



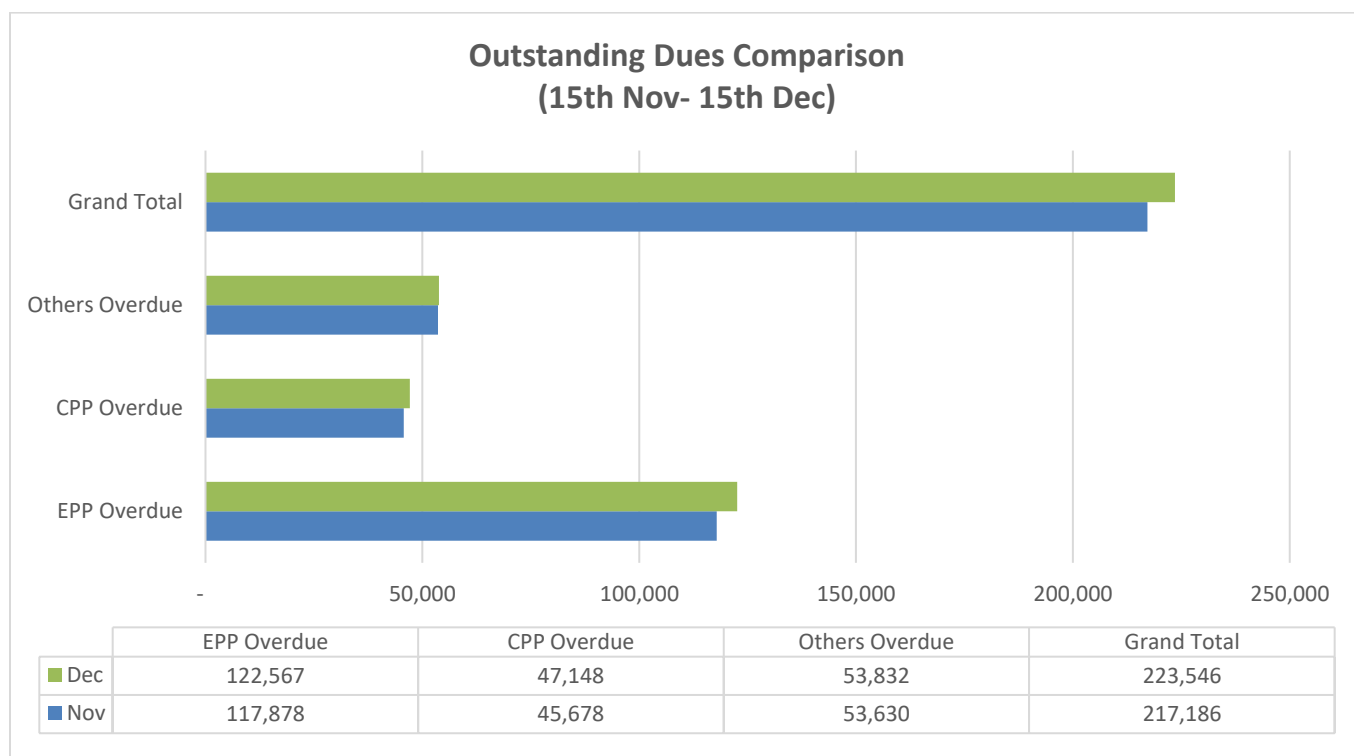
# INDEPENDENT POWER PRODUCERS ASSOCIATION

## MONTHLY NEWSLETTER

Welcome to the tenth 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

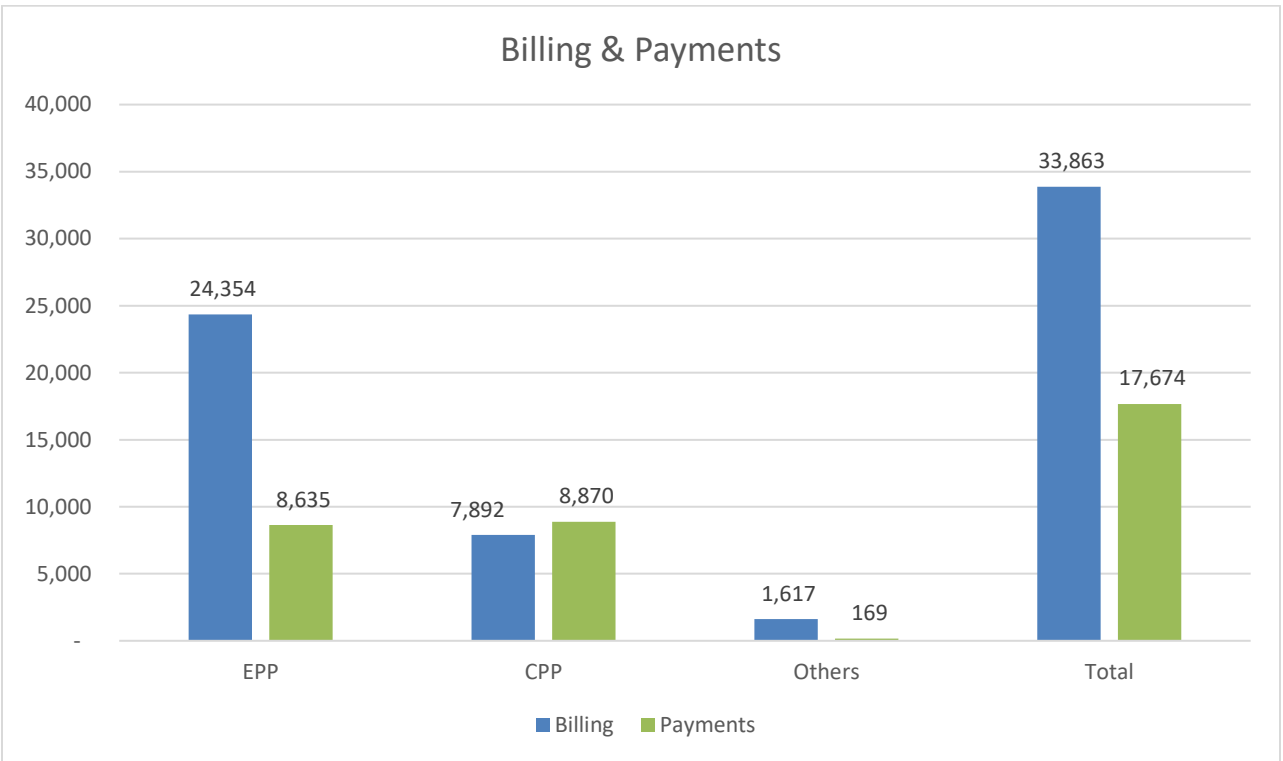
#### Outstanding Dues as of 15<sup>th</sup> December, 2017 in PKR Millions



Source: Member and Subsidiary IPPs

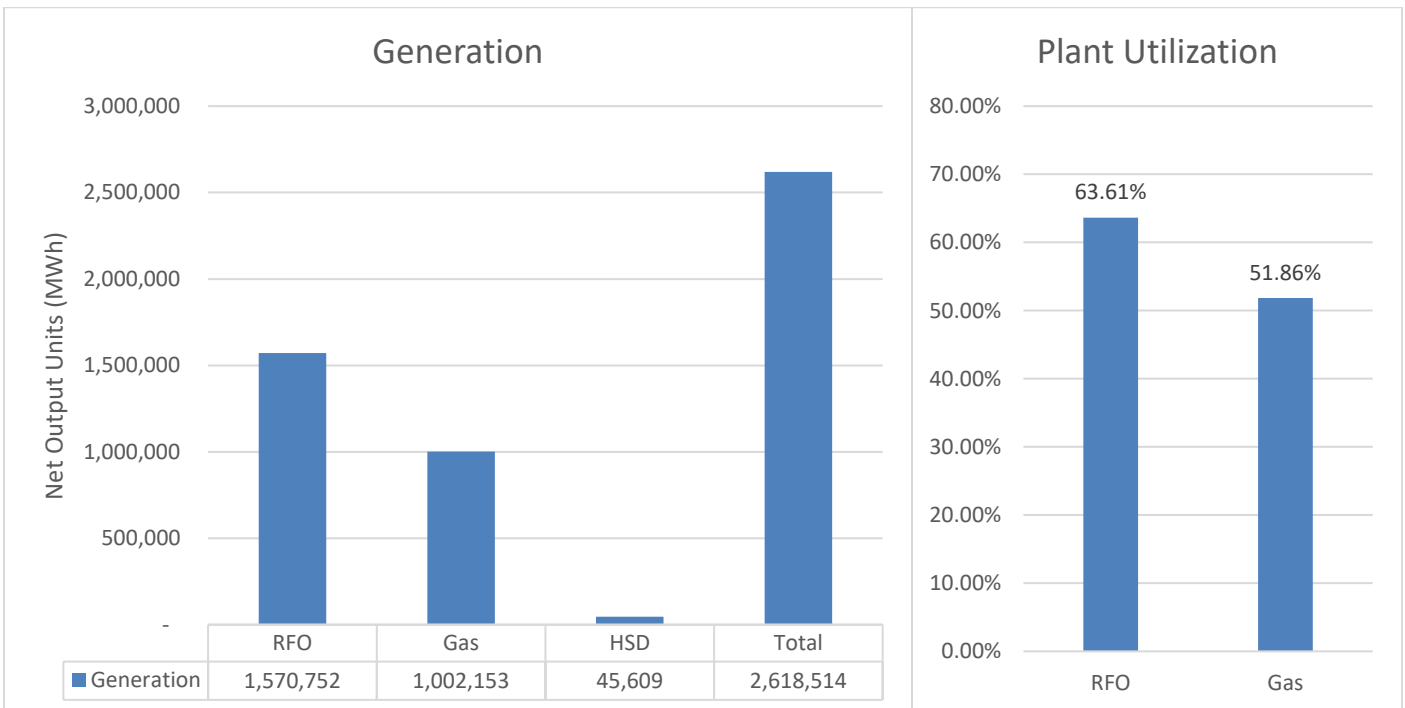
# Monthly Infographics

## Billing and Payments in December 2017 in PKR Millions



Source: Member and Subsidiary IPPs

## Net Generation and Plant Utilization in December 2017



Source: Member and Subsidiary IPPs

# NEPRA: The Issue of Autonomy

In 1992, in an attempt to improve the viability and performance of the power sector, the government approved WAPDA's strategic plan for the privatization of the power sector. One of the key decisions made in this plan was to establish an independent regulatory body to introduce transparent economic regulation and implement prudent commercial principles in the power sector. Accordingly, National Electric Power Regulatory Authority (NEPRA) was established in 1997.

However, NEPRA in its current form in no way can be categorized as an independent regulatory body. The government has taken successive steps to clip the powers of NEPRA. In February 2017, the administrative control of NEPRA was transferred from the cabinet division to the Energy Ministry (then known as Water and Power Ministry)<sup>1</sup>. The Prime Minister in power asserted that this move was made as NEPRA was regulating government institutions rather than the private sector<sup>2</sup>. It is pertinent to mention that NEPRA is a regulatory body which oversees the entire power sector, which includes government-owned entities. Moreover, the government-owned inefficient generation companies and distribution networks are among the leading causes behind the poor performance of the power sector. Therefore, it only seems logical for NEPRA to reprimand the inefficient government owned entities and attempt to reform them.

The Government assured the Peshawar High Court (PHC) that the transfer of administrative control is in compliance with the Rules of Business 1973 and this move was merely made to redistribute work amongst various divisions.<sup>3</sup> The government also claimed that the transfer of administrative control will not affect the independence of NEPRA as its autonomy will be well protected under Nepra Act 1997<sup>4</sup>.

However, in May 2017, the Council of Common Interests (CCI) approved significant amendments to NEPRA Act thereby compromising the latter's autonomy<sup>5</sup>. These amendments entail that government directives will have to be followed in making several key decisions which fall under NEPRA's jurisdiction. These amendments include:<sup>6</sup>

1. NEPRA will be bound to follow guidelines given by the federal government which the latter may issue to ensure that the national electricity policy and national electricity plan are followed in matters such as determination, modification or revision of rates, charges and terms and conditions for the provision of electric power services.
2. An independent panel would be formed which will have the authority to challenge NEPRA's decisions.

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<sup>1</sup> 'Transfers of power: NEPRA autonomy to stay intact, govt tells PHC' by Fawad Ali

<sup>2</sup> 'Power Sector: hits and misses 2017 (ii)' by BR Research

<sup>3</sup> 'Transfers of power: NEPRA autonomy to stay intact, govt tells PHC' by Fawad Ali

<sup>4</sup> 'Transfers of power: NEPRA autonomy to stay intact, govt tells PHC' by Fawad Ali

<sup>5</sup> 'NEPRA stripped of its autonomy' by Khaleeq Kiani

<sup>6</sup> 'NEPRA stripped of its autonomy' by Khaleeq Kiani

3. The federal government will have the authority to levy surcharge on consumers to utilize it for discharging public service obligations.

The government rationale behind hijacking NEPRA's powers was that the latter was unable to fulfill its role diligently<sup>7</sup>. However, making a hoax out of the sole 'independent' electricity regulator is a misguided step to improve the condition of the power sector. Evidence suggests that good regulation is a key factor behind improvement in electricity sector in developing countries<sup>8</sup>. A few of the key factors defining effective regulation are independence, accountability and clarity of roles<sup>9</sup>. By stripping NEPRA's autonomy, the government is setting up the power sector to failure. If the regulatory body is unable to carry out its functions diligently then efforts should be made to fix this issue, by for example hiring better human capital, implementing stricter transparency and accountability mechanisms, and allocating more resources, rather than allowing the government to micromanage it.

The autonomy of the regulatory body is a necessity for any sector to ensure efficiency and transparency. If the regulatory body makes decisions based on directives of the government, there is no guarantee that consistent policies will be carried out and fair decisions will be made. The government may change policies which fulfill its political agendas at any particular point in time. In continuation, no long term policy can be implemented as there is no guarantee that the successive government will follow the same philosophy. However, if the regulatory body is independent, in principle future policy making can be successfully carried out.

In nutshell, if Pakistan wants to attract more investments in the power sector, it is imperative to follow international best practices. The move by the government to strip NEPRA of its autonomy is a clear violation of such practices and leads to distrust among investors<sup>10</sup>. The government is also planning to move towards an electricity trade market, however, such plans seem futile if the government does not allow independence to the regulator in even the current market structure. Overall if we aim to see Pakistan's electricity sector to move towards a stable and more efficient models, than it is imperative to allow the regulatory body to work without the interference of the government.

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<sup>7</sup> 'NEPRA stripped of its autonomy' by Khaleeq Kiani

<sup>8</sup> 'The Evaluation of Regulatory Agencies' by Jon Stern

<sup>9</sup> 'Developments in Best-Practice Regulation: Principles, Processes, and Performance' by Sanford Berg

<sup>10</sup> 'Regulators lose their autonomy' by BR

# 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
<b>Subsidiary IPPs</b>					
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

**February**

Energy Mix

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](mailto:feedback@ippa.com.pk)**