Volume 4, Issue: 2, April, 2018

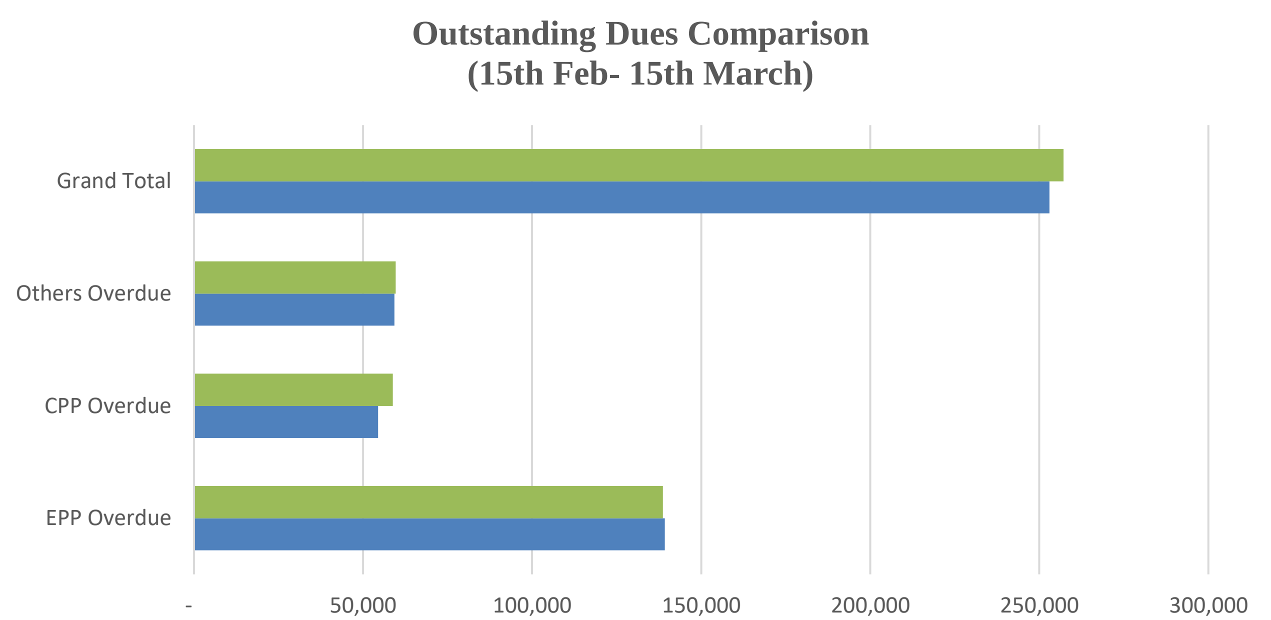
INDEPENDENT POWER PRODUCERS ASSOCIATION

MONTHLY NEWSLETTER

Welcome to the thirteenth edition of Independent Power Producers Association (IPPA) Newsletter. The newsletter is published on a monthly basis to ensure regular dissemination of information to Member IPPs and other stakeholders, and also to provide a platform to discuss issues pertinent to the energy sector of Pakistan. We would like you to send us your feedback and comments on how to improve the monthly newsletter.

Monthly Infographics

Outstanding Dues as of 15th March, 2018 in PKR Millions

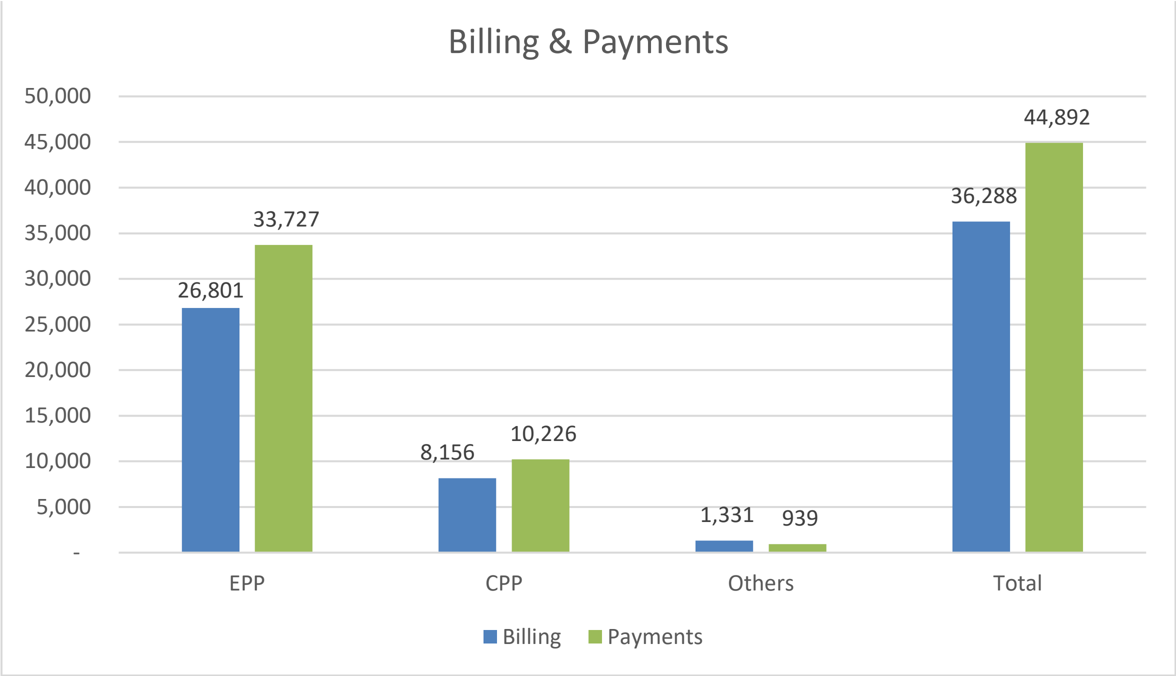


	EPP Overdue	CPP Overdue	Others Overdue	Grand Total
March	138,711	58,790	59,655	257,156
Feb	139,214	54,463	59,281	252,959

Source: Member and Subsidiary IPPs

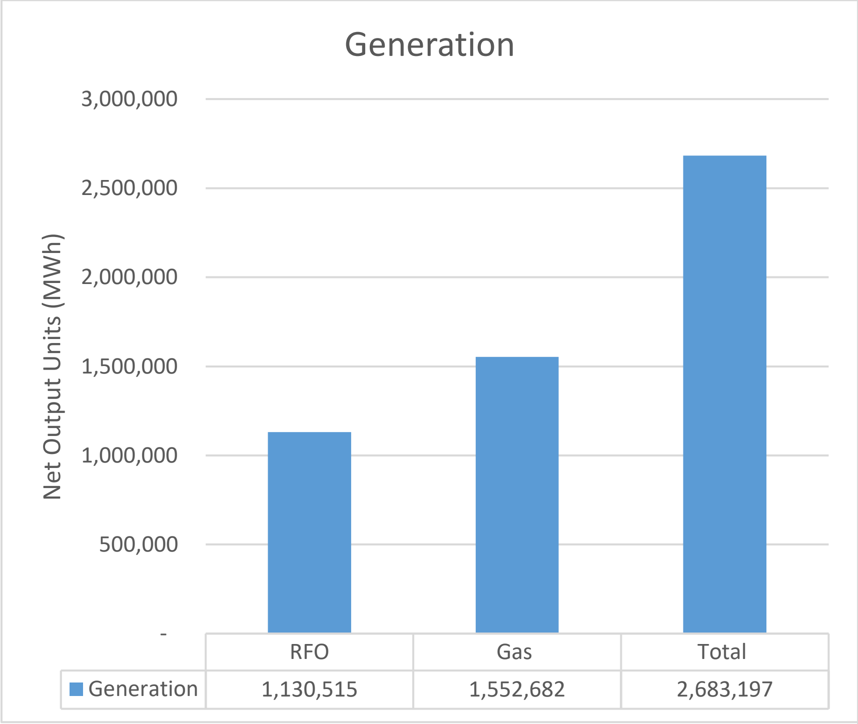
Monthly Infographics

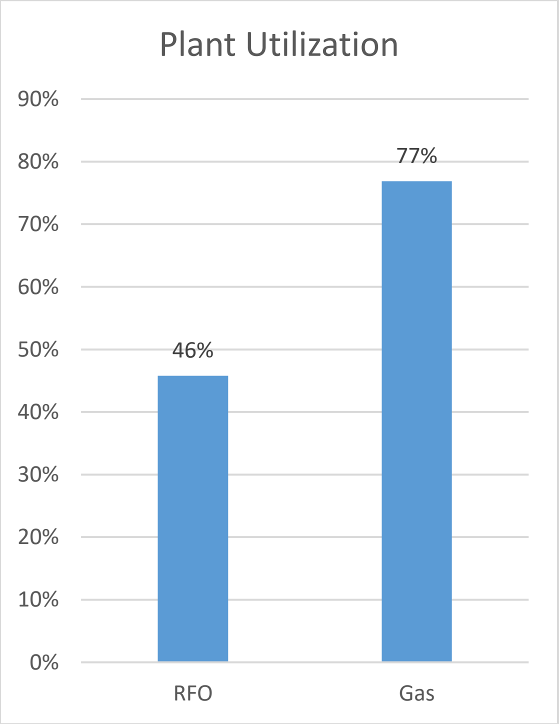
Billing and Payments in March 2018 in PKR Millions



Source: Member and Subsidiary IPPs

Net Generation and Plant Utilization in March 2018





Source: Member and Subsidiary IPPs

CCOP approves sale of K-Electric stake

ISLAMABAD: In a major development, Pakistan has decided to issue the National Security Certificate to Shanghai Electric Power in its bid to buy a majority stake in K-Electric, removing one of two barriers that stopped the multi-billion dollar deal from moving ahead for the last one-and-a-half years.

Headed by Prime Minister Shahid Khaqan Abbasi, the Cabinet Committee on Privatisation (CCOP) approved to grant the National Security Certificate to KES Power Limited for sale of all its 66.4% shareholding in the country's largest utility company. The KES Power Limited is an offshore company incorporated under the laws of Cayman Islands, and owns 66.4% stake in K-Electric.

Source: The Express Tribune

CPEC to add 17,000MW power to national grid, cabinet told

ISLAMABAD: Various energy sector projects being set up under the China Pakistan Economic Corridor (CPEC) will contribute over 17,000 megawatts of energy to the national grid on completion, a top-level huddle was told.

"CPEC would significantly help towards ensuring inclusive development especially the socio-economic development of the less-developed areas of the country," said a statement issued by the Prime Minister Office after a weekly federal cabinet meeting presided over by Prime Minister Shahid Khaqan Abbasi.

Source: The Express Tribune

Non-recovery of bills: Pesco faces Rs4bn losses per month, NA panel told

ISLAMABAD: Peshawar Electric Supply Company (Pesco) informed a sub-committee of National Assembly Standing Committee on Planning, Development and Reform that it is facing Rs4 billion losses per month in terms of non-recovery of electricity bills.

The subcommittee met with MNA Sher Akbar Khan in the chair here at the Parliament House to discuss various issues relating to the Pesco, PEDO and load-shedding as well as development projects related to construction of grids stations and feeders of Chitral.

While briefing the committee, Chief Engineer Pesco Akbar Khan said that the people of Peshawar, Bannu and Khyber Agency are stealing electricity through hook system (kunda system). The Pesco is collecting Rs6 billion out of Rs10 billion every month. "We are facing Rs4 billion losses due to non-recoverable electricity bills," he pointed out.

Source: Business Recorder

Govt removes ban on furnace oil imports as power demand rises

ISLAMABAD: The government has lifted the ban on import of furnace oil for running power plants and has directed state-owned Pakistan State Oil (PSO) to place orders for bringing fuel cargoes in order to meet growing electricity demand in summer.

Talking to The Express Tribune, a senior government official said the Ministry of Energy (Petroleum Division) had written to PSO, asking the oil marketing giant to resume the import of furnace oil.

"The Cabinet Committee on Energy has decided to resume import of furnace oil to meet growing demand from power plants," he said.

Source: The Express Tribune

Solar power project's bidding delayed

LAHORE: Following investigation by the National Accountability Bureau and observations made in the audit report, the Punjab government has delayed the bidding process of Quaid-i-Azam Solar Power (Private) Limited (QASPL), stating that new bid dates will be communicated to pre-qualified bidders later.

In a recent communication to the pre-qualified bidders, the Punjab Privatisation Board (PPB) informed them that new submission date for earnest money would be communicated to them in due course.

Source: Dawn

Solar power project to be built in Sindh with $100m WB loan

ISLAMABAD: World Bank will finance the Sindh Solar Energy Project by providing $100 million loan for generation of clean energy in the province.

The bank is likely to approve the loan next month. The Sindh energy department, which will implement the project, has prepared an initial list of buildings in Karachi and Hyderabad, including hospitals and health centres, to be supplied with solar power under the project.

Grants will be provided to scale up the provision of solar house system by commercial solar solution providers in areas with low access to electricity.

At least 200,000 households, equivalent to 1.2 million people, would be provided the solar power system within the areas selected according to pre-defined prioritisation criteria.

Source: Dawn

Government to purchase power from sugar mills at high tariff

ISLAMABAD: The National Electric Power Regulatory Authority (Nepra) has turned down a plea of the federal government, which will be bound to purchase electricity from sugar mills at higher rates despite production of cheaper power by plants based on liquefied natural gas (LNG), coal and other resources.

After Nepra's decision, 12 influential sugar mill owners will receive additional earnings of Rs48 billion through the production and sale of bagasse-based electricity over the next 10 years.

Nepra set an old tariff for the bagasse-based power plants with 390-megawatt generation capacity at Rs12.09 per unit despite determining a new tariff. The new tariff has been set at Rs8.86 per unit, which does not apply in this case.

Source: The Express Tribune

Rs188bn subsidy budgeted for power sector

ISLAMABAD: The government has budgeted Rs 188 billion subsidy to the power sector for the current year against Rs 118 billion in the current fiscal year – an increase of 59 percent.

Advisor to Prime Minister on Finance Miftah Ismail publicly stated that an increase in power generation would raise the need for higher subsides and the government, while keeping this aspect in view, has allocated the power sector higher subsidies in 2018-19 compared to current fiscal year.

Source: Business Recorder

PM orders resumption of gas supply to KE

KARACHI: After almost a month-long power crisis faced by Karachiites, Prime Minister Shahid Khaqan Abbasi intervened on Monday and asked the Sui Southern Gas Company (SSGC) to resume supply to K-Electric, which had been using a shortage of gas as a pretext for the current prolonged outages.

The PM appointed his adviser on finance Miftah Ismail to look into the issue of outstanding dues between the two utilities for its early resolution.

Karachiites have suffered almost a month of prolonged power outages, including those days when the residents of the city braved almost 40 degrees Celsius temperature amid blame game between the two utilities. K-Electric termed insufficient gas supply from the SSGC as a reason behind the power crisis.

The SSGC on the other hand negated KE's claim and called the power utility a defaulter of about Rs80 billion.

Source: Dawn

Total buys electricity retailer Direct Energie for €1.4bn

French oil major Total said it would buy Direct Energie in a €1.4bn deal, continuing its expansion into the residential power market and throwing down a gauntlet to incumbents like EDF.

Total said Direct Energie's board had approved Total's plan to acquire three-quarters of the French energy retailer's capital.

Patrick Pouyanné, Total chief executive and chairman, said the "friendly" deal "is part of the group's strategy to expand along the entire gas-electricity value chain and to develop low-carbon energies".

Source: Financial Times

Saudi Electricity, GE sign pact for power sector

Muscat: An agreement was signed at the Saudi-US CEO Forum between Saudi Electricity Company (SEC) and GE to further drive the digital transformation of power in the Kingdom and help achieve energy-related goals under the Saudi Vision 2030.

As per the memorandum of understanding (MoU), SEC and GE intend to continue to work together towards accelerating the digital transformation of the Kingdom's power sector. The focus will be on enhancing the reliability, efficiency and performance of the Kingdom's power sector through SEC's Generation Optimisation Centre (GOC), which enables asset performance management at power plants through GE's advanced digital industrial solutions.

Source: Times of Oman

Thailand plans to increase coal use in power generation – minister

New Dehli/Bangkok– Thailand is expected to increase the share of electricity generated by coal to

"The share of coal in our power generation mix is very low at slightly less than 20 percent," Energy Minister Siri Jirapongphan said on the sidelines of the International Energy Forum.

"We need to diversify the sources of fuel for our power generation. Having a reasonable percentage of coal to be used for power generation would be a necessity in considering the security of fuel supply to our generation system."

Thailand relies mainly on natural gas to generate power, but domestic demand is falling behind consumption, requiring the country to import more piped gas from Myanmar and more liquefied natural gas (LNG).

Source: Reuters

Nigeria to begin electricity trading with neighbouring countries

The Chairman of the West African Power Pool (WAPP) and managing director of the Transmission Company of Nigeria (TCN), Usman Mohammed, declared that Nigeria will begin electricity trading with other west African countries from June 2018.

Mohammed stated that the formalisation of the electricity trading arrangement will be done under WAPP and the ECOWAS Regional Electricity Regulatory Authority (ERERA).

"WAPP in conjunction with ERERA, the regulatory body for West Africa is hoping to launch the regional electricity market by June 2018. Because of that, there are several sensitisations we are carrying out to sensitise member utilities firms on the plan to kick off the regional electricity market.

Source: ESI Africa

India to attract Rs 11.5 lakh crore investment in power generation through 2022

New Delhi: India is likely to attract a massive investment of Rs 11,55,652 crore in power generation sector in the five-year period between

2017 and 2022 in setting up projects across thermal, hydro, nuclear and renewables segment.

"A total capacity addition of 58,384 Megawatt (MW) from conventional sources has been envisaged for the period 2017-2022, consisting of 47,855 MW of coal-based power stations, 406 MW of gas-based power stations, 6,823 MW of hydropower stations and 3,300 MW of nuclear stations," Central Electricity Authority, the power ministry's planning wing, said in its National Electricity Plan (NEP) report.

Source: The Economic Times

Geothermal Generation Growing by Leaps and Bounds in Kenya

The Geothermal Resources Council, a California-based trade association, said Kenya ranks eighth in the world in geothermal energy production. And the country is poised to add substantially more geothermal-sourced power to its grid in the next few years, a trend noted in other countries trying to diversify their energy portfolios, and where geothermal potential exists.

The state-run Kenya Electricity Generating Co. (KenGen) in February announced it wants to add 1,745 MW of geothermal generation by 2025; by comparison, the country at present has installed total power generating capacity from all types of 2,370 MW. Most of that capacity—1,631 MW, of which 533 MW is geothermal —is owned and operated by KenGen. The Kenyan government has a new energy policy that directs KenGen, along with the country's independent power producers, to eliminate fossil fuel-powered generation; the Kenya Vision 2030 energy plan pushes for the majority of the country's electricity to come from renewable sources, at utility scale, commercial and industrial scale, and as off-grid solutions, in 2030 and beyond.

Source: Power Mag

Chile to Pursue Dramatic Coal Generation Reduction

Chile joined the ranks of nearly two dozen countries that have announced a phaseout or a moratorium of coal generation, pledging not to continue building coal-fired power plants unless they are equipped with carbon capture and storage (CCS).

The announcement by the country's energy ministry and electric power generators' association, Asociación de Generadoras, is a significant development for the country that relied on coal for about two-fifths of its power generation in 2016. The trade group, whose members comprise some of Chile's largest generators, including AES Gener, Cerro Dominador, Colbun, EDF, Enel Chile, Engie, Orazul Energy, Pacific Hydro, and Statkraft, noted in a statement that a transformation of Chile's power mix is already underway, driven in part by a larger goal to procure 70% of national electricity generation from renewables by 2050.

Source: Power Mag

Iran to increase electricity exports to Afghanistan, Pakistan

Tehran: Iran is considering plans to increase electricity exports to Afghanistan and Pakistan by linking its power grid to the countries.

"Given the fact that neighbouring countries, especially Afghanistan and Pakistan, need electricity, necessary measures should be adopted to link Iran's power grid to theirs," Davoud Manzour, deputy executive director of Iran Power Generation, Distribution and Transmission Company, said.

Afghanistan's Ministry of Energy and Water said that talks with Tehran were ongoing in this regard; adding it had received Iranian companies' proposals in the area of electricity infrastructure.

Reza Haidari, senior adviser at the Ministry of Energy and Water, said that electricity from Iran to border of province of Herat would increase by 40 megawatts. Local officials in Herat welcomed plans to increase electricity exports to Afghanistan, adding it would boost industry in the country.

Source: Business Recorder

Discussion: Lack of Reliable Data

The power sector of Pakistan has been in a crisis for many years. The inability of the government to tackle this crisis is rooted in its lack of forward-looking approach and its consequent failure to develop comprehensive long-term policy. Instead, the government adopts short-term solutions to pacify the problems which then continue to resurface. Therefore, there is an urgent need for an effective long-term planning and policy-making in the power sector.

The cornerstone of prudent planning and policy-making is timely availability of reliable data. For example, one of the key information required to manage the problem of load shedding is access to accurate current generation data as well as projected demand and supply figures. This information is required for several key areas of policy-making and planning including:

1. Planning how to utilize existing generation capacity
2. Planning the amount of electricity generation capacity to be added to the grid
3. Planning how to manage financial obligations of existing and upcoming generation capacity

However, unfortunately, there is controversy and lack of consensus on this data for many years. Recently, the Cabinet Committee on Energy (CCoE) rejected forecasted demand and supply figures provided by the Power Division, as they were significantly different from Japan International Cooperation Agency (JICA) estimates[1]. Although power division hired a foreign consultant to prepare the forcast data, however, the data provided by NTDC was inaccurate. Moreover, the generation forecast figure presented by the Power Division included upcoming power plants, such as the Diamer Bhasha Dam, which will not be operational in the period under consideration i.e. 2018-2025. Moreover, key factors such as the commercial operation date of upcoming power plants were ignored. This is extremely problematic as overestimation and underestimation of figures such as demand and supply projections can have serious implications in terms of policy-making. If the demand is overestimated and accordingly additional generation capacity is added to the grid, then the power sector is at a risk of falling in to the capacity trap. This will result in excess capacity payments made to the power producers resulting in amplification of the liquidity crunch. On the contrary, if demand is underestimated then the lack of generation capacity may lead to huge demand and supply gap resulting in prolonged hours of load shedding. Hence, in order to minimize the gap, inefficient rental plants may have to be employed in the short run, which will lead to increase in the cost of electricity and consequently worsen the financial crunch faced by the power sector.

It is also pertinent to mention that the current demand and supply data is essential to ensure transparency and accountability of the power sector. Last year, during the peak summer season when the load shedding reached to an unmanageable level, the government stopped displaying daily

[1] ‘CCoE rejects Power Division’s supply-demand figures’- Business Recorder (7th March, 2018)

generation data. Not only was this data not publicly available, but the Ministry of Energy (then known as Ministry of Water and Power) also withheld this data from National Electric Power Regulatory Authority (NEPRA) and Planning Commission's Energy Wing[2]. When crucial information is withheld from entities involved in regulation and planning, not only does the resolution of the crisis becomes difficult but the transparency within the electricity sector is also compromised. Hence, the refusal of the Ministry of Energy to share the figures led to accusations on the government of fudging demand and supply data[3]. Therefore, upholding the principles of good governance, the data should be shared consistently as withholding crucial information only exacerbates the crisis and tarnishes the credibility of the power sector.

Another issue which plagues the electricity sector relates to high transmission and distribution (T&D) losses coupled with lack of reliable information. Although, under the Performance Standards Distribution Rules (2005), DISCOs are required to submit their Annual Performance Report (APR) to NEPRA. However, there is a consistent issue of inaccuracy of the data provided by the DISCOs[4]. The figures for T&D losses are not only forged but also the data on other performance measures, such as System Average Interruption Frequency Index (SAIFI) and System Average Interruption Duration Index (SAIDI), is also inaccurate[5]. Moreover, various DISCOs have also provided fake data pertaining to collection and registration of consumers' mobile phone numbers to the Ministry of Energy's power division[6]. This raises serious questions on the transparency and accountability of the distribution sector as the issue of data manipulation and fake reporting by DISCOs is well known yet no strict and effective action is taken to eliminate this problem.

Moreover, another issue which adversely affects the power sector encompasses delay in reports produced by NEPRA, such as the 'Visit Report of the National Transmission and Dispatch Company (NTDC)' and 'State of Industry Report'. This is caused by slow-paced data collection and reporting by various entities, and prolonged consultative processes. This reflects an attitude of concealing shortcomings of the sector rather than openly accepting problematic areas and working towards their resolution. This delay in publication of crucial reports also creates a loophole whereby the Ministry of Energy can dodge the criticism on its performance by asserting that the performance of the power sector has improved since the period of analysis of the report[7].This compromises the principles of true accountability. Hence, it's a no brainer that timely availability of reliable data is inevitable.

In nutshell, the culture within the power sector is such that it does not encourage regular collection and dissemination of data but rather harbors apprehensions about sharing accurate and timely data. However, if the power sector is to escape the shackles of the various issues deterring its stability and growth, then it is imperative to ensure that reliable data is consistently collected and shared. This will not only help to ensure transparency and accountability, but also promote prudent policy-making and help to carry out meaningful research and analysis to overcome the power crisis.

---

[2] 'Power data: detrimental delays'- Business Recorder (15th March, 2017)
[3] 'Load-shedding returns'- Dawn (1st June, 2017)
[4] 'Nepra describes load-shedding data as unauthentic'- Business Recorder (4th October, 2017)
[5] NEPRA State of Industry Report 2016
[6] 'Consumers' mobile numbers: Discos submit fake data to ministry'- Dawn (20th February, 2018)
[7] 'Power data: detrimental delays'- Business Recorder (15th March, 2017)

Our Members

	Member IPPs	Primary Fuel	Alternate Fuel	Gross Capacity (MW)	Net Capacity (MW)
1	The Hub Power Company (Tehsil Hub)	RFO	HSD	1292	1200
2	Pakgen Private Limited	RFO	-	365	350
3	Lalpir Private Limited	RFO	-	362	350
4	Kohinoor Energy Limited	RFO	-	131	126
5	TNB Liberty Power Limited	GAS	HSD	235	211
6	Uch Power (Private) Limited	GAS	-	586	551
7	Rousch (Pakistan) Power Limited	GAS	HSD	412	395
8	Habibullah Coastal Power (Pvt.) Co.	GAS	HSD	140	126
9	Attock Gen Limited	RFO	HSD	165	156
10	Atlas Power Limited	RFO	HSD	225	214
11	Nishat Power Limited	RFO	HSD	200	195
12	Nishat Chunain Limited	RFO	HSD	200	195.6
13	Liberty Power Tech. Limited	RFO	HSD	200	195
14	Orient Power Company Limited	GAS	HSD	229	213
15	Saif Power Limited	GAS	HSD	229	209
16	Sapphire Electric Company Limited	GAS	HSD	225	209
17	Halmore Power Generation Co. Ltd.	GAS	HSD	225	209
18	Engro Powergen Qadirpur Limited	GAS	HSD	227	217
Subsidiary IPPs					
19	Hub Power Company Ltd (Narowal)	RFO	-	220	214
20	Uch-II Power (Pvt) Ltd	GAS	-	404	375.2
21	Saba Power Company (Private) Limited	RFO	-	134	125.5

Upcoming Topics

May

Cost Benefit Analysis of conversion of RFO plants to RLNG

Established in 2010, IPPA serves as an advisory body for Independent Power Producers (IPPs) in Pakistan. IPPA liaises with the government and related departments such as NEPRA, SECP, WAPDA, CPPA-G, NTDC and PPIB and also serves as a facilitator between various IPPs and stakeholders within the power sector.

If you have any suggestions or feedback, kindly write to us at feedback@ippa.com.pk