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Founded by M.A. Zuberi

Govt to finalise 'brunt' of power tariff hike today

ISLAMABAD: The federal government will finalise the brunt of power tariff increase on Tuesday (today) at an inter-ministerial meeting to be held in the Finance Ministry, well-informed sources told Business Recorder.

Secretary Finance, Arif Khan, sources said, govt had blocked approval of increase in tariff on October 2, 2018 at a meeting of the Economic Coordination Committee (ECC) of the Cabinet on the plea that this issue needs further consultation.

The new increase will also hit the poor and the middle classes and to some extent commercial consumers. However, agriculture and industry will not face the brunt of the new increase.

"We hope we will be able to finalise the volume of subsidy for domestic consumers using up to 300 units monthly in the light of available fiscal space," the sources said, adding that recommendations of inter-ministerial meeting comprising officials of Power Division, Finance Division and Nepra would be submitted to the ECC.

Insiders claim that the ECC was ready to approve increase in tariff on October 2, 2018 but it was deferred for a few days due to by elections on more than two dozen National and Provincial seats to be held on October 14, 2018.

According to sources, National Power Policy, 2013 approved by the Council of Common Interests (CCI) stipulates that: (a) low end consumers will be protected from any price escalation; (b) to the extent possible, tariff rationalization will be done in order to eliminate subsidy within the industrial, commercial and bulk consumers; and (c) a level playing field will be created by providing power at comparable prices, to all industrial users.

Similarly, in pursuance of the Power Policy, the National Power Tariff and Subsidy Policy Guidelines, 2014, the Tariff and Subsidy Policies aim to strike a balance between the interest of consumers and the interest of providers of capital. Nepra has determined revenue requirements of each Disco, based on individual accounts of each company, which led to the recommendations for differential schedule of tariff.

Keeping the economic and social policy objectives as well as the proposed methodology for uniform tariff being within the consolidated revenue requirements in view, uniform tariff-based on the consolidated revenue requirement was approved and determined by Nepra for Discos while taking into account targeted Tariff Differential Subsidy (TDS) of Rs.166.7 billion for the FY 2018-19 as proposed in addition to other subsidies like for AJ&K, Balochistan tube-wells, Industrial Support Package (ISP), Fata, etc.

The Power Division submitted following proposals based on tariff determination of Discos by Nepra for the purposes of "final tariff" to be recommended by Nepra to the Federal Government for notification in the official gazette within fifteen days of intimation in terms of section 31(7) of the Act:

The targeted tariff differential subsidy to be incorporated in the tariff is Rs.166.7.

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 (inclusive of targeted subsidy and inter-distribution companies tariff rationalization) of the summary be approved for submitting to Nepra for consideration in terms of section 31(4) of the Act.

The uniform tariff so determined by Nepra and recommended by it as “final tariff” for notification in the official gazette be notified to the extent of modification and super-cession of existing notified rate (inclusive of subsidy/tariff rationalization surcharge) in SRO of March 22, 2018.

The sources further stated that no change of tariff has been proposed for the life line consumers and the agriculture consumers. Minimum changes in tariff have been made for low and middle income consumers in domestic, commercial and mixed feeder industrial consumers (BI Categories). Further, Rs.3/unit Industrial Support Package (ISP) will continue for all industrial consumers with additional subsidy, depending upon exchange rate, (Rs.2.5/Unit approx) to five export-oriented zero rated industries to keep their tariff regionally competitive at 7.5 cents/unit.

According to the Power Division, increase in tariff was necessary because fresh tariff determined by Nepra is showing an increase of Rs.3.82/unit. Increase in tariff is also due to increase in cost of electricity generation on addition of new capacity and Net Hydel Profit (NHP).

The Power Division further argued that despite the inherited tough financial scenario, with a circular debt of more than Rs.600 billion and availability of minimal fiscal space, emphasis has been placed on protecting interests of low and middle income groups, agricultural and industrial sectors with a special focus on export oriented industry.

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