

Nepra voices concern over Discos' performance, rising circular debt

ISLAMABAD: The National Electric Power Regulatory Authority (Nepra) on Friday expressed serious concern over the deteriorating performance of the power distribution companies (Discos), increasing circular debt and worsening governance in the power sector. It advised the government to immediately close down its power plants.

In its flagship State of the Industry Report 2019, the power regulator questioned the continuation of the federal Ministry of Energy, and Power Division, with the centralised control of day-to-day operations of public sector entities, which had led to unacceptable technical and financial performance. It challenged the government's claims about improvements in the sector and reduction in circular debt.

"It is disappointing that in spite of regular directions and advisories by the regulator to the licensees and the relevant ministry, public sector entities have not been provided with any degree of control as required under the reform process," said Nepra. It is more concerning to see that lately fundamental principles of reforms have been disputed, which have been followed in many countries to successfully bring transparency, quality, competition and lowering of electricity prices.

The regulator said the tinkering with tariff determinations by the ministry which was the sole domain of Nepra was against transparency and reversing the established regulatory regime. "It is advised that backtracking from the reform agenda and not following it in letter and spirit would leave the power sector in complete tatters and the negative drag of public sector resulting from poor governance would not only bring the sector down but also result in further slow-down of the overall economy of the country."

Article continues after ad

Nepra noted that performance of six of the nine distribution companies declined or did not improve while three had shown a little improvement. The Pesco's recovery position deteriorated about 1 per cent whereas Tesco showed an increase of about 1pc in recovery position in 2018-19 as compared to 2017-18.

In Punjab and capital territory, Iesco's and Gepco's recovery percentages dropped by 2.75pc and 0.89pc, respectively, while Lesco and Fesco had shown almost same recovery ratios in the last two years. Mepco improved its recovery by about 2pc this year over last year.

In the province of Sindh, Hesco's recovery ratio deteriorated by approximately 2pc whereas Sepco improved its recovery position by 3.49pc. Qesco, operating in the province of Balochistan, improved its recovery ratio by 1.76pc.

The receivables of all the Discos increased by Rs248.85 billion, considerably higher than Rs166.26bn during FY 2017-18. As of June 30, 2019 the overall distribution sector receivables stood at Rs1,145bn whereas the receivables at the start of this financial year were at Rs896.1bn.

The regulator observed that the overall net efficiencies of Muzaffar-garh, Faisalabad and Nandipur (all public sector plants) remained very low. Due to various maintenance issues, forced outages and fuel constraints etc. considerably low annual capacity utilisation factors of 7.97pc, 0pc, 15.74pc and 39.10pc were noted, respectively, for these plants. The net efficiency of Nandipur for FY 2018-19 remained at 46pc, much lower than approved efficiency of 49pc on gas fuel.