

Nepra seeks feedback on reforms to deregulate electricity trading

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KARACHI: The National Electric Power Regulatory Authority (Nepa) has sought feedbacks from power companies to implement the 18-month roadmap to liberalise trading of electricity in the country, it was learnt on Thursday.

Nepa advised Central Power Purchasing Agency, National Transmission and Dispatch Company and K-Electric to deliberate the mechanism in consultation with the relevant authorities and entities to finalise the competitive trading bilateral contract market (CTBCM), according to an official document.

The mechanism is to enable power producers and consumers to sell and buy electricity without any obligation of trading with a specified group.

The mechanism is expected to become operational in April 2022. Earlier, the deadline was November 2021. There will be multiple buyers and sellers and they will be free to make their independent sale-purchase agreements. Currently, the government is the sole buyer of power. This will make the wholesale electricity market competitive.

Nepa asked the companies to come up with a comprehensive plan covering all financial, technical, legal, and market-related aspects of the matter with solid recommendations for approval within three months.

K-Electric had raised an objection over CTBCM. The model is focused on incentivising generation and doesn't address the critical issues dominant in the power sector, including circular debt, lack of investment in transmission and distribution (T&D) infrastructure, demand side management, off grid renewables, lack of planning, poor governance, high losses and cross-subsidisation.

"If bulk power consumers are allowed to procure power directly from the market then this would result in increased T&D losses and stranded costs for the distribution companies, which would ultimately increase the tariff for the end-consumers," KE said.

K-Electric said privatisation of distribution companies should be considered given their financial standing and the requirement of credit cover for bilateral contracts, "otherwise they would continue to rely on the government support, which may defeat the overall purpose of the CTBCM".

"There should be a proper mechanism in the design to eliminate the possibility of arbitrage opportunities, higher margins due to market exploitation by certain type of participants, and risk of possible tacit collusion," KE said.

"Due to intermittent nature of the renewable energy power plants, there should be a cap

on the maximum share of renewable capacity to avoid any sudden imbalances.”

Further, there should be clarity on the treatment of hydel and nuclear power plants in the competitive market being strategic projects.

It was suggested that instead of the capacity pricing based on demand-supply intersection, every generator should receive the capacity price it bids in the market to avoid exponential returns for some generators.

KE also proposed a proper criteria for the entry of suppliers as failure to fulfill their obligations would transfer the burden to distributors putting sustainability of the sector as risk.

Central Power Purchasing Agency will prepare and submit a plan for developing understanding, sharing of information with all the stakeholders including provincial entities, power producers, private sector, and other interested parties regarding CTBCM.

In December last year, Nepra approved the conceptual design of the CTBCM model. Central Power Purchasing Agency submitted the detailed design along with its implementation roadmap in February.

After a due process including seeking comments of the stakeholders and public hearings, Nepra had approved CTBCM along with its implementation roadmap.