Volume 1, Issue 2, May - 2017

IPPAC

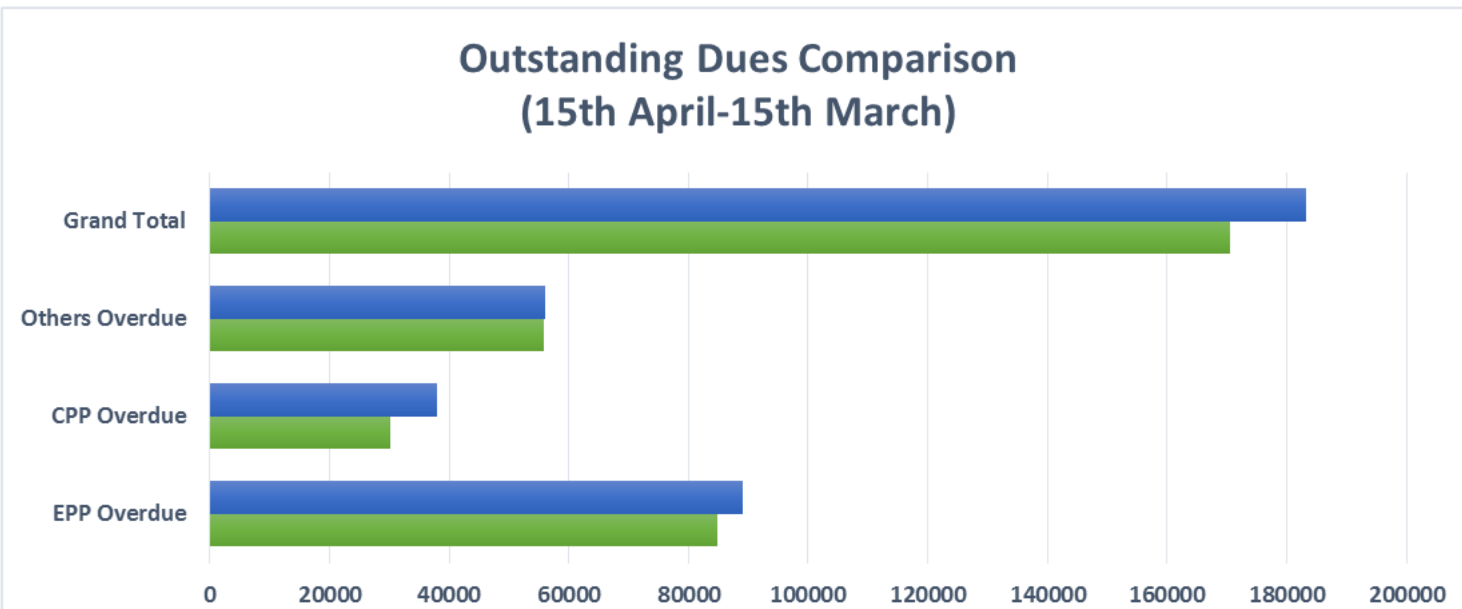
INDEPENDENT POWER PRODUCERS ADVISORY COUNCIL

MONTHLY NEWSLETTER

Welcome to the second 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

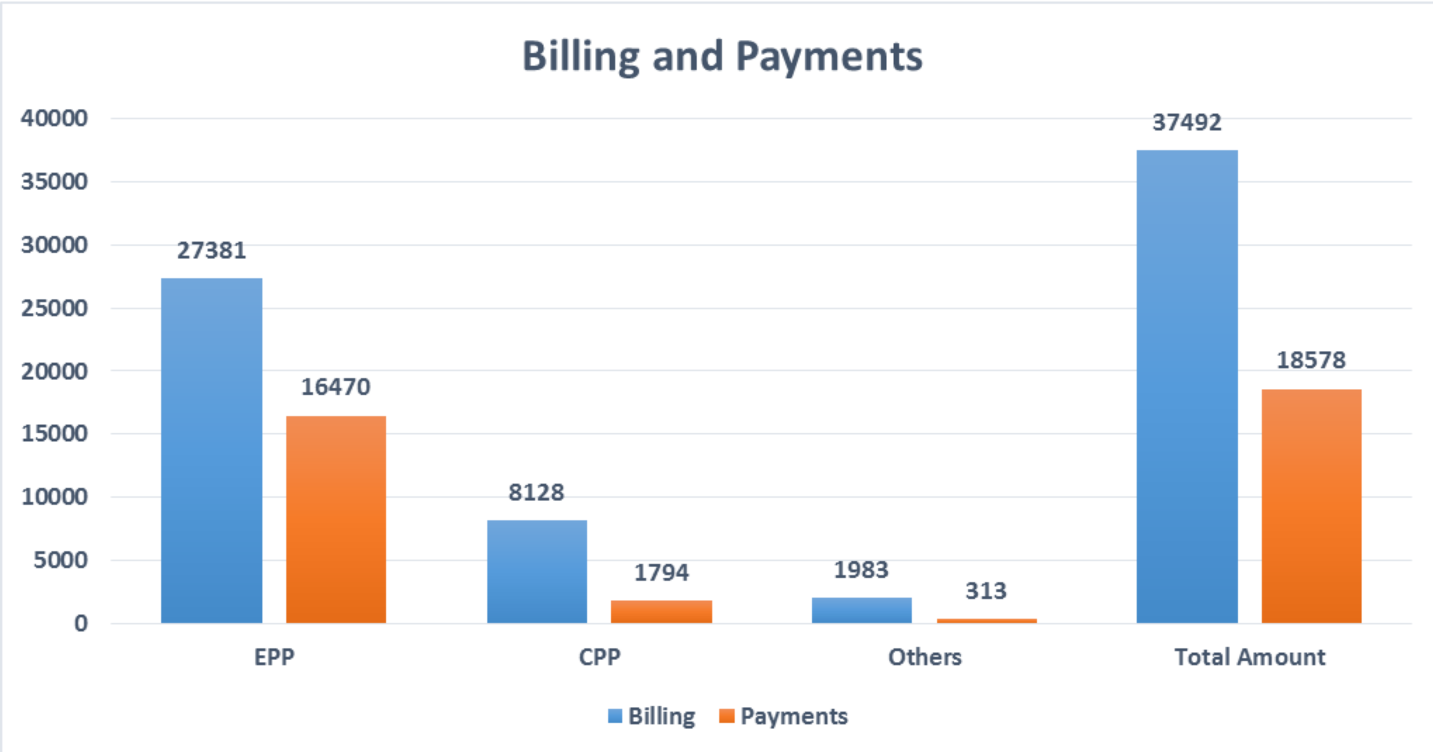
Outstanding Dues as of 15st April, 2017 in PKR Millions



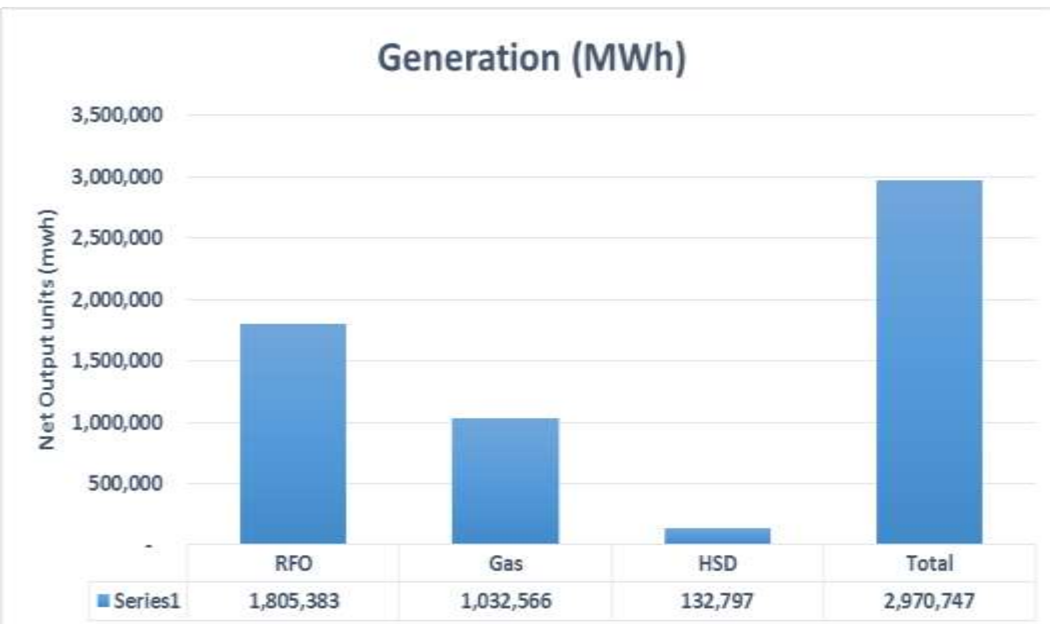
	EPP Overdue	CPP Overdue	Others Overdue	Grand Total
April	89103	37990	56151	183244
March	84733	30089	55790	170612

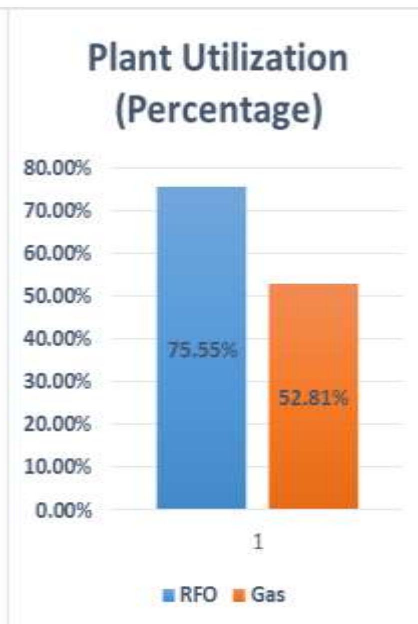
Monthly Infographics

Billing and Payments in April 2017 in PKR Millions



Net Generation and Plant Utilization in April 2017





Discussion: Financial Impact of New and Upcoming Power Projects

For more than a decade, the domestic and commercial lives of people in Pakistan have been disrupted by the power crisis. The situation worsens during summer peak season when the electricity shortfall exceeds 6000 MW leading to load shedding of up to 14 hours.

New Projects:

The maximum peak generation that has been achieved to date is 17,720 MW, which still falls short of the electricity demand which is around 21,000 MW in summer. Therefore, in an attempt to address the power crisis, government has granted generation licenses to several new project. Among these, the following independent power projects have achieved financial close and will become fully operational within a year:

	Company	Location	Net Capacity (MW)	Fuel	Expected COD
1	Huaneng Shandong Ruyi (Pakistan) Energy (Pvt.) Limited	Qadarabad, District Sahiwal, Punjab	1320	Coal	August 2017
2	Port Qasim Electric Power Company (Pvt.) Limited	Port Qasim, Karachi, Sindh	1320	Coal	June 2018
3	Quaid-e-Azam Thermal Power (Pvt.) Limited	Bhikki, Sheikhupur, Punjab	1180.17	RLNG	December 2017
4	National Power Parks Management Company (Pvt.) Limited	Balloki, Punjab	1223.106	RLNG	January 2018
5	National Power Parks Management Company (Pvt.) Limited	Haveli Bahadar Shah, Jhang, Punjab	1230.54	RLNG	January 2018

Note: Projects in serial 3-5 will come on stream in simple cycle about 6 months earlier

First phase of Sahiwal power plant (660 MW) has been inaugurated and Bhikki has also been commissioned in simple cycle.

Approved Tariffs:

The following tariffs were approved at the time of tariff determination. They will be indexed quarterly according to the mechanism provided in the tariff agreements.

Power Plant	Capacity Charges (Rs./kWh)		Energy Charges (Rs./kWh)	Total (Rs./kWh)	
	1-10 years	11-30 years		1-10 years	11-30 years
Sahiwal	4.0861	2.1224	4.7153	8.8014	6.8371
Port Qasim	4.0861	2.1224	4.7153	8.8014	6.8371
Bhikki	1.8919	0.8831	4.8270	6.7189	5.7101
Balloki	1.9345	0.9930	4.8217	6.7562	5.8147
Haveli Bahadur Shah	2.0052	1.0060	4.7629	6.7681	5.7689

Impact of New Projects:

The core issue behind the power crisis is lack of funds, which stems from a number of factors including low recovery and high transmission and distribution losses of power distribution companies. Therefore, in order to understand the effectiveness of these new projects in solving the energy crisis, it is important to consider their financial impact.

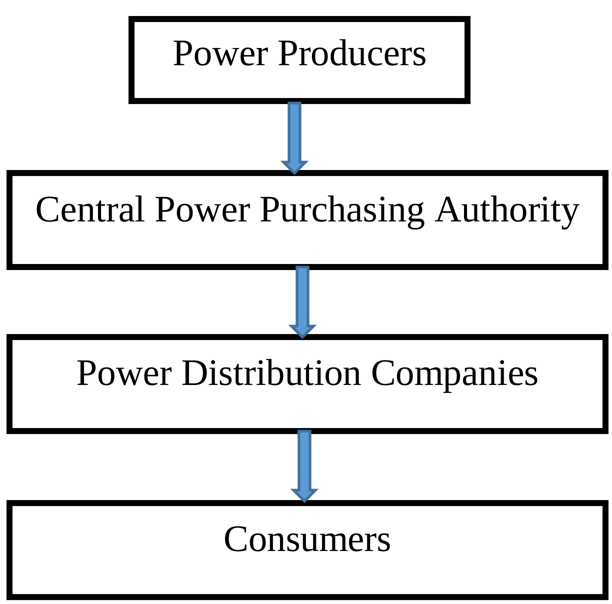


Figure 1: Flow of electricity across the supply chain

While the CPPA-G will have to pay the approved indexed generation cost to the power producers, the consumers will be billed this cost along with the following components:

- Use of system charges of NTDC
    - Fixed Use of System Charge (USCF)- Rs. 136.04/kW/Month
    - Variable Charge (USCV)- Rs.0.163363/kWh x LAL Factor
- Market operation fee of CPPA-G- Rs. 2.5191/kW/Month
- GST on energy transfer charge

However, DISCOs will be unable to recover even the generation cost component from the consumers, let alone the entire billed amount. This can be attributed to the fact that 19% of the electricity is lost due to transmission and distribution losses. Moreover, only 94.3% of the amount billed to the consumers is recovered (Quarterly Performance Report Power Distribution Companies, January-March 2016). This will result in an additional loss of at least Rs. 10 billion per month to the distribution companies after induction of these plants.

Consequently, CPPA-G will be unable to fulfil its obligation towards the power producers. Over the years, CPPA-G has been struggling to pay the IPPs their full due on time. Therefore, when the payment obligations will increase, the situation is expected to get worse. Resultantly, increasing number of power producers may be unable to produce at full capacity. If such a situation arises then despite having the capacity to fulfill the demand, the power crisis may worsen instead of improving.

<u>Way Forward:</u>

Although, it is imperative to add additional capacity to cater to the increasing energy needs of Pakistan however, there is also an urgent need to address the issue of lack of funds. Long term policies should be formulated to upgrade the transmission and distribution systems, which will help to reduce the inefficiencies in the system. Moreover, effective mechanisms should be set in place to increase the recovery of the billed amounts.

Furthermore, resources should be devoted to accurately forecast the energy demand before granting generation licenses to future projects. If the additional generation capacity exceeds the demand then the power plants will not be utilized to their full capacity while the capacity charges for the unused capacity will still have to be paid. This will worsen the issue of lack of funds, resulting in exacerbation of power crisis. Therefore, it is essential to keep the core issue in consideration while formulating solutions to eradicate the power crisis.

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

June

Losses, Theft and Recoveries for DISCOs

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