

### **Power crisis**

Any resolution to a crisis begins by putting on table all the factors that have contributed to that crisis. In a positive development, the Federal Minister for Power Omar Ayub Khan has made this beginning by his admission before a Senate panel that the country's power sector is strongly characterized by deep-rooted corruption and inefficiencies - a revelation known to all but never so boldly identified and put forth as 'THE FACTOR' and perhaps the only factor which is responsible for the ailing power sector and the circular debt arising out of it.

Although all the public sector enterprises are facing the same crisis, the power sector hits the nation most. The domestic consumers, industry and businesses are made to pay for this ill, which has crippled our industry and exports while circular debt has enormously widened our fiscal deficit.

The power sector debt has spiked to almost 3 percent of GDP despite increases in electricity prices by the previous two governments and lately by the incumbent one.

It is reported that the power distribution companies lose Rs 213 billion a year because of line losses. Their stock of receivables from different types of government and private consumers is close to 2 percent of GDP.

The minister rightly stated that "no effort to end blackouts could succeed, even if the floodgates of electricity supply were opened ". This is exactly what has happened in the last five years.

The PML-N government successfully ramped up the power generation capacity through random public, private and Chinese investments in coal, gas, solar, wind and hydropower generation and opted for a more cost effective fuel mix to provide affordable power to the nation. None of the two ever happened - primarily on account of the governance issues.

In fact, all these investments made things far worse on account of exposure to more loans, more of circular debt and more of installed power lying idle as the government lacks funds to deal with the transmission challenge. In other words, the transmission network is insufficient and inefficient to evacuate power.

As a result of which, the Government of Pakistan is entangled in litigations with many IPPs who have filed non-payment claims against government in the court of England.

The power issue along with the circular debt arising out of it is complex and riddled with vested interests and cartels who over the last many years have managed to maintain a status quo. The past governments too found it convenient to vent out the pressure through increases in tariffs. Circular debt emerged as a permanent feature in every year's budgetary allocations.

In case the Minister of Power means business, he needs to translate his words into firm actions. He, for example, must work towards breaking this status quo and seeking its release from the clutches of vested interests - which is not an easy task but an inevitable one.

The highhanded approach of arresting the government employees and defaulters, pressurizing the IPPs, a random management change here and there has never worked before and will not work in future as well. The approach needs to be based on technology and professional wisdom.

The first step towards a crisis resolution for sustainable results is to bring on table the facts, which are accurate, measurable and good to be acted upon.

A power crisis is not restricted to the ministry of power or the power sector; it is a full power supply chain which starts from Pakistan State Oil (PSO) tender process for import of oil for the power generation plants to the supply of electricity at the doorstep of a consumer. Lately, the supply of LNG and Coal is an add-on to this chain.

To get the facts straight for a sustainable action plan there is a need for a professional audit of the whole power sector supply chain as advised below:

#### 1. Audit Fuel Supply Chain

Appoint technical & financial auditors/advisors to conduct audit of fuel supply chain (Oil, Gas, LNG & Coal) and the conduct of fuel distribution & marketing SOEs (PSO, SSGC, SNGPL, etc) and the private sector;

#### 2. Audit Independent Power Producers (IPPs)

Appoint technical and financial auditors/advisors to conduct audit of IPPs with TORs specific to fuel costs (Passover by IPP to government), idle capacity and power supply to grid billing by IPPs to the government and similar payments to IPPs by the government;

#### 3. Audit Gencos

Appoint technical and financial auditors/advisors to conduct audit of Gencos with TORs specific to plant aging, fuel efficiency, electricity delivery efficiency, plant efficiency restoration options and similar;

#### 4. Audit Discos

As above, with ToRs specific to Receivables Gap Analyses, Commercial and Technical Line Losses, and Consumer Analysis and similar. For meaningful audits as cited above there needs to be a supervisory management which is professional and independent. For this purpose, the following organizations have to be strengthened:

Nepra and Ogra

Restore the constitutional status of Nepra and Ogra as independent regulators and go for the management change;

Change managements in public sector enterprises;

Replace company boards & principal managements at Gencos and Discos with merit based professionals.

The incumbent government has just started its tenure and has time to reap a harvest by coming up solutions which are sustainable but may take a bit of time. Beating around the bush is a waste of time as seen in the last ten years.

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