang plant would also help diversity the KE's fuel mix and phase away from using furnace oil which is significantly more expensive than imported coal.

The summary advocated that the project would enable the KE to offer affordable power to the consumers along with sizable fuel cost savings to the national exchequer. The power division has reported that imported coal was approximately 70 per cent cheaper than furnace oil and 33pc cheaper than RLNG on a fuel cost comparison basis.

After meetings with all stakeholders, the power division has recently given an undertaking that the NTDC would supply additional power of 500MW to the KE from K2/K3 projects.

Further, it was agreed that the 700MW Datang coal project was critical for the KE in managing the demand supply gap despite availability of 1,400MW from the national grid. The KE has confirmed that this plant will operate on local coal once local coal is made commercially available. The KE will also develop transmission line and related infrastructure to its Bin Qasim RLNG plants.

The first unit (450MW) of Bin Qasim Power Station (BQPS)-III RLNG plant is expected to come online in April-May 2021, followed by second unit by September-October 2021.