

## Fresh circular debt piles up to Rs566bn

PageNO.10 ColNo.02

**ISLAMABAD:** The fresh flow of circular debt has built up to Rs566 billion in addition to old stocks of about Rs500bn parked in a special purpose vehicle, accumulating the total liability to about Rs1.066 trillion.

This was reported to a special committee of the Senate on circular debt by the Power Division at a meeting on Wednesday where the power distribution companies claimed that almost Rs100bn circular debt was caused by unjustified sales tax collections by the Federal Board of Revenue even on unrealised bills.

*Also read: [The circularity of circular debt](#)*

The Discos complained that they were charged GST on total turnover and subsidy paid by the government instead of the 2.1pc margins. They said former adviser on finance Dr Salman Shah had addressed the issue but it has resurfaced since 2013 and they are being subjected to over taxation.

ARTICLE CONTINUES AFTER AD

It was reported that the PML-N government was also convinced by the Power Division and a summary was also moved with consensus for the removal of an inherent anomaly through the finance bill but it somehow got through.

The committee directed the FBR, National Electric Power Regulatory Authority (Nepra) and finance ministry to attend the next meeting along with the reported summary to address the issue.

The meeting, headed by Senator Shibli Faraz of PTI, was also told by the Power Division that a significant increase in circular debt had accumulated in the recent months after the PML-N government decided in October 2017 to end loadshedding even in areas with high losses and theft.

In response to a question from Faraz as to why the Power Division and its companies agreed to a commercially unviable decision, Joint Secretary of the Power Division Zargham Eshaq Khan said that it was explained to the then government about the higher costs but the cabinet decision was then implemented.

An official of Peshawar Electric Supply Company (Pesco) said its total losses stood at Rs4bn in the first four months of the last year but surged to Rs40bn at the end of the year after the cabinet decided to provide electricity to those areas where recovery was negligible.

He said the Pesco's transmission and distribution losses stood at 38 per cent against 15.7pc allowed in tariff by Nepra. As a result, there were no funds left

for investment on local infrastructure after meeting administrative and other expenses from the remaining revenue.

However, representatives of Hyderabad Electric Power Company (Hesco) claimed that their investment for grid station has increased during the recent years. They further stated that interest on Hesco loans was a major factor for losses after theft of electricity and low recovery. Political interference and poverty in Badin and Thatta were other reasons for lesser recoveries, they added.

Eshaq also acknowledged that the RLNG arrangement was done at the cost of consumers as power sector was required to utilise 66pc of RLNG, otherwise the power generation companies attracted liquidity damages.

The committee enquired the cost of RLNG to consumers or the kitty when power demand would fall drastically in winter to which the Power Division said there were alternatives in place as well that would come to test first time in coming winter as RLNG-based plants became functional in peak demand this year.

Eshaq said the government made plans to also operationalise Jamshoro and Muzaffargarh power plants on RLNG as alternatives while most of the furnace oil-based plants could also be run on RLNG because of higher cost of furnace oil.

The committee was also told that the first draft of electricity policy is ready to be shared with the stakeholders (provinces) before presenting it to the Council of Common Interests for consideration.

Additional Secretary Power Division Waseem Mukhtar briefed the committee about the overall situation of the energy sector in the country and discussed remedial measures to be taken to reduce the circular debt.

According to NTDC's Managing Director Zafar Abbas, making any progress in terms of energy transmission had become impossible as it entailed huge costs. He said, however, that in view of the growing demand, a plan has been put in place to upgrade the transmission lines.

Faraz instructed the Power Division to provide the body with province-wise details of running defaulters in all categories ie industrial, domestic and commercial. He said the special committee's target was to deal with the menace of circular debt and showed displeasure at the lack of out of the box solutions by Discos for the issues that plagued them.

*Published in Dawn, August 2nd, 2018*