

ECC indecisive on tariff for industries

ISLAMABAD: The Economic Coordination Committee (ECC) on Monday agreed in principle to allow concessional tariff to industrial units in a bid to run power plants in winter season.

However, it remained indecisive regarding the final approval for concessional electricity rates to industrial sector and decided to move the case before the cabinet for a final decision.

The cabinet meeting, chaired by Prime Minister Imran Khan, will take a final decision in its meeting scheduled on Tuesday (today).

An official said that two options were tabled before the economic decision making body, which was chaired by Adviser to the PM on Finance Abdul Hafeez Sheikh.

At present, the government is providing electricity to export-oriented sectors at a rate of Rs12.96 per unit. The Power Division had proposed the ECC to approve this rate for sectors other than export-oriented for incremental supply of electricity in winter season. The official revealed that this option did not involve any subsidy.

The ECC considered another option of providing electricity at a rate of Rs8 per unit for incremental supply of electricity to the industrial units. However, this option involved Rs5 per unit subsidy as current average rate of electricity is Rs12.96 per unit.

Officials said that the Finance Division had opposed the second option of Rs8 per unit subsidy because of the subsidy component. The Finance Division was of the view that it had no fiscal space in the budget to provide additional subsidy to industrial units as it was already providing electricity to the consumers.

However, another official said that ECC members had agreed in principle to provide electricity at Rs12.96 per unit for incremental supply, which did not involve any subsidy. However, the cabinet will take a final decision.

At present, the power tariff for industrial units other than export-oriented sector was Rs18 per unit.

The proposed initiative to reduce tariff for incremental supply of electricity was to provide power to the large scale manufacturing industry round-the-clock for the entire year. This was a win-win decision both for the government and industrial consumers as well.

The proposed option was also to reduce the tariff for small and medium enterprises (SMEs).

The country's installed power generation capacity had also exceeded 36,000MW due to installation of several power plants under the China-Pakistan Economic Corridor (CPEC).

The demand of electricity drastically reduces in winter season. Therefore, the government wants to operate idle power plants by offering some incentives to industrial sector as well.

As the installed capacity increased, the capacity payments also jumped to Rs900 billion. The government feared that it would swell to Rs1.5 trillion in coming years, which is why it was negotiating the deal with Independent Power Plants (IPPs) to reduce capacity payments.