

NEPRA turns down WAPDA's request

Regulator refuses to pass on burden of Rs11 billion to consumers

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The National Electric Power Regulatory Authority (Nepa) on Thursday turned down a request of Water and Power Development Authority (Wapda) to pass on a burden of Rs11 billion interest to the consumers.

Since Wapda had been borrowing loans from banks to pay the net hydel profits to the provinces, it claimed the amount to pay on borrowing.

Meanwhile, the regulator reserved its judgment on Rs1.65 per unit increase in hydropower tariff for current fiscal year.

In its original petition, Wapda had sought around Rs1.65 per unit increase in hydropower tariff for current fiscal year. However, the regulator revised its claim downward to Rs0.93 per unit based on revised estimates.

In Nepa's public hearing presided over by chairman Tauseef H Farooqui, the Wapda management downward revised its demand for tariff increase to Rs0.93 per unit based on revised estimates.

The Nepa chairman observed that the decision would be made after detailed examination of the data and that they would further try to cut down the increase.

Wapda's officials noted that back in 2015, the federal government had decided to allow Rs1.10 per unit on account of net hydel profit to Khyber Pakhtunkhwa.

Currently, Wapda hydel tariff is Rs5.67 per unit and in its petition submitted with Nepa back in August this year, the authority had sought an increase of Rs1.65 per unit which would have taken the tariff to Rs7.32 per unit. However, following the government effort to reduce capacity charges, Wapda has now revised its request and sought an increase of Rs0.93 per unit.

The increase if allowed will jack up the hydel tariff from the existing Rs5.67 per unit to Rs6.60 per unit. The required increase was necessary on account of NHP and water use charges.

It was maintained that out of the current Rs5.67 per unit hydel power charges, the cost of NHP and WUC more than

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Rs3 per unit. Currently, Wapda has a hydropower plant of about 8,000mw while power plants of around 9,000mw are under construction.

The Nepa chairman noted with surprise that Wapda was paying NHP to provinces through bank borrowing and asked what kind of financial prudence allowed payment of profits through borrowing and that later its interest was also charged on consumers.

He said the authority would not allow Rs11 billion interest on these debts to be charged on consumers and added that Wapda should take up the matter with the Finance Division to secure debt servicing cost through budget or any other mechanism saying "but we cannot be an accomplice in this crime".

Wapda in its petition, which was filed in August 2020, had asked for an increase of

Rs1.65 per unit in electricity tariff from the current Rs5.67 to Rs7.32 per unit to meet its revenue requirement of Rs177.518 billion for the fiscal year 2020-21.

The total revenue requirement of Rs177.528 billion for the current fiscal is Rs106.169 billion higher than the revenue requirement determined by Nepa for the fiscal year 2017-18.

The total claimed O&M cost for the current fiscal is Rs19.724 billion, which is almost 25% higher than the determined O&M cost of the Nepa for FY2017-18.

The determined O&M cost for 2017-18 was Rs14.092 billion. The claimed depreciation was Rs7.728 billion for 2020-21, which was Rs5.917 billion during 2017-18. For Ijara Rental (Sukuk Bonds Repayment), an amount of Rs1.690 billion was claimed, which was Rs2.589 billion in Nepa's determination of 2017-18.

Similarly, the return on investment for power stations claimed by Wapda is Rs37.163 billion against the Nepa determined Rs28.176 billion for 2017-18.