


## Interest on loans

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Nepra terms recovery from consumers 'a crime'

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ISLAMABAD: National Electric Power Regulatory Authority (Nepra) on Thursday termed recovery of interest on loans from consumers a crime and refused to become a party to it.

This ruling was given by Chairman Nepra, Tauseef H. Farooqi during a public hearing on a tariff petition filed by Wapda hydroelectric for FY 2020-21 for supply of power from Wapda power stations.

He also refused to allow an amount of Rs 11 billion as interest on loans raised by Water and Power Development Authority (Wapda) from banks to pay Net Hydel Profit (NHP) to provinces.

Presiding over a public hearing Chairman Nepra, also suggested that KP government should take over Peshawar Electric Supply Company (Pesco), improve its performance and deduct its NHP amount. Nepra's three members were also present in the hall whereas Member Punjab joined the hearing by zoom. The Wapda officials astonished the Authority members by stating that Rs 3.50 per unit is paid to provinces as NHP, of which Rs 1.15 per unit is current NHP whereas Rs 2 per unit is arrear.

The Authority was informed Wapda intends to recover around Rs 70 billion from consumers in 2020-21 through increase of hydel tariff by paisa 93 per unit to Rs 6.60 per unit from Rs 5.67 per unit. Of this Rs 3.50 per unit is required to pay NHP to provinces while remaining amount will be for Wapda.

Wapda in its tariff petition had sought Rs 1.65 per unit increase, but during the public hearing revised it downward saying that the government has slashed Return on Equity (RoE) from 17 per cent to 10 per cent, financial impact of which would be around Paisa 60 or 70 per unit.

Wapda also sought Rs 11 billion as interest on loans raised from banks to pay to the provinces as NHP. Wapda officials claimed that ECC has allowed it to raise loans to pay NHP to provinces.

Chairman Nepra took a serious note of this practice saying that on one hand Wapda is paying NHP to provinces through loans and on the other is seeking approval of Rs 11 billion as interest on those loans. He said, Nepra would not allow Wapda to recover Rs 11 billion of interest from consumers.

"It is understandable that NHP be paid from the profit, but what kind of prudence or

sanity is this, that amount is raised from banks as a loan for this purpose and the interest is recovered from consumers," he added.

"Wapda has come to Nepra after spending billions of rupees without prior approval and asking us on gunpoint to approve it. We will not allow interest amount. If we approve it, we will become a partner in the crime. We are not here to reimburse such things," asserted Chairman Nepra.

When Wapda officials claimed that this was approved by the ECC, Chairman Nepra suggested that then Wapda should ask Finance Ministry for a cheque to pay interest to banks.

Chairman Nepra also expressed his dismay on absence of Chairman Wapda from the hearing. He told Wapda officials that the Authority wants the top man to be present in the hearing.

Chairman Nepra was furious at non-provision of gas to Habibullah Coastal Power Project in Balochistan on the pretext of low gas pressure, saying that Balochistan's gas is being consumed in the country but not being provided to the power plant.

Member Sindh Rafique Ahmad Shaikh observed that consumers are paying NHP from their pockets without being aware of details but at the same time Wapda is charging interest on loans raised from banks to pay NHP to provinces. He reckoned this was mismanagement on part of Wapda.

Nepra also snubbed Wapda officials for submitting annual tariff petitions, after the financial year ended, and spending the amount before getting approval from the regulator. Nepra directed that in future Wapda should bring its annual revenue requirements and plans before the start of the financial year as it is very strange that Nepra is being asked to allow retrospective payments.

One of the interveners, Muhammad Asim, raised a legal point saying Net Hydel Profit means that Wapda would pay a certain amount to a province where power house is located. The amount will be paid from its own profit and not through increase in tariff. However, Chairman Nepra argued that this was something decided by the law makers, so there is no need to go into its background.

Chairman Nepra further said that the regulator determines hydel tariff sans NHP but it was asked to club NHP with the tariff. "It's complicated issue, when the consumer will receive electricity bill, NHP will be included in it. Consider it as surcharge or part of tariff, it's a reality and we have to pay it. NHP is a profit on water of a province used for electricity generation," he added.

Chairman Wapda further argued that Nepra is not the forum to discuss NHP's constitutional legitimacy as things have already been discussed at the highest forum.

Nepra's Chairman said that Nepra's technical experts will look into the statistics

submitted by Wapda for increasing tariff.

Malik Lucman, a representative of the KP government said that there are some miscalculations in the NHP decision which need to be taken care of. He further stated that 5 per cent increase on indexation has not been given to the provinces, which was their right according to Nepra's determination. He said KP has calculated a claim of Rs 8 billion on this account.

He further suggested that the amount of NHP of Gomal Zam Dam, which is located in erstwhile FATA, be made part of NHP of KP.

Lucman complained that according to CPPA-G, it is paying Rs 5-6 billion per month to Wapda on account of NHP but KP is not being paid its share. He said, in 2015, the federal government had approved Rs 1.10 per unit NHP with 5 per cent indexation per annum but decision of indexation has not been implemented by Wapda.

He noted that if Wapda prepares a schedule to clear payments of provinces, then the issue of interest on loans will automatically be resolved. He suggested that since collection on account of electricity sale is directly deposited in the accounts of CPPA-G, the latter should pay to the provinces on the same pattern as royalty payments by oil and gas companies

"Discos collections go directly to CPPA-G, which then pays Wapda but the latter is paying to the provinces, either due to inefficiency or mismanagement," he said, claiming that after 2018 no payment was made to KP. Last month, approximately Rs 1.5 billion was paid to the provinces which was due in July 2018.

He said Rs 70 billion of arrears have been received as per the agreement but regular payments are not being made, and suggested that Wapda should be issued directions to clear its obligations monthly and quarterly, which will resolve financial crisis of the province.

At this, Chairman Nepra suggested that KP should take over small hydel projects as Wapda has been advised to take care of only those hydropower projects which are 500 MW plus.

He also recommended that KP should consider taking over Peshawar Electric Supply Company (Pesco), improve its performance, deduct receivables of provinces at source and pay remaining amount to CPPA-G.

"The easy way to recover NHP amount is to take over Pesco. In this way, province will get its NHP amount on time. If the province will take pains it can improve recovery of the company. We are looking for such a party which can extend help in this regard, as apparently there is no other way to improve recoveries of Discos," said Chairman Nepra. The representative of KP government promised to share the proposal with his government.

