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Power price hike looks inevitable

ISLAMABAD: The government may raise electricity tariff by Rs 3.82 as suggested by Nepra thereby raising per unit price from Rs 12.92 to Rs 15.82, as a pre-program condition by the International Monetary Fund (IMF), informed sources told *Business Recorder*. The government had blocked approval of the rate rise on September 25, 2018 during a meeting of the Economic Coordination committee chaired by the Federal Finance Minister Asad Umer on the plea that the issue needed further consultation. The proposed increase did not envisage any increase in tariff for domestic consumers using upto 50 units, a raise of Rs 0.87 per unit for consumers (26 percent) upto 100 units, a raise of Rs 1.22 per unit for consumers using up to 200 units, a raise of Rs 2.04 per unit for consumers up to 300 units and above.

An IMF team, during its recently concluded Artcile IV consultations urged the government, among other non-power sector related recommendations, to increase electricity tariffs maintaining that this measures "are necessary steps that go in the right direction".

Power Division is of the view that if no increase is made for domestic consumers for all slabs, additional subsidy impact would be of Rs 82 billion. However, if no increase for domestic consumers' upto 200 units is made then additional subsidy impact would be Rs 27 billion. It was further pointed out that the current budgeted tariff differential subsidy was Rs 117 billion. Revised TDS would be Rs 166 billion with the addition of Rs 49 billion subject to no change in rate of 50 units, 15 per cent change upto 300 units and 20 per unit for above 300 units.

The country's power sector portfolio is said to be about $ 4.2 billion including $ 2.9 billion of Asian Development Bank (ADB) in addition to Chinese investment, which is a major component of the China Pakistan Economic Corridor (CPEC), well-informed sources told *Business Recorder.*

The overall portfolio of CPEC projects are as follows: (i) energy (IPP financing mode) estimated cost $ 34.746 billion, (72%); (ii) roads (government concessional loan) estimated cost $ 4.179 billion, 9%; (iii) rail network ML-1 (GCL under discussion) estimated cost $ 8.212 billion, 17%; (iv) Gwadar Port (Grant/GCL/ Interest free loan) estimated cost $ 780.6 million, 1.9%; and (v) Fibre Optic and Gwadar City Master Plan estimated cost $ 48 million, 0.1%. The total estimated cost is $ 47.965.6 billion, 100%.

According to sources, IMF has sought details on progress of CPEC projects in the energy sector including type of projects and financing modalities, envisaged CPEC projects for FY 2018/19 and over the medium-term and modalities of power purchase for CPEC and other power additions (including government power purchase guarantees for IPPs).

This portfolio is in addition to Rs 570 billion already parked in the books of PHPL on behalf of power Distribution Companies (Discos). The sources said IMF has also sought details of loans parked in the books of PHPL.

The sources said that the Power Division has provided data on the flow of new arrears at end-December 2017 and end June 2018 and details on contributing factors like: (i) non-recoveries; (ii) accrued mark-up; (iii) line losses; (iv) GST non-refund; (v) late payment surcharge; (vi) delay determination; (vii) operational deficit/ surplus of the system; (viii) impact of oil prices; and (ix) stock clearance.

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