

Massive investment required to upgrade power system: Pepco MD

Page NO.01 Col No.07

- Managing Director Pakistan Electric Power Company (Pepco) Musadak Ahmad Khan revealed on Tuesday that \$ 40-50 billion investment is required to upgrade the entire "obsolete" power system and provide reliable supply to the consumers.

He was giving a briefing to the Senate Special Committee of circular debt headed by Senator Syed Shibli Faraz which discussed the reasons for the energy sector circular debt which has actually choked the entire energy sector.

The committee was informed that circular debt which, according to Chairman Special Committee, has become a national security issue, touched Rs 573 billion till April 30, 2018 (accumulated in four years and ten months). This is in addition to Rs over 400 billion parked in the books of PHPL. The elements contributed to build-up are loss target of 15.3 per cent which is now 16.2 per cent set by Nepra against actual average losses of 17.9 per cent which adds Rs 157.7 billion to circular debt each year. The target of recovery is 100 per cent whereas recovery is 94 per cent due to which Rs 248.3 billion are added to the circular debt. This makes the circular debt Rs 406 billion and if Rs 69 billion owed by KE is added it reaches Rs 579 billion. In addition, Rs 14.2 billion is owed by Fata, Rs 52.44 billion is against AJ&K and Rs 31.4 billion is pending against Industrial Support.

Joint Secretary (Power Finance) Zargham Eshaq Khan, who according to Managing Director Pepco, is everlasting in the Power Ministry, the government was facing a gap of 34 paise on each unit due to technical losses due to which cumulative loss has been calculated at Rs 157 billion in four years.

He informed the committee that the CPPA-G is supplying 650 MW of electricity to KE in accordance to the government's decision taken in 2013.

According to him, the average generation cost was Rs 8.52 per unit from July -March 2017-18 whereas consumers are paying Rs 11.9 per unit. The overdue arrears against running defaulters are Rs 348 billion.

In reply to a question "who will pay the price" if Nepra allows all the benchmarks proposed by the Power Division, Zargham Eshaq Khan replied consumers have to pay.

Managing Director Pakistan State Oil (PSO) Sheikh Imran-ul-Haq said that power sector owes Rs 300 billion to PSO including Late Payment Surcharge (LPS), adding that PSO is bankrupted in books. He said 90 per cent furnace oil is being imported by the PSO. Power Division has asked for 19000 MT furnace oil per day to run Gencos. He said if PSO refuses to supply furnace oil, 9000 MW electricity will be out from the system. He requested that PSO's overdue receivables should be made timely to ensure furnace oil supply. He further stated that PSO is facing problems in investment, adding that PSO is being paid only 9 per cent from Discos' recovery whereas earlier it was about 37 per cent of recovery.

Chairman Special Committee observed that the government had focused on power generation not on distribution, adding that the country was still facing loadshedding of several hours. He further stated that the system has put unnecessary burden on law abiding citizens whereas law breakers are going scot-free and not paying their bills, suggesting that action should be taken against power stealers without keeping in view their political affiliations. He maintained that non-payment of electricity bills is economic terrorism.

"The current system penalizes the honest but not those who violate the rules," he continued.

The special committee was informed that the system has capacity to transmit 20,000 MW, which was proved a couple of days ago.

Managing Director Pepco informed the committee electricity feeders have been divided into six categories, adding that out of 8633 feeders 60 per cent feeders (5367) are facing losses up to 10 per cent.

He claimed that less supply to high loss making areas cannot be termed as loadshedding as this is being done due to losses.

According to the government's policy areas of 20 per losses are exempted from loadshedding. He said the government has not allowed loadshedding of more than 11 hours even in 80 per cent loss making areas.

Talking about electromagnetic interference (EMI) meters, Managing Director Pepco said that the one billion dollar project was delayed due to higher mark up sought by the Asian Development Bank (ADB) and secondly this project had to be installed and operated by the employees of Discos who do not want to compromise their interests.

He said, ADB had calculated the cost of \$ 200 per meter and if this cost is multiplied by 25 million consumers it would be around \$ 5 billion.

The Managing Director said the government is considering installing EMI meters in BOOT basis through the private sector which would be responsible to run the project. With this project, each consumer could be monitored and his/her electricity voltage could be decreased in case of theft or recovery.

The Chief Executive Officer (CEO) Pesco said that his company's electricity distribution is getting 2100 MW dues against capacity of 5000 MW due to weak transmission distribution system adding that Tesco is taking electricity from Pesco as the latter does not have its own system.

The Chief Executive Officers of Hesco and Sepco gave even a worse situation of recovery and losses in their respective Discos, saying that provincial government do not cooperate even in registration of FIRs against the power stealers.

Managing Director, PPIB informed the special committee that the country's installed capacity is 31000 MW, of which 15000 MW has been added to the system through PPIB, adding 6500 MW electricity was added during the last three years.

While wrapping up the discussion, Additional Secretary Power Division Waseem Mukhtar said that the power sector will not show improvement until it is reformed and electricity supply and collection from consumers are separated. He said this system should be initiated with the most efficient Disco and later on implemented in other companies. He further stated that the world is shifting towards renewable energy.

The senior joint secretary, Finance Division, was the only official who did not speak a single word on the circular debt.

Beside others, the meeting was attended by Senator Kabir Ahmad Shahi, Senator Usman Khan Kakar, and Senator Sajjad Hussain Turi.

Copyright Business Recorder, 2018