

Government approaches Nepra for uniform tariff approval

The federal government has approached National Electric Power Regulatory Authority (Nepra) for approval of uniform tariff sans KE jurisdiction, on the basis of average 16 per cent losses across Discos, depriving consumers of efficient companies of their due financial benefit.

According to the new Nepra Act, a mechanism has been devised which states that the government has to consolidate revenue requirements of all Discos and then divide it by their average losses to calculate tariff across the Discos. The new Nepra Act also bars the federal government from imposing surcharges on consumers.

The government had announced increase in tariff of Rs 1.26 per unit after consecutive meetings of Economic Coordination Committee (ECC) but the increase proposed by the Power Division for universal tariff is just less than 30 paisa per unit.

The petition filed by Power Division would encourage less loss making or efficient Discos to take measures for reduction in losses. For instance, Iesco's losses are around 9 per cent and in case of proposed average losses of 16 per cent, the efficient companies would not have any incentive to reduce losses.

Informed sources told Business Recorder that the ECC has deferred recovery of Net Hydel Profit (NHP) from consumers but Wapda has arranged Rs 146 billion from banks and paid it to the provinces in two years, adding that recovery of NHP is at the rate of Rs 2.25 per unit. The regulator is unlikely to allow mark-up on the loans to be availed by Wapda to pay NHP to provinces as it has already incorporated the amount of NHP in hydel tariff.

The main reason for the increase in average tariff from Rs 11.50 per unit to Rs 15.50 per unit was payment of NHP amount to the concerned provinces. Wapda is sending its claims to CPPA-G for recovery of NHP which is not being passed on to the consumers.

"The ECC's current decision is piling circular debt by Rs 1 billion per day," the sources maintained. Nepra will hold a public hearing on the petition of the federal government on November 25, 2018 to be attended by all segments of consumers. Power Division, in its petition claimed that the Federal Government considered the schedule of tariff recommended for each Disco for all categories of consumers across the country and regions. The Federal Government desired that as per the previous policy in vogue, the uniform tariff should be made applicable as per the provisions of section 31(4) of the NEPRA Act. Accordingly to structure the discretion for arriving at such uniform tariff appropriate guidelines were also adopted.

Thereafter, the uniform tariff being reflective of economic and social policy of the Federal Government based on the consolidated revenue requirement approved and determined by Nepra for Discos is inclusive of: (a) tariff differential subsidy and inter-distribution companies tariff rationalization and (b) deferral of NHP to the tune of Rs 146 billion was proposed which accordingly was approved by the ECC. It was further approved that the cost of net hydel profit to the tune of Rs. 146 billion be deferred for recovery from the consumers and accordingly the uniform tariff be proposed as reflected. The deferred cost, however, may be bridged by way of commercial loans by WAPDA for payment to the Provinces. Thereafter, the deferred cost maybe considered by Nepra in the revenue requirement of the Discos for subsequent determinations so that the bridge loan of Wapda is duly discharged.

The petition further states that the inter-distribution companies" tariff rationalization is not aimed at raising any revenues for the Federal Government, as it is within the determined revenue requirements of the Discos consolidated in terms of section 31(4) of the Nepra Act. The tariff rationalization enables fulfillment of the

parameters set forth in the Constitution as well as the policy approved by the CCI, including: (i) the socio economic objectives; (ii) the budgetary targets in the field; (iii) protection of low end consumers from price escalation through provision of subsidy; and (iv) maintaining uniform tariff across the country and regions for each of the consumer category.

This new proposed tariff was thereafter placed before the Cabinet for approval. Accordingly the Cabinet on October 24, 2018 approved the proposed rates for uniform tariff as specified for submission before the Authority for consideration and approval leading to determination of final tariff in terms of section 31(7) for notification by the Federal Government to the extent of modification and super-session of existing Nepra determined notified rate (inclusive of subsidy/tariff rationalization surcharge).

After explaining the proposal's history, Power Division filed the recommendation of consumer end tariff with tariff determination for FY 2016-17 and quarterly decision for FY 2017-18 (including review decision) for Discos s under Section 7 & 31 (4) and 31 (7) of the Act read with Rule 17 of the NEPRA Tariff (Standards and Procedures) Rules, 1998 in the light of section 50 of the Act so as to issue the uniform schedule of tariff of the Discos , by incorporating targeted subsidy and inter distribution companies tariff rationalization pursuant to guidelines for the category of each of consumers specified in leading to modification and super-session of existing NEPRA determined notified rate (inclusive of subsidy/tariff rationalization surcharge).

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