DAWN

Caretakers shy away from revising gas prices, pass on issue to new govt

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ISLAMABAD: The caretaker government has passed on the responsibility of increasing gas tariffs — by an average of 46 per cent, determined by the Oil & Gas Regulatory Authority (Ogra) — to the incoming elected government.

"Revision/increase in gas sale prices is a major policy decision which has to be taken by an elected Federal Government", said a government letter to Ogra, adding that the matter "be placed immediately before the incoming government for a well-informed decision".

The order also instructed Ogra "to maintain the existing gas sale prices till further advice in the matter".

Ogra had forwarded two proposals about tariffs to govt for advice on any cross subsidy before issuing notification

Ogra had forwarded, on June 21, two proposals concerning gas rates — for the Sui Southern Gas Company Limited (SSGCL) and the Sui Northern Gas Pipelines Limited (SNGPL) — to the federal government for advice on any cross subsidy before a formal notification could be made.

According to the law, gas rates must be revised biannually. Section 8(3) of the act that governs Ogra, requires the federal government to advise — within 40 days of the Ogra proposal — if it wants any change in the gas rates for any category worked out by the regulatory authority. Under clause 4 of section 8, Ogra is required to announce, on its own, the higher gas rates for each category determined by it — in case the government fails to advise on the price adjustment within the stipulated timeframe.

The law is clear: the federal cabinet should have advised Ogra about price adjustments latest by July 31. A senior executive at one of the gas utilities said both the government and Ogra were in violation of the law — something that is happening for a continuous fourth year. In the process, the SNGPL has suffered accumulated losses of about Rs125 billion — and, the SSGCL is not too far behind with a loss of Rs80bn.

"Let the new government take charge and give us advice," said Ogra spokesman Imran Ghaznavi when contacted. Ogra had determined the increase in gas prices considering the expansion of the supply network, induction of imported gas and the addition of millions of domestic gas connections. The increase was the estimated revenue requirement of the two utilities for the fiscal year 2018-19.

The regulator determined an increase, in gas rates, up to 186pc for the poorest categories of domestic and commercial consumers, who are currently cross subsidized. The increase for other categories — industrial, cement, CNG, power and commercial — was worked out at 27 to 31pc.

Ogra has determined that the SSGC that serves Sindh and Balochistan, would need Rs167bn during the next fiscal year to finance its ongoing programmes. Therefore, it had approved an increase of 45.54pc (Rs184.34 per unit) in the average prescribed price, taking it to Rs589.09 per MMBTU (million British Thermal Unit).

Likewise, the regulator approved the 2018-19 revenue requirement for the SNGPL at Rs287 billion, necessitating an average prescribed price of Rs629.33 per MMBTU, up 3.37pc (Rs20.57 per unit) from its existing price. The SNGPL's service area is spread over Punjab and Khyber Pakhtunkhwa.

Ogra determined the gas price for the poorest domestic and commercial consumers using less than 100 cubic metres per month at Rs294.55 per MMBTU, up 180pc from the current rate of Rs105.15 while the second slab using up to 300 cubic metres per month (both commercial and residential) would be charged Rs589.09 per unit instead of Rs210.31, an increase of 180pc.

The prescribed price for the third domestic slab of more than 300 cubic metre per month would be jacked up by 26.4pc and charged at Rs664.52 per unit instead of Rs525.76 while the same consumption in the commercial category would be charged at Rs797.42 per unit instead of Rs631 per unit, an increase of 26.4pc.

All other categories — larger commercial, ice factories, industrial, captive power, CNG stations, cement plants, fertilizer, public sector power houses and independent power plants — would face a 26.4pc increase.

For example, the commercial consumers and ice factories would be charged Rs798 per unit instead of Rs631, while industrial consumers and Pakistan Steel, Wapda plants and IPPs would be charged Rs611 per unit instead of Rs484. Captive power plants of industrial units would be charged Rs718 per unit instead of Rs568 while CNG stations would be charged Rs822 per unit instead of Rs650.

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