Nepra seeks ban on trade unions, bill collection privatisation

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ISLAMABAD: The National Electric Power Regulatory Authority (Nepra) has questioned improvement in the power sector's performance and presented a package of reforms to make it more efficient as per the vision of Prime Minister Imran Khan.

The Nepra chief advised a ban on trade unions in the power sector, handover of collection of bills to the private sector, closure of inefficient power plants and abolition of non-electricity taxation burden.

Sources in the Prime Minister's Secretariat confided to The News that Prime Minister Imran Khan recently chaired a meeting to gauge the performance of power sector and reforms and called a meeting. Officials of power ministry, Nepra and World Bank attended the meeting.

Chairman Nepra Farooq H Tauseef was very aggressive in the meeting and challenged the size of circular debt presented by the Power Division at Rs1,782 billion.

He pointed out that the actual size of circular debt was over Rs1.93 trillion, The News has learnt. The Nepra chief reported to the prime minister that the total circular debt as of December 31, 2019 stood at Rs1.856 trillion which had increased to Rs1.926tr by end-January 2020. He said Rs492 billion circular debt included Rs325 billion due to inefficiency of the power companies.

Giving a break-up, he said the debt comprised Rs132 billion under recoveries – 90pc instead of 100pc –, Rs150 billion due to interest on delayed payments, Rs33 billion because of inability of the power companies to meet 15.7pc target for losses and instead faced 17.7pc actual losses and Rs10 bn due to inefficient generation companies.

The meeting was informed that the monthly increase in circular debt touched the lowest figure of Rs3.25 billion in June 2016 and had since been increasing every month.

The average build-up amounted to Rs10.8 billion by June 2017 when the PML-N government was in power. It went up to Rs25.58 billion by June 2018 and then to Rs41 billion a month by June 2019. It slightly reduced to Rs39.67 billion by December 2019 and went up again to Rs42.42bn in January 2020, the meeting was briefed.

Tauseef suggested major restructuring of the power sector as envisaged by the Prime Minister Imran Khan. He said billing and recovery of power bills should be privatized and all loss-making power production units should be privatized as soon as possible.

He further suggested that rescheduling of Rs53 billion power sector loans per year for eight thermal power plants should be deferred for the time being. About Rs40 billion per year dividend and return component of public sector plants and Rs35bn per annum net hydle profit being collected from consumers for payment to provinces should be shifted to budget and inefficient generation plants in the public sector should be closed that will save a good amount.

Then Rs10 billion per year collected from consumers under the Neelum-Jhelum Surcharge head should be abolished. Non-power taxation to the tune of Rs250 billion of which Rs175 billion is going to circular debt should also be abolished.

Tauseef said as a result of these steps about Rs100 billion would translate into Rs2.72per unit without taxes and Rs3.43 per unit with taxes for up to 300 units of domestic consumers or about Rs3.87 per unit on industry without taxes or Rs4.87per unit with taxes.

More important agreements with the IPPs should be renegotiated as far as markup on delayed payments, as 1pc reduction would save Rs1 billion per year for every Rs100 billion payable. Presently, Rs600bn delayed payments are currently payable to the IPPs as of December 31, 2019.

Labour unions in the power sector should be banned, recoveries for and from distribution companies be improved and there should be no imported fuel-based power projects in the sector.

Implementation of renewable energy policy and LNG contracts should be renegotiated for price opening in 2025 and quantity commitments by 2030 on fast track to save the sector from collapse, he suggested.

There should be no “take or pay” contracts, he said, adding that the Thar coal price should be determined by any federal government authority and not by the Sindh government.

The hydropower projects in KP, Punjab and AJK should be promoted on long-term basis and privatisation of loss-making distribution companies and installation of pre-paid meters and outsourcing of meter reading and bill collection responsibilities should be priority, the meeting was briefed.

The prime minister asked Advisor on Finance Dr Hafeez Sheikh to sit with the Nepra and Power Division and look into the figures presented by the Nepra and report back.