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Founded by M.A. Zuberi

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Uniform power tariff of Rs 1.27/unit approved

National Electric Power Regulatory Authority (Nepra) has approved uniform power tariff of Rs 1.27 per unit on the basis of average 16.3 per cent losses across Discos, depriving consumers of efficient companies of their due financial benefit.

The new tariff motion of the federal government has been examined by a three member team, comprising Vice Chairman Rehmatullah Baloch, Member Punjab, Saif Ullah Chatha and newly appointed Member Sindh, Rafique Ahmed Shaikh.

According to the tariff determination after enactment of the Amended Act, Section 31 has been completely revised and the surcharge/subsidy powers of the Federal Government have been removed in their entirety. A new Uniform Tariff framework under Section 31(4) has been introduced in their place, which includes the price-equalization and socio-economic elements of the previous regime, price-equalization by the uniform, cross-entity, nature of the tariff itself and the socio-economic dimension by tying grant of tariff to public consumer interest.

Nepra said that from their application, it is apparent that the Federal Government is employing the new Uniform Tariff framework in an analogous manner to the previous surcharge/subsidy framework, by seeking to incorporate subsidies into the uniform tariff, to achieve price-equalization between Disco consumers, and to fulfill other socio-economic objectives under policy.

The Federal Government has incorporated energy subsidies within the uniform tariff, non-determination of which would lead to the target impoverished consumer category to suffer from detrimentally inflated energy prices. Further still, non-notification of tariff is currently resulting in massive increase to circular debt, which will adversely affect the economy of the country. These are grave and inescapable consequences attached to the Uniform Tariff being sought. In view of these pragmatic considerations, it would be inequitable and imprudent for the Authority to dismiss the Uniform Tariff motion on the basis of non-exhaustive compliance of the procedural elements of Section 31(4). Moreover, mitigation of these adversities is in fact in the public consumer interest that will be served from grant of Uniform Tariff under Section 31(4).

In light of facts presented in the motion, the Authority argued that owing to the inescapable miscarriage of public consumer interest that would otherwise result from non-determination and non-notification, the Federal Government"s motion for determination of Uniform Tariff is being considered and shall accordingly be processed and determined on the following terms.

The Authority has examined the Federal Government"s request for deferment of Rs146 billion allowed in the Revenue Requirement of Discos on account of arrears of Net Hydel Profit (NHP). It is noted that the amount includes Rs 86 billion allowed in the WAPDA"s tariff determination for the FY 2017-18 and Rs 60 billion pertaining to the FY 2016-17, already billed by WAPDA to CPPA-G. The amount of Rs 86 billion has been included in the determined revenue requirement as part of reference capacity charges, and Rs 60 billion as Prior Year Adjustment (PYA) 2018. The said cost has already been allowed by the Authority in the tariff determination of WAPDA and the same has/is being billed by WAPDA to CPPA-G. As a consequence, the cost is being reflected in the quarterly adjustment requests of DISCOs. Therefore, exclusion/ deferment of this cost from DISCOs tariff only would not only create legal complications but will also be inconsistent with the Authority"s determinations already made in this regard. Further, a part of amount would also form part of the 650MW energy withdrawn by K-Electric from the National Grid, which cannot be deferred through the proceedings.

The Authority has also noted that in the schedule of tariff, the proposed deferred amount of NHP has been indicated against the residential consumer category slab up to 300 and agriculture consumer category, which supposedly means that the same will only be recovered from the same categories and not from the other categories.

Accordingly the component, of PYA 2015-16 & 2016-17 and write offs, were indicated in separate columns, in the SoTs of DISCOs determined for the FY 2016-17 & FY 2017-18, which were to remain applicable till March 21, 2019. The Authority, however, has noted that due to higher sales during FY 2018-19 vis-a-vis FY 2015-16, the amount of Rs 83.65 billion would tentatively be recovered by the Discos till December 2018, whereas, if it remains notified till March 2019, it may result in over recovery by the Discos.

The Federal Government in its motion has also considered this fact and has worked out the national average tariff by excluding the impact of expected over recovery of around Rs 22 billion due to enhanced sales growth.

As a result of the recent significant devaluation of PKR vs US$, the actual fuel cost is expected to increase substantially as against the reference generation (fuel) costs on imported fuels built in the instant tariff, consequently monthly FCAs to be allowed would be exorbitant. This will create volatility and unpredictability in the consumer end tariff, which will be against provision of section 31(3) (i) of the NEPRA Act. In view thereof, and in order to protect the consumers" interest, the Authority considers it appropriate that the impact of Rs 83.65 billion be adjusted through revision of reference fuel cost component to cover the exchange rate variation to the extent of Rs128/ US$. The monthly adjustment on account of fuel cost variation will be made against the revised reference fuel cost component. In view of the above and the fact that PYA of Rs 83.65 billion built in the tariff would tentatively be recovered by December 2018, the Authority has decided to retain the said amount of Rs 83.65 billion in the instant tariff as part of reference fuel cost, instead of PYA /write-offs, in order to minimize the future impact of positive monthly FCAs, if any. The new national average PPP would be Rs 9.95/kWh

The overall revenue requirement at national Level, however, would remain the same consequently the national average tariff would also remain unchanged. Thus, the change would not disturb the Federal Government decision of subsidy and consumer end tariff, already approved by ECC and the Cabinet.

MUSHTAQ GHUMMAN