

ECC okays amendments to Nepra Act

ISLAMABAD: With-drawing a couple of key amendments on the objections of the power regulator, the Economic Coordination Committee (ECC) of the Cabinet on Monday cleared amendments to the Regulation of Generation, Transmission and Distribution of Electronic Power Act 1997 to meet conditions of the International Monetary Fund (IMF).

The amendments to the Nepra Act are required under the IMF programme to recover additional cost of losses from consumers by imposing new surcharges aimed at financing power sector loans and generate more than Rs250 billion in annual revenue to address about Rs1.72 trillion worth of circular debt.

The government has given an undertaking to the IMF to allow a fresh power tariff increase for covering the cost of capacity payments within the current month and to impose tariff surcharges through amendments to the Nepra Act so the regulator could determine and automatically notify quarterly tariffs under fresh benchmarks.

The ECC meeting, presided over by Finance Adviser Dr Abdul Hafeez Shaikh, did not take up any other agenda items.

Changes required to meet IMF conditions

Informed sources said National Electric Power Regulatory Authority (Nepra) Chairman Tauseef H Farooqi told the ECC that draft amendments to the act were not shared with the regulator well in time.

He also highlighted the regulator's reservations over certain clauses of draft amendments including insertion of additional layers of reconsideration and appeals.

Under the original Nepra Act of 1997, the government was empowered to request the regulator for reconsideration of its decisions in case of a review request from an aggrieved party was turned down. This was replaced with the creation of an appellate panel of experts about two years ago through amendments to take up appeals against decisions of the regulator at the same time.

The fresh draft entailed revival of the reconsideration request in addition to the appellant panel. Nepra conveyed this would lead to a never-ending process of reviews, reconsiderations and appeals against its decisions besides the usual forums of higher judiciary. Also, it felt that powerful licensees would take advantage of such appellate layers and lead to spiralling of litigations at different stages.

Secretary Power Irfan Ali said these sources explained that objective of the revival of 'reconsideration request' pertained to implementation of tariff scheme after inclusion of subsidy and cross-subsidy factors on the basis of tariff determinations of regulator and without affecting the determined revenue.

Shaikh observed that better wording could address the concerns of regulator and expressed displeasure that reasonable time should have been given to an important stakeholder to come up with well-informed input.

The secretary finance reminded the committee that it was a structural benchmark of the IMF programme for the ECC to refer the proposed law to the parliament last month and the government was already slightly behind schedule. Nepra also had reservations over the different treatment of 'wholly owned' and 'privately owned' companies.

The adviser then observed that the regulator would also have the opportunity to give its detailed input to the parliamentary committees. At this stage, he ordered that the proposed amendments should be redrafted by removing wording objectionable to Nepra and the draft be sent to the cabinet.

"The ECC discussed the proposed draft amendments in detail and recommended their submission to the cabinet with a slight modification in the text to make it clearer as per input from some members," an official statement said.

It said the ECC recommended for submission to the cabinet a set of amendments proposed by the Ministry of Energy to the Regulation of Generation, Transmission and Distribution of Electronic Power Act 1997.

The committee was told that the proposed amendments to the Regulation of Generation, Transmission and Distribution of Electronic Power Act 1997 were aimed at bringing more clarity and precision in the market operations, uniform tariff, timely submissions and determination of quarterly and annual tariffs.

After the ECC's go-ahead, the proposed amendments would be taken up by the cabinet and later submitted to the National Assembly Secretariat for further discussion by the Standing Committee and other relevant stakeholders, including Nepra, before being put to vote by the parliament, the statement said.