

• **TOP STORIES**

50 paise surcharge being levied: power consumers to pay price for Rs 50 billion loan

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- The government is all set to impose another surcharge of 50 paise per unit on consumers with the approval of Nepra for a new loan of Rs 50 billion to be arranged from commercial banks and parked in PHPL books, well-informed sources told *Business Recorder*. The government has already raised Rs 80 billion from banks to pay off liabilities of power sector whereas Rs 50 billion has been arranged by the federal government to save the power sector from total collapse.

The sources said, the financial position of power sector is still at a critical level due to various reasons, including regulatory benchmark performance both in terms of losses and recovery, non-availability of subsidy, detail determination of tariff which has now been notified but whose affect will start showing up in next few months. Moreover, higher energy sale due to significant increase in generation base has also contributed to buildup of circular debt. This was discussed in a meeting held in the office of the Finance Minister on May 22,2018 wherein it was decided to seek another loan for the power sector, as no further fiscal space is available to provide support to power sector under budgetary support head.

The sources said, to keep the system, Power Division proposed to further raise Rs 50 billion through commercial banks as a fresh financing facility to be arranged through Power Holding (Private) Limited. The company is a public sector entity without assets and will be responsible for arranging loans. The amount will be utilized for the purposes of funding the repayment liabilities of Discos towards Central Power Purchasing Agency Guaranteed (CCPA-G) Limited and ultimately the sectoral entities. Ministry of Finance will provide government guarantee for the requisite loan amount. The servicing of new facility as well as principal amount will be done through imposition of surcharge, however, for the interim period of six months, the mark-up servicing will require GoP support which will be treated as equity in the Discos.

The settlement done through this arrangement will primarily settle overdue payments in the total payables of CPPA-G towards various sectoral entities. The servicing of all the facilities available at PHPL will yield a financial cost surcharge of Rs 1.15 to Rs 1.75 kWh. The servicing of the new proposed facility as well as the principal amount will be done through imposition of surcharge @ Rs 0.50 kWh after approval of Nepra. For the interim (six months) or tariff determination whichever is earlier, the mark-up servicing will require GoP support which will be treated as GoP equity in Discos.

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