

Power tariffs for Discos, CPPA-G seeks increase of Rs1.50/unit for 3 months

ISLAMABAD: Central Power Purchasing Agency Guaranteed (CPPA-G) is said to have sought an average cumulative increase of Rs 1.50 per unit in electricity tariffs of power Distribution Companies (Discos) for three months, i.e, November and December 2019 and January 2020 under monthly fuel price adjustment mechanism, well-informed sources in CPPA-G told Business Recorder.

This was revealed in generation and transmission data, shared by the CPPA-G with the Power Division at a time when the incumbent government is trying to freeze electricity tariff for a few months hoping for consent from the International Monetary Fund (IMF) and other donors but has yet to receive their clearance.

For November 2019, CPPA-G had sought Rs 0.99 per unit increase, followed by Rs 2 per unit increase for December, 2019 and Rs 1.50 per unit increase for January, 2020 and if the requested increase is clubbed together, the average increase will be Rs 1.50 per unit per month, which will take the prevalent tariff to Rs 17 per unit from existing level of Rs 15.50 per unit. With the proposed increase, CPPA-G intends to generate Rs 38-40 billion.

The raise in consumers tariff is being sought at a juncture when ties between National Electric Power Regulatory Authority (Nepra) and Power Division are "very tense" after the former's top man recently accused the latter of not dealing with the ailing power sector effectively due to which the circular debt has crossed Rs 1.9 trillion.

On January 24, 2020 Chairman Nepra Tauseef H Siddiqui while addressing the participants of Energy Week stated that accepting top position in Nepra was not easy for him, and the reason was the sector's current situation with Pakistan's circular debt of Rs 1.9 trillion. Power Division intended to issue a clarification on the claim of Chairman Nepra about circular debt's stock position but then shelved it.

Soon after addressing the gathering, Siddiqui left for a meeting in the Prime Minister Secretariat on power sector issues presided over by the Prime Minister himself which was also attended by Minister for Power Omar Ayub and Secretary Power, Irfan Ali.

Insiders claim the chairman Nepra challenged the claims of Power Division in the presence of Prime Minister embarrassed them.

There is also an impression in government circles that the circular debt reduction plan shared with the IMF and other donors has not been tailored on ground realities as it is impossible to ensure 100 percent recovery in five Discos.

According to the IMF, in determining the end-consumer tariffs, the regulator assumes 100 percent collection and transmission and distribution losses at 15.5 percent, a significant deviation from what Discos are able to achieve. This implies that the tariff is set at a level lower than cost recovery, therefore generating a structural shortfall in revenues in the system.

The amount of new circular debt was Rs 465 billion, with around 1/3 of this amount coming from the inefficiencies in the Discos described above. Another significant source of circular debt, over 40 percent of the accumulation, comes from policy decisions related to the provision of unbudgeted subsidies, the government provided subsidies that remain unpaid as there is no allocation in the budget, and delays in tariff notifications, whereby the government does not proceed with timely notification of tariffs.

“Relations between Power Division and Nepra at top level are now souring after the scenario that emerged at a meeting presided over by Prime Minister, Imran Khan,” said an insider on condition of anonymity.

The Power Division’s team headed by Minister Omar Ayub Khan and Secretary Power Irfan Ali are making all out efforts day and night to bring improvement in the system and increase recovery, but are visibly perturbed at the current situation. Power Division’s team held subsequent meetings with the prime minister and his team to clarify its position and its efforts to improve the system.

On January 26, another meeting of stakeholders was held at the Prime Minister secretariat to clarify technical things with respect to performance of the power sector.

Insiders further claim that secretary Power Division, Irfan Ali, who is considered as a “clean” man has issued instructions to Discos’ top bosses and even the field staff not to accept bribe “haram”. He is also not accepting political interference in transfer and postings due to which he faced criticism during a meeting held on January 25, 2020. At least three or four Federal Ministers’, whose recommendations are not being entertained, were highly critical of the Secretary Power, an insider maintained.