

K-Electric identifies 'reasons' behind power outages, Gas, FO not being supplied as per commitment

ISLAMABAD: National Electric Power Regulatory Authority (Nepra) and top management of Karachi Electric (KE) on Friday exchanged barbs at a public hearing on the ongoing electricity crisis in the metropolis.

The heavily attended webinar was presided over by Chairman Nepra, Tauseef H. Siddique. Vice Chairman Saif Ullah Chattha, Members Engineer Bahadar Khan, Rehmat Ullah Baloch, Rafique Ahmad Shaikh and other officials were also present in the public hearing meant to determine the facts behind the current crisis.

Minister for Energy Sindh, Imtiaz Ahmad Shaikh, Opposition Leader in Sindh Assembly, Firdus Shamim Naqvi, Aftab Siddiqui MNA Chief Executive Officer, KE, Moonis Alvi, CFO, Aamir Ghaziani and Aamir Zia, representatives of business community, Arif Bilwani, Javed Bilwani, Zubair Motiwala, and Moin Fuda also attended the webinar from Karachi.

The Authority after detailed deliberations decided to form a four-member committee of Nepra's professionals/experts headed by Director General(Monitoring & Enforcement) to visit Karachi immediately, conduct further investigations on ground and submit a detailed report to the Authority before the end of next week, on the basis of which the Authority will take further necessary action.

Earlier, APTMA's representative Shahid Sattar said that Nepra should appoint an administrator on KE as it has failed to ensure electricity supply as per the agreement. He argued that on one hand, gas has been disconnected to industry and on the other electricity is also not available. A few other interveners also suggested that the federal government should take control of KE.

The public hearing which started at 10:30am continued till 2pm during which on several occasions, Chairman Nepra and CEO, KE were seen disagreeing with each other. At one stage, Chairman Nepra expressed annoyance at CEO KE when he went to the washroom. He also took a serious note when he was told that CEO was on a phone call from Power Division.

Almost all the participants from Karachi, Lahore and Islamabad severely criticised the power utility for failing to supply electricity to consumers. The issue of overbilling and load-shedding in peak hours was the main focus of the public hearing.

Giving explanation on current electricity crisis, Moonis Avli said that considering the shortfall in furnace oil supply as indicated by PSO through its letter on June 3, 2020 to manage the resultant impact, KE requested SSGC to increase the supply of gas which was increased to 290 MMCFD. He said, the power utility had shared its furnace oil requirement for June 2020 at 120,000 MTs well in advance but supply remained less than 70,000 MTs.

"Despite supply of furnace oil being well below the required levels, increase in gas supply allowed KE to manage the demand-supply situation and keep load management to a minimum," he added.

However, from June 22, 2020 additional gas supply was reduced by 40 to 50 MMCFD along with the continued shortfall in furnace oil supply to KE and its IPPs (Gul Ahmed & Tapal Energy); and low availability of Wind Power Plants (WPPs) from national grid (150 MW) on account of low wind pressure impacted the demand-supply position. As a result, there was a shortfall of around 350 MW to 400 MW and KE was forced to do load management including in areas exempt from load-shedding to avoid overburdening a particular consumer class whereas during the night hours, industrial feeders were put under load management to provide relief to residential segments.

From June 28, gas supply increased thus reducing the impact of furnace oil storage on KE's own plants, however, Kannup is on outage and supply from Tapal (due to furnace shortage) along with low wind pressure is having a consequential impact on WPPs, and continues to impact supply position. The current shortfall is around 300MW. Further, since July 8 gas supply has been reduced to a level of 240 MMCFD impacting on KE's generation. KE has kept Nepra updated on the furnace oil and power demand supply situation through its letter of June 4, 2020 and emails of June 17, 2020, June 19, 2020, June 21, 2020, June 23, 2020 and June 24, 2020.

Moonis maintained that KE has to procure furnace oil from PSO. The furnace oil cargo of PNSC is on its way to Karachi which will take a few days. He stated KE requires 4500 MTs of furnace oil per day to meet the peak demand. This is the reason KE had submitted a demand of 120,000 to 130,000 MTs of furnace oil. He said, fuel oil was also not supplied to Tapal due to which its generation also reduced.

He said, KE is holding weekly meetings with the federal government to find out a solution to the current crisis and future planning. He said, load shedding is being done in load-shedding-free areas to give relief to the domestic consumers.

He said demand is around 3600 MW whereas in best case scenario, the power utility can generate not more than 3194MW.

He said, in 2016, KE was allowed to establish 700 MW Datang power project, adding that if the project had been established there would be no load-shedding, adding that the federal government was responsible for current crisis in Karachi which did not allow the power utility to establish 700 MW project.

In response to a question, he replied that presently 720-730 MW electricity is being provided to the KE from national grid. He said, engineers are of the view that if supply is increased over and above 720-730MW from national grid, it will have harmful effect on the transmission system of power utility.

Chairman Nepra asked CEO KE if the power utility feels that it has failed to ensure supply to the consumers or it will continue to hold other entities responsible for the current mess, his response was "KE is not at fault at all in current crisis".

Chairman Nepra said that the regulator was recommending to the government to privatise Discos to improve their performance but the experience of KE's performance is not supporting a sell-off of other Discos.

MNA Aftab Siddique criticised the KE management for taking frequent stay orders. He was of the view that the KE agreement should be made public, adding it will be very soon. However, CEO KE said that KE's agreement is public and submitted in different courts. He further stated that KE has spent \$ 400 million on upgradation of transmission system.

Moonis Alvi said that KE can distribute 5500MWs of electricity through its distribution network. However, out of 300 feeders, there would be bottlenecks on 30-40 feeders which remain under maintenance. This should not be considered as load-shedding. He said, two grids will be established in two or two and half years adding that the situation would have been a worse situation if there was no Covid-19 as education institutions, hotels and marriage halls are closed.

Chairman Nepra enquired from CEO KE as to who is responsible for delay in establishment of two grid stations of 500 KV each, to which he replied "the federal government".

Firdous Shamim Naqvi said that Nepra is responsible for current crisis which did not take notice of KE's affairs. He was of the view that people of Karachi are the proverbial sacrificial lambs. He said, KE's demand is 3700-3800 MW but the utility cannot take more than 3100 MW which implies that the load will be distributed on industry. The company has to present the solution. It was suggested that a plan should also be prepared so that this should not happen next year.

One of the interveners said that KE has its own storage capacity of furnace oil for over a month but they did not bother to maintain that inventory. Moonis Alvi replied that KE is ready to pay penalty on it. He said the current period will come to an end in the next seven -eight days as the power utility cannot afford to do load-shedding in industry.

"I am engaged with the federal government to prepare a viable solution to deal with 2021 scenario," he said, adding that for this Nepra's approvals would be required. He said if KE was an independent entity, it would have been operating its own 700MW coal-fired power plant.

He said gas and furnace oil are not being supplied as per commitment which are the main reasons for the current severe crisis.

Khalid Pervez, Muhammad Hanif, Shayan Ahmed, Dr. Yasir of PSP recommended that KE should also be penalized for its "failure" to meet its obligations in addition to preparation of next year's plan.

Aneel accused Nepra of conniving with the KE which is violating the agreements signed with the government. At a point, a 'clash' was also witnessed between Chairman Nepra and Mr. Aneel.

A proposal was also floated that peak hours and off peak hours tariffs should be equalized so that the power utility should not unleash more load shedding in off peak hours. KE agreed to the proposal with the condition that Nepra has to give its approval as it will require revision in tariff for off peak hours.

Javed Bilwani of Exporters Association said that gas and electricity of export oriented industry which is earning foreign exchange for the country is off, whereas KE which is a foreign company and will take foreign exchange out of country in the name of profit, is being given gas.

KE is receiving fix charges from consumers for the last 15 years without ensuring supply of electricity. He criticised the KE for not supplying electricity to the industrial consumers due to which orders are being cancelled.

According to a KE press release, K-Electric reiterates that current load-management, has been the result of fuel shortfall which has compromised generation capacity at K-Electric's 1250 MW Bin Qasim Power Plant (BQPS-I) as well as at its Independent Power Producers (IPPs) including Tapal. The current situation has been further aggravated due to demand surges on account of high temperatures and humidity as well as erratic power supplies from the Wind Corridor and suspension of supplies from KANUPP. This current situation is unprecedented and in an effort to provide relief to its residential customers during the late-night hours, KE has been managing load through industrial load-shedding despite this impacting negatively on the company's financial health and profitability.

"KE operates in a regulated environment where timely approvals from government and regulatory bodies are necessary to materialise both operational and long-term business plans necessary to meet the city's growing power demand. Anticipating the growing supply-demand shortfall as far back as FY 2016, the Company had developed a robust USD 4bn investment plan which included several Generation initiatives including a 700 MW Coal-fired power plant as well as downstream transmission and distribution upgrades. While KE received approvals for its 900 MW RLNG power plant in FY 2019, of which Phase I is expected to come onstream by May 2021, with a resultant improvement in Karachi's power supply situation, approvals for 700 MW coal project is still awaited. The company has been highlighting to all concerned authorities that approval delays will negatively impact KE's ability to meet the city's long-term power demand growth and widen the supply demand gap.

"Considering that many governmental and regulatory entities have a role to play in providing a climate that encourages and expedites investments, KE should be accountable only to the extent of its role as a power supplier and other players must also share responsibility for delayed decision-making. Since 2009, KE has invested over USD 2.4 bn in power infrastructure upgrades and additions, adding 1057 MW to its own generation capacity and 400 MW through Power Purchase Agreements, building 18 grid stations and upgrading distribution system through hundreds of additional feeders and thousands of additional transformers. These have reduced Transmission and Distribution (T&D) losses by over 17%, resulting in load-shed exemption for over 70% of Karachi including all industrial zones.

"While circumstances outside KE's control have led to the current difficult position that KE is in, the power utility remains committed to powering the city's growth. Following the Cabinet Committee on Energy's (CCOE) approval last month to supply 1400 MW additional electricity through the National Grid, KE has already initiated work on building the required interconnections with a view to fast-tracking power evacuation as early as 2023. KE is grateful for the support and patience of its customers during this unprecedented time, as well as for the swift decisiveness of the Ministry of Energy in taking the necessary decisions that will go a long-way towards improving the power supply position in the country."