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Govt's New Year gift Fuel, power hike sting nation

ISLAMABAD: After a sharp increase in the price of crude oil in the international market, the government Tuesday increased the petrol price by Rs2.61 per litre and of diesel by 2.25/litre, effective from Wednesday (today) till mid-night of Jan 31, 2020. Kerosene price has also been increased by Rs3.1/litre and of Light Diesel Oil (LDO) by 2.08/litre.

In percentage terms, the petrol price has been increased by 2.29pc, diesel 1.8pc, kerosene 3.22pc and LDO 2.52 percent over the previous month. After the increase, petrol will sell at Rs116.60 per litre, High Speed Diesel at Rs127.26 per litre, LDO at Rs84.51 per litre and kerosene at 99.45 per litre.

Petrol, High Speed Diesel, LDO and kerosene were selling at Rs113.99 per litre, Rs125.01 per litre, Rs82.43 per litre and Rs96.35 per litre respectively on Tuesday.

In a summary moved to the Petroleum Division, the Oil and Gas Regulatory Authority (Ogra) had proposed an increase of Rs2.61 per litre in the price of petrol, Rs2.25 per litre in the price of diesel, Rs3.10 in the price of kerosene and Rs2.08 in the LDO price. From January, the government will be charging 17 percent general sales tax (GST) on all petroleum products.

Apart from it, the government is also collecting petroleum levy (PL) on these products which is taken from the consumers. Currently, the government is charging Rs18 per liter petroleum levy on HSD, Rs15 on petrol, Rs6 on kerosene and Rs3 on LDO.

In one month, the Brent price in the international market has increased by \$3.84/barrel, as on Dec 31, it was recorded at \$66.39/barrel against \$62.55/barrel on November 29, 2019.

On October 30, its price was \$61.15 per barrel, on September 27 (\$62.22/barrel), \$60.14 on August 30 and \$64 per barrel on July 30. Earlier, in April and June, it was hovering around \$72/barrel.

It is also worth mentioning that since July 2019, Pakistan is also receiving monthly Saudi oil supplies worth \$275 million on deferred payment. Under this arrangement, Pakistan would get this oil facility to the tune of \$9.9 billion over next three years.

As though the increase in power tariff was not enough, the government also increased the price of local Liquefied Petroleum Gas (LPG) by Rs277.79 to Rs1,791.48 per 11.8/kg cylinder for January 2020. The new prices would be effective from January 1.

The Ogra notified the new prices, under which the LPG price has been increased by 23.54/kg to Rs151.82/kg. For December 2019, the Ogra had notified LPG price at Rs1,513.69/cylinder or Rs128.27/kg.

The producers' price of LPG (propane 40 percent and butane 60 percent) has been determined at 90,092.65, compared with 69,971.31/ton in December 2019. This price included excise duty of Rs85/ton, while excluding the petroleum levy.

Under this head, the producer price of Rs1063.09/11.8kg cylinder has been worked out. Marketing/distribution margin has been set at Rs35,000/ton or Rs413/cylinder, a petroleum levy of Rs4,669/ton would also be charged, which would translate into Rs55.09/cylinder.

Prior to the imposition of general sales tax (GST), the consumer price would be Rs129,761.65/ton, compared with Rs109,640.3/ton in December, while the price of 11.8kg cylinder is Rs1,531.18.

Additionally, a GST of 17 percent on Rs129,761.65/ton would be Rs22,059.48 or Rs260.30 for a cylinder. The final consumer price per ton would be Rs151,821.13/ton or Rs1,791.48/cylinder.

Since July 2019, LPG price is hovering between Rs1,327.76 and 1,513.69/cylinder. Now, this is the highest among these months.

In July 2019, the government notified LPG price at Rs1,330.92/cylinder, August Rs1,350.03, September 1,327.76, October Rs1,475.63, November 1,495.86, December Rs1,513.69 and now for January 2020, the government has determined it at Rs1,791.48/cylinder.

Meanwhile, the National Electric Power Regulatory Authority (Nepra) has increased power tariff for the K-Electric from Rs12.817 to Rs17.69/unit.

The decision has been taken for the previous 11 quarterly adjustments from period July-Sept 2016 to Jan-March 2019.

The regulator Tuesday notified it with an average increase of Rs4.87/unit for this privatized power utility and sent it to the federal government (Ministry of Energy) for notification.

The increase in tariff has been made on the basis of use of RLNG, increased gas, furnace oil (FO) and operations and Maintenance (O&M) costs as well as rupee devaluation.

Since the government maintains a uniform tariff across the country (including K-Electric), it may absorb this increase by providing subsidy to the consumers to maintain the uniform tariff, so that this increase may not affect them, a senior official of the Ministry of Energy told The News.

It is worth mentioning that the total impact of this increase would be Rs106 billion which would go into the K-E accounts, either by transferring this increase to the consumers or the government provides this money to the company. Now, the final decision lies in the hands of the federal government that how it compensates the K-Electric, official said.

It is worth mentioning that on 5 July 2018, the Nepra had given 7-year multi-year tariff for the company from fiscal year 2016/17 to fiscal year 2022/23, and an average sale rate of Rs12.8172/kWh was approved.

But, K-Electric challenged the decisions of the Authority in the Sindh High Court (SHC). The court then granted stay order to the company on this decision.

The company withdrew its petition from the court of law in May 2019 and after this, the federal government notified the multi-year tariff (MYT) 2017 of K-E vide SRO No. 576(I)/2019 on 22 May 2019.

Under mechanism under this MYT 2017, the Nepra was to review and revise the approved tariff on monthly, quarterly and annual basis in accordance with the prescribed adjustments mechanism.

These include quarterly-based adjustment of the impact of monthly variations in K-Electric own generation's fuel cost component as well power purchase price to the extent of targeted transmission and distribution (T&D) losses. In addition, the monthly variations in the variable Operations and Maintenance (O&M) and fixed costs of the public-private partnership (PPP), as allowed by the Authority, are required to be adjusted on quarterly basis.

The actual payments in respect of Workers' Welfare Fund (WWF), Workers' Profit Participation Fund (WPPF) etc. to the Independent Power Producers (IPPs) being passed through are to be adjusted on yearly basis upon production of verifiable documentary evidence. The allowed O&M cost component of K-Electric are subject to CPI-X indexation annually. The entire allowed Tariff components are subject to adjustment with allowed level of losses on annual basis.

The Nepra's spokesman when contacted said, "Yes, Nepra has notified the increase in power tariff for K-Electric, and now the federal government would notify it, after which it would be applicable."

He said the K-Electric by using RLNG for power generation had an impact of Rs24 billion, while during this period gas price had been increased from Rs400/mmbtu to Rs629/mmbtu. Besides, the furnace oil price has also increased from reference price of Rs27,000/metric ton to around Rs70,000/mt. There is also increase of O&M and capacity cost of IPPs because of indexation and exchange rate variation.

In another decision the Nepra had taken on Dec 27, 2019, adjustments in the approved tariff on account of variation in fuel charges from July 2016 to June 2019 in respect of K-Electric has been taken, allowing it to collect it from consumers.

These adjustments would be collected in next nine months from the power consumers. However, it has directed the privatised utility that it shall collect it from all consumer categories except life-line consumers consuming less than 50 units a month.

The determination for these months has been made under monthly fuel charges adjustment (FCA) — a system designed to adjust monthly electricity fees based on fluctuations in (actual recorded) fuel prices for crude oil, liquefied natural gas (LNG) and coal.

The Nepra has allowed K-Electric to collect six-month [July-Dec 2016] fuel charges adjustment (FCA) which is Rs1.4596/unit from consumers in their January 2020 bills.

Another six months' (Jan, Feb March, August, October in 2017 and March 2018) the regulator has notified their FCAs with combine impact of Rs1.8619/unit, the authority has allowed the company to collect it from consumers in their February 2020 bills. Another seven-month (July, Sept, Nov, December of 2017 and Jan, April and June of 2018) combine FCA of Rs1.6503/unit would be collected from power consumers in their electricity bills of March 2020.

Another Rs1.1175/unit extra would be collected from consumers in their electricity bills of April 2020 on account of FCAs for previous months of April-May-June 2017 and February and March of 2018.

Besides, Rs1.4068/unit extra would be charged in consumers' bills of May 2020 for FCA of the months of September-October 2018 and February 2019. In June 2020, Rs0.871/unit would be extra charged from consumers on account of FCA the regulator has decided for the months of March-April-May 2019.

The regulator has also decided the FCA for July-August 2018; these months combine FCA of Rs1.1664/unit would be charged in July 2020.

In August 2020, the consumers will have to face the extra charges of Rs1.2005/unit in their August 2020 bills. This amount has been worked out on the basis of FCAs of November-December 2018 and January 2019. Another Rs1.4748/unit extra would be collected from consumers in their September 2020 bill on account of FCA of June 2019.