

KE allowed increase in tariff

ISLAMABAD: The Economic Coordination Committee (ECC) of the cabinet has allowed an average Rs 2.89 per unit increase in tariff to Karachi Electric (KE) from July 1, 2020, and asked the Oil and Gas Regulatory Authority (OGRA) to evolve a mechanism for the recovery of Rs73.84 billion revenue shortfall suffered by the regulator due to supply of RLNG to domestic consumers in winters.

The ECC meeting presided over by Adviser to the Prime Minister on Finance and Revenue Dr Abdul Hafeez Shaikh discussed quarterly adjustments of K-Electric Limited for the period July 2016 to March 2019 and affirmed its previous decision of 26th March 2020 whereby recommendations of a Committee constituted by ECC in its meeting on 4th March 2020 to settle the issue of quarterly adjustments of the of K-Electric Limited for the period from July 2016 to March 2019 were approved with the instruction that the same would be effective after three months.

An official said on condition of anonymity that first the meeting wanted to know what was the point to come to the ECC when quarterly adjustments of the K-Electric Limited for the period July 2016 to March 2019 were already approved by the ECC, on the recommendations of the committee, with instruction that it should be effective after three months? The KE officials, according to the sources, stated that they had come to inform the meeting about the implementation of tariff adjustment from July 1, 2020.

The official further said that an average Rs2.39 per unit KE tariff would increase from July 1st, 2020; however, its impact on different slabs would be from Rs1.09 per unit to Rs2.89 per unit. He added that with the increase, the KE tariff would be at par with other power distribution companies. The official said that KE officials along with the governor Sindh were expected to hold a news briefing on the issue to explain the rationale behind the decision on Friday evening at Karachi. A notification would be issued after the ratification of the ECC decision by the cabinet with the implementation date of July 1, 2020, the official added.

The ECC also considered a proposal for policy guidelines with respect to the sale price of RLNG, and was informed that given the ring-fenced nature of RLNG and indigenous gas pricing, the sale of RLNG to domestic gas consumers at weighted average domestic tariff/gas sale price on Sui Northern Gas Pipeline Limited (SNGPL) network had resulted into an accumulative tariff differential/RLNG revenue shortfall of Rs73.84 billion for the period July-2018 to April 2020.

The ECC was further told that this revenue shortfall had occurred after adjustment of RLNG impact on cost neutral basis as per the policy, whereby the SNGPL sold indigenous gas as RLNG to its consumers and recovered some of the revenue shortfalls, whenever the surplus system gas became available. The meeting was also told that the issue of RLNG revenue shortfall had arisen mainly because of the price differential in domestic gas as 91 per cent of the domestic gas consumers had been paying an average monthly bill of Rs121, which was many times less than the price of imported RLNG supplied to domestic consumers in the winter months.

The ECC considered the proposal, and asked the OGRA to review it, especially the RLNG revenue shortfall as worked out by the SNGPL, and report back to the ECC.

The ECC also decided to further discuss the issue, in a small group, in order to develop a consensus-based solution to the issue for a policy decision at the government level to avoid the creation of a circular debt situation in the RLNG sector.

The ECC also approved Rs29.72 billion for cash assistance of Rs12,000 per beneficiary to 3.725 million applicants irrespective of provincial, regional and district quota under the Ehsaas Emergency Cash Programme from allocated budget of Rs200 billion for 2020-2021 with the instruction that any additional requirement for regular operations of the BISP would also be provided during 2020-2021.

The decision came after the Poverty Alleviation and Social Safety Division told the ECC that 3.151 million applicants who had applied for assistance through the SMSes, were found eligible under the approved criteria but these applicants could not be provided assistance on account of provincial/district quotas.

The ECC was told that the Punjab government had already agreed to provide assistance to 700,000 of the applicants identified through SMSes, leaving 2.451 million eligible applicants who could be provided cash assistance @12,000 (Rs3,000 for four months) at a total cost of Rs29.72 billion.

The ECC also considered and approved Ministry of Information Technology and Telecommunication's proposal for the NTC's budget for the fiscal year 2020-21 (Budget Estimate Revenue Rs4.59 billion, operating cost Rs4.38 billion and Annual Development Plan (ADP) Rs1.23 billion) and NTC Budget for FY 2019-20 (Revised Estimates Revenue Rs 3.95 billion, operating cost Rs3.93 billion and ADP Rs1.08 billion).

The ECC also took up a proposal by the Ministry of Industries and Production, which submitted that as per the data furnished by National Fertilizer Development Centre (NFDC), the national inventory for urea fertilizer would be below the buffer stock level of 200,000 metric tons in the months of December 2020 to February 2021.

The ECC decided that in order to bridge this gap, and maintain the buffer stocks at the required level, gas at the rate of Rs756 MMBTU be provided to two shut plants at SNGPL networks, namely Agritech and Fatima Fertilizer, for three months w.e.f. July-September.

This would involve the government's share at Rs959 million, much less than the revenue spent previously on using these plants to produce the urea fertilizer to cover up the shortage.