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Overdue adjustments, Discos' tariffs to jump to Rs24.47 per unit, Cabinet told

ISLAMABAD: The Power Division has reportedly alarmed the federal cabinet that present electricity tariffs of distribution companies (Discos) will jump by 31 percent from existing Rs18.65 per unit to Rs24.47 per unit with adjustments already due, if its action plan is not approved, sources close to the power minister told Business Recorder.

This is the crux of a presentation given by the Power Division to the Cabinet on January 25, 2020 presided over by the Prime Minister, Imran Khan, and subsequent discussions by the cabinet members.

The sources said, Minister for Power Omar Ayub Khan and Secretary Power Division Irfan Ali gave an overview of the cost of electricity and power pricing regime.

The cabinet was briefed that, while the cost of electricity was going up and capacity had been added, the previous government deliberately confined the tariff changes for almost three years starting from 2015.

The capacity additions, exchange rate variations, resultant capacity payment variations, positive fuel price adjustments, and Net Hydel Profit (NHP) remained untreated till 2018.

The power minister further stated that subsides to the tune of Rs127 billion remained unbudgeted and unpaid.

This included Industrial Support Package (ISP) as well.

The resultant tariff increase of Rs5.32 per unit to clear the entire back-log was thus, inevitable, however, the present government decided to spread it over a longer period of time, instead of burdening the consumers with tariff increase in one go.

The tariff determinations since September 2018, reflected addition in electricity generation capacity, exchange rate (Rs/USD 105 verses 155), treatment of previously untreated capacity payments (Rs226 billion + Rs180 billion and NHP Rs146 billion).

The present tariff also included a subsidized slab of domestic consumers up to 300 units (single phase).

According to the Power Division, the current power tariff is Rs16.53 per unit as per the Nepra's determined rates, which includes power rates as of June 2019- Rs13.34 per unit, quarterly adjustments FY 2019 Q 1&2- Rs1.49 and Rs0.53 per unit, FY 2020 quarter 1- Rs015 per unit and FPA- Rs1.03 per unit. Tariff Differential Subsidy (TDS)) by GoP was Rs1.93 per unit.

In June 2019, average rate was Rs11.95 per unit but after addition of quarterly adjustment of FY 2019 Q 1&2 -Rs0.95 per unit, Q3 & 4- Rs0.15 per unit, FY 2020 Q1- Rs0.35 per unit and FPA Rs1.03 per unit; it has reached Rs14.60 per unit.

The taxes, duties and surcharges to the tune of Rs3.41 per unit as of June 2019, but with inclusion of quarterly adjustments in FY 2019 of Q1&2 Rs0.23 per unit, Q3& 4- Rs0.13 per unit, FY 2020 Q 1, Rs0.04 per unit and FPA of Rs0.25 per unit, these reached the level of Rs4.05 per unit.

Average consumer rates including taxes and surcharges which were at Rs15.36 per unit have reached Rs18.65 per unit after inclusion of QTA 2019 of Q1&Q2- Rs1.17 per unit, Q3&4- Rs0.65 per unit, FY 2020 Q 1- Rs0.18 per unit and FPA of Rs1.28 per unit.

The rates due for Q2 of FY 2020 are Rs1.61 per unit, FPA for November-December 2019- Rs2.44 per unit and FPA for January 2020, Rs1.76 per unit, totaling to Rs5.82 per unit.

"If the Nepra's determined tariff including taxes, duties and surcharges is notified, effective tariff for March would be Rs24.47 per unit," the sources added.

However, an action plan, based on sequencing the existing quarterly adjustments and rationalization of monthly impact of fuel price adjustment and frequency of its notification, has been developed to keep the tariff constant for next 18 months.

During discussion, the cabinet members expressed their views that the presentation was not covering certain critical areas and lacked substantive information about the sector.

It was also pointed out that the focus should have been on the operational performance of the sector including statistical evidence of improvements in detection of theft, reduction in losses, improved recoveries etc.

Some of the cabinet members expressed concern over delay in finalization of the report of the commission, constituted under former chairman SECP, Muhammad Ali, to examine the causes of high cost of electricity with special reference to Independent Power Producers (IPPs).

It was informed that the preliminary findings on electricity tariffs and possible renegotiations of frontloaded IPP contracts is already being chaired by the prime minister, the salient points and decisions of that meeting be brought into the notices of the cabinet in the next meeting.