



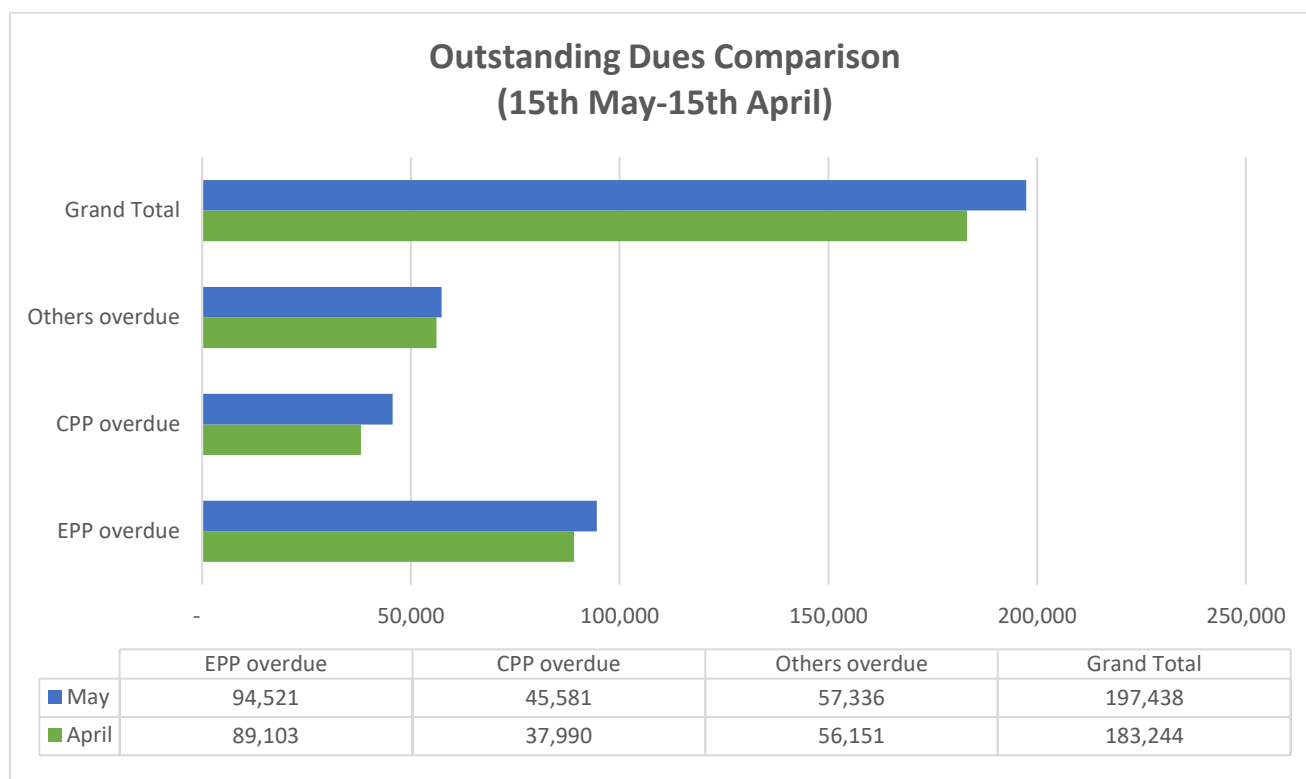
INDEPENDENT POWER PRODUCERS ADVISORY COUNCIL

MONTHLY NEWSLETTER

Welcome to the third edition of Independent Power Producers Advisory Council (IPPAC) 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

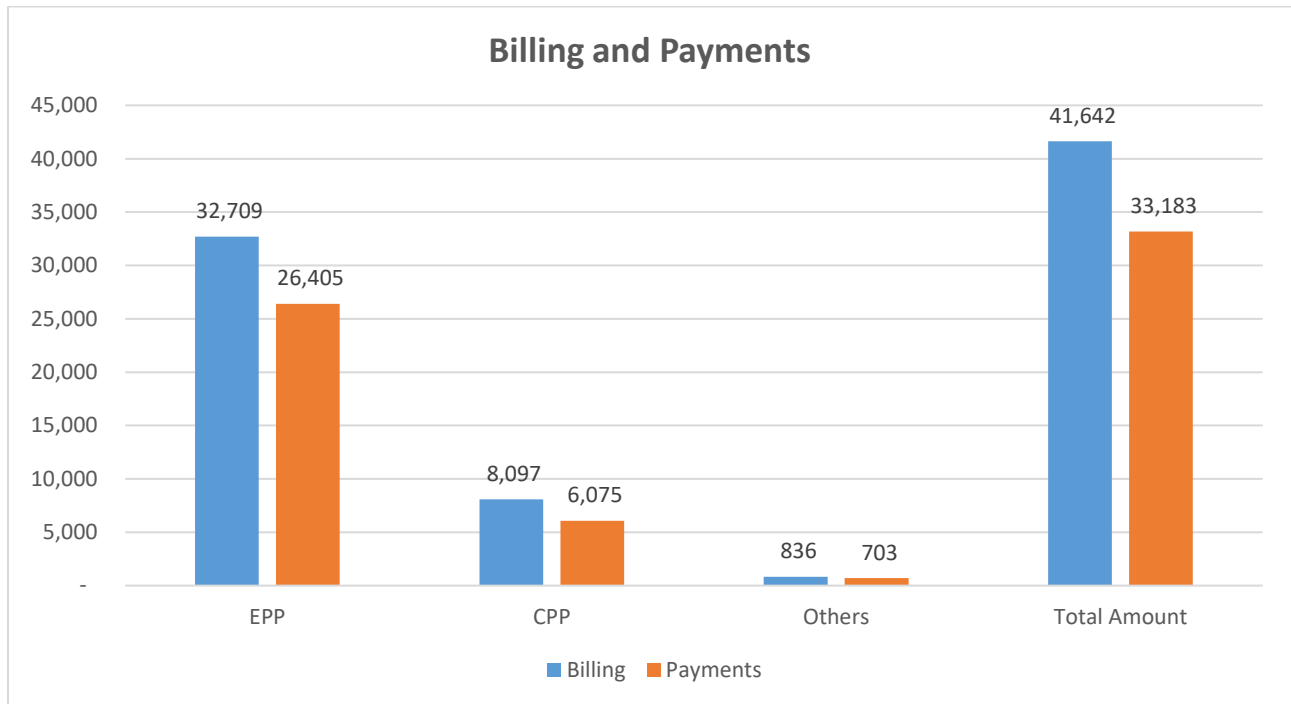
Outstanding Dues as of 15th May, 2017 in PKR Millions



Source: Member and Subsidiary IPPs

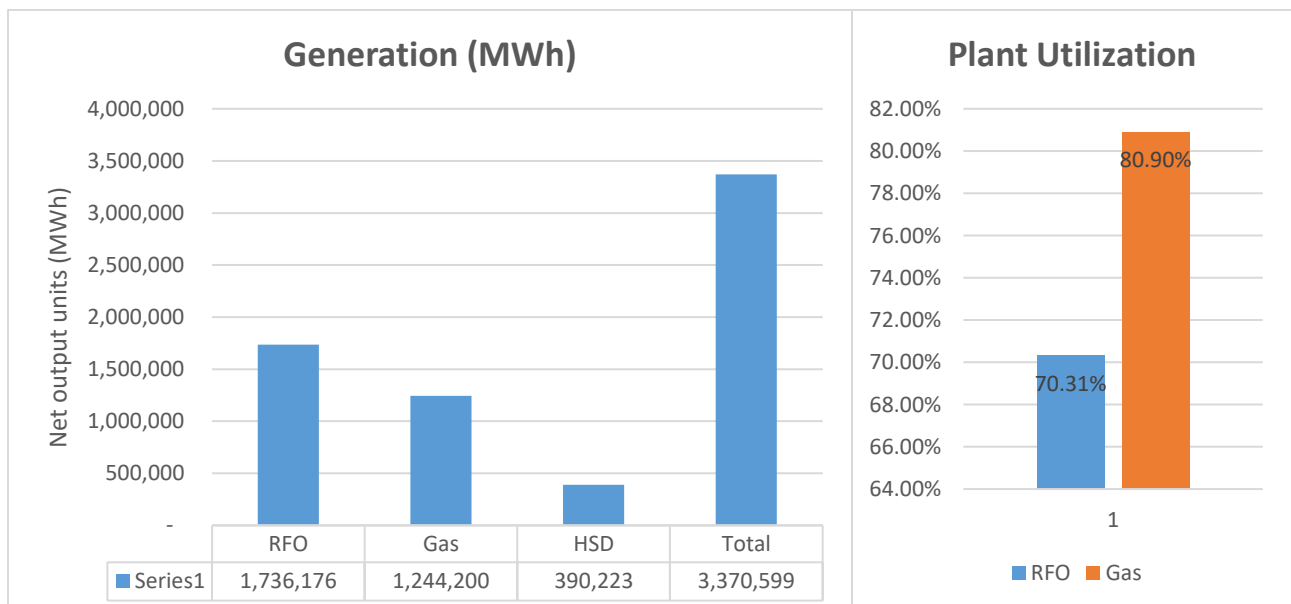
Monthly Infographics

Billing and Payments in May 2017 in PKR Millions



Source: Member and Subsidiary IPPs

Net Generation and Plant Utilization in May 2017



Source: Member and Subsidiary IPPs

Discussion: Losses, Theft & Recoveries of DISCOs

The power sector of Pakistan currently faces a multitude of problems such as increasing circular debt, high transmission and distribution losses and poor governance and revenue collection. To get a clearer context regarding these issues, it is important to understand the energy supply chain of Pakistan.

The energy generation comprises mainly of government-owned fuel-powered GENCOS, government-owned hydro-power dams and private owned IPPs in addition to other electricity generation sources such as rental plants and state-owned nuclear power plants among others, which sell their units of electricity only to the national power purchaser such as CPPA-G or WAPDA. After this process, the National Transmission and Dispatch Company (NTDC) is responsible for transmitting the energy to the respective distribution companies (DISCOs) such as LESCO, IESCO, HESCO, PESCO, etc. using either 500 kV or 220 kV transmission lines. The DISCOs are then responsible for distributing energy to the end consumers. A diagrammatic description of the energy system is attached below in Appendix A.

Out of many issues the energy sector currently faces, the problem of T&D losses, theft and low recovery on the distribution side are greatly affecting the efficiency and performance of the energy supply chain.

According to NEPRA State of Industry Report 2015, majority of DISCOs have reported 'higher losses than previous years. In 2014-15, the transmission losses amounted to around 2.63%, while distribution losses were around 20%. In continuation, SEPCO and PESCO reported highest T&D losses exceeding 38% and 34% respectively. In nutshell, more than a one-fifth of the total number of units was lost in the distribution network of the 10 government-owned DISCOs signifying the impact of losses at the distribution network. Furthermore, as this loss figure was never billed or recovered, it added to the cash shortfall and, thereby, worsening the circular debt issue. The following table shows the distribution losses of the 10 government owned DISCOs:

DISCOs' Losses (2014-15)

	PESCO	TESCO	IESCO	GEPSCO	LESCO	FESCO	MEPCO	HESCO	SEPCO	QESCO
Targets set by the Authority (%)	26.00	22.31	9.44	9.98	11.75	9.50	15.00	20.50	27.50	17.50
Actual Results of DISCOs (%)	34.81	21.68	9.41	10.72	14.10	11.03	15.50	27.08	38.29	23.10

Source: NEPRA/DISCOs

The issue of electricity theft is another major concern as it hampers the ability of the distribution sector to function properly. According to NEPRA's State of Industry Report 2013, it is estimated that 'on an aggregate basis about 50% of distribution losses are non-technical due to theft, non-billing and administrative problems.'

On recovery and collection end, against government's target of 100% recovery at the distribution level only 89.16% were recovered in the year 2014-15. This clearly indicates that approximately 11% of the billed amount was not recovered mainly due to inefficient collection at the DISCO level¹.

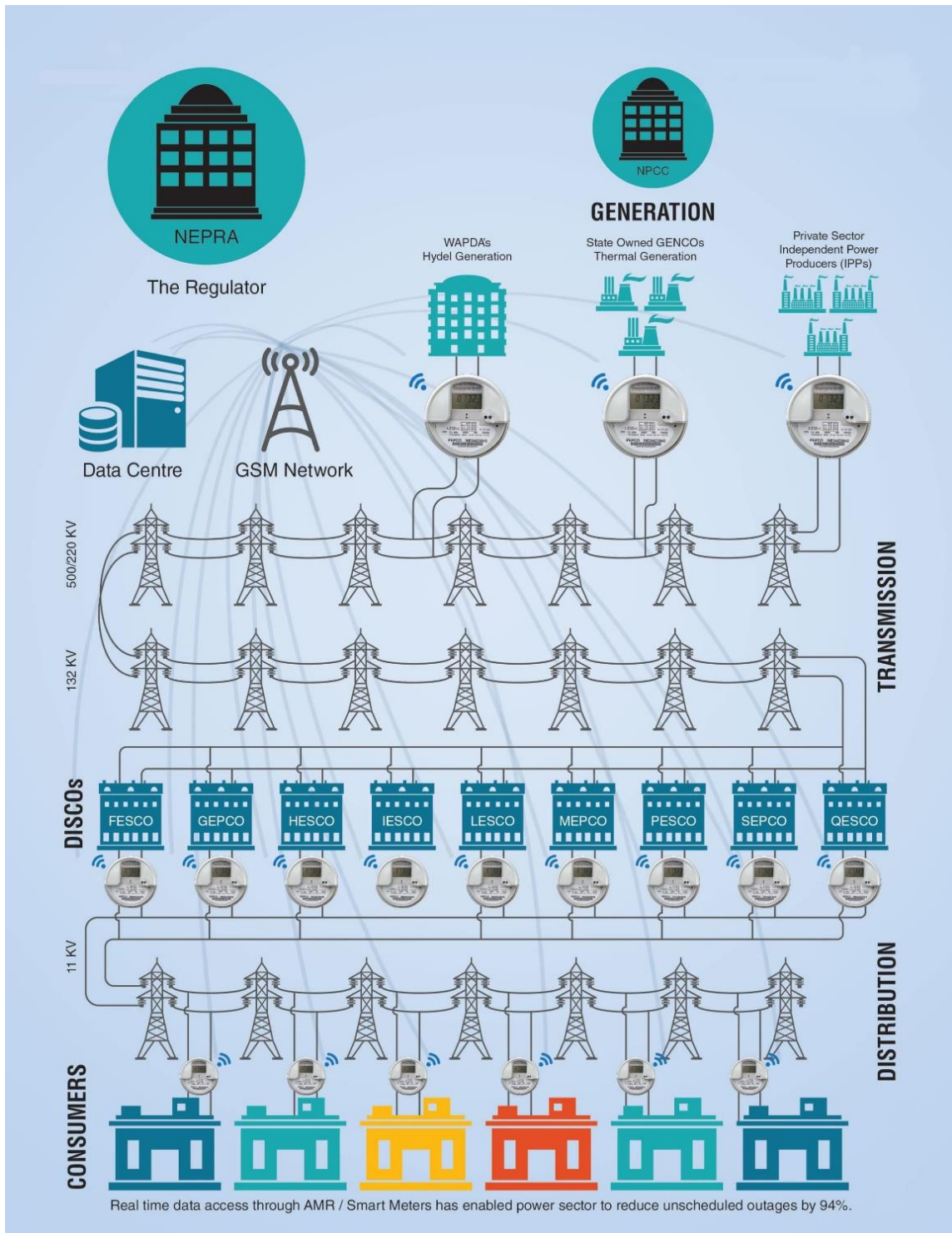
In order to address these issues, government has not only aimed to improve T&D Losses from 23-25% to 16% but also collection from 85% to 95% by the end of 2017. However, the following steps might be considered to effectively deal with these issues which escalate circular debt crisis and adversely affect the performance of the overall energy sector:

- In order to minimize losses, transmission and distribution systems must be strengthened by investing in cost-effective transmission lines.
- Installation of smart meters and implementation of modern collection methods at the DISCOs level can assist in reducing theft.
- Privatization of DISCOs may be considered to improve the efficiency and performance of government owned entities. Until the long term privatization, the following steps could be considered as temporary solutions:
 - The DISCOs which report higher losses, theft and lower recovery statistics must be given special attention. Their collection task of specific feeders with higher losses must be outsourced to the private sector in order to improve performance.

¹ Specifically SEPCO, QESCO and HESCO, which showed very poor recovery of bills.

- Monitoring and Surveillance efforts must be improved at the DISCOs level. For this, an independent third-party monitoring unit could be established.

Appendix A



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

July

Comparison of GENCOs and IPPs

August

Taxation Issue in Pakistan

September

What is the Real Position of the Power Sector?

October

Is Electricity Trading a viable option for Pakistan's Power Sector?

November

De-Risking the Power Sector for Lower Pricing

Established in 2010, IPPAC serves as an advisory body for Independent Power Producers (IPPs) in Pakistan. IPPAC 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 ippac@live.com