

Unpaid capacity payment

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PD reprimanded by Umar for tabling 'fabricated' statistics

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ISLAMABAD: Power Division has reportedly been reprimanded by Finance Minister, Asad Umar, for tabling "fabricated" statistics of unpaid capacity payment before the Economic Coordination Committee (ECC) of the Cabinet to get its approval for an increase in electricity tariff of Rs 3.80 per unit, well-informed sources told Business Recorder.

This was the crux of ECC meeting held on September 25, 2018, with finance minister in the chair. Prime Minister's Advisor on Institutional Reforms and Austerity with the status of Federal Minister, Dr Ishrat Hussain, also attended the meeting.

The sources said the Finance Minister refused to pass on the huge sum of Rs 230-232 billion on to the consumers under the garb of capacity payment, which according to him is factually "inaccurate" as kickbacks are involved in some payments made to the IPPs under this head. Power sectors' revenue requirement has been calculated at Rs 361 billion of which Rs 221 billion is the backlog of one and a half years. The total unpaid capacity payment hovers around Rs 644 billion which also includes Net Hydel Profits (NHP), capacity payment and late notifications of tariff determinations.

"I will not pass on the amount to the consumers you proposed in the summary. We politicians are not technical people like you but not as illiterate as you think," the sources quoted an enraged Finance Minister as saying.

According to sources, if the proposed capacity payment is excluded from under consideration power tariff of Rs 15.52 per unit the new Nepra determined tariff will remain at Rs 12.91 per unit. However, the difference between the newly determined tariff of Rs 15.52 per unit and tariff being charged from consumers' is Rs 3.81 per unit. The ECC led by Asad Umar has to take a decision about the exact increase in tariff to be passed on to the consumers and volume of subsidy.

"Why does the Power Division want me to do difficult decisions?" lamented Asad Umar. Minister for Railways, Sheikh Rashid Ahmad also opposed the proposal, saying that the people are already abusing the government due to increase in prices of commodities in the first month of its tenure.

Dr Ishrat Hussain, sources said, fully backed the Power Division proposing the Finance Minister to allow capacity payment in tariff as the government has long-term agreements with the Independent Power Producers (IPPs). National Electric Power Regulatory Authority (Nepra) also supported payment of capacity payment. The Finance Minister said that he will consider it but refused to identify the timing of payment saying he will further deliberate on when and how this amount would be passed on to the consumers.

The Finance Minister maintained that he could not pass on inefficiencies and Rs 100-150 billion circular debt in the under consideration revised budget 2018-19. He further stated that he requires a clear picture of the losses and recoveries in future and noted that Nepra has allowed losses of 16.25 per cent while actual losses are 19 per cent. Another dispute was witnessed between Power Division and Nepra on the applicability of Prior Year Adjustment (PYA) and other backlogs. Power Division and Chairman Task Force on Energy Sector Reforms, Nadeem Babar argued that capacity payment is a continues process that will continue in future whereas Nepra argued that its a one-time payment claiming that after the clearance of this amount tariff will come down to Rs 12.80 per unit (which includes future capacity payments). Secretary Commerce Younus Dagha who also served as Secretary Power in PML (N) government confirmed that the figure of capacity payment is for one time.

The sources said, after the Finance Minister stated that he was of aware of the "secrets" associated with an IPP established under Power Policy 2002, Chairman Task Force on Energy Sector Reforms kept a low profile.

After heated debate, Finance Minister directed Power Division to sit with the officials of Nepra and prepare a five year plan for improvement in service delivery in the power sector, reduction in transmission and distribution losses and maximizing recovery.

The sources said, the non-technical Power Division officials and Nepra's team headed by its Chairman, Brig. Tariq Sadozai (retired) held a couple of technical sessions on tariff formulation mechanism and cost inclusion. Minister for Power Division, Umar Ayub has been given background technical information. Nepra informed the Power Division that it has already included costs in tariff at which the former did not agree.

Nepra and Power Division were not on the same page with respect to current stock of liability and flow of funds.

The Power Division is expected to table five year comprehensive plan to the ECC scheduled to meet on Tuesday (tomorrow).