

Power Generation
Wheeling of Electric Power, NEPRA Act Regulations 2016
For Industries in Khyber Pakhtunkhwa

Date: January 06, 2022

Introduction:

Pakistan's current deficit is more than USD 17 billion. In this situation, it is difficult to provide cheap electricity to the country's manufacturing industries. In December 2022 the Power demand fails to pick up showing the dismal state of the energy sector as well as the national economy.

On the other side industrialists of Khyber Pakhtunkhwa, are in a struggle against the "Enhanced MDI/Fix Charges" as imposed under the notification of July 25, 2022. That's against the spirit of business facilitation and the industrial community taking it as illegal and unlawful. In accordance with the petitioner's filled request. The Amount in the shape of MDI/Fix charges levied in excess of the actual indicated load on meters (MDI) are illegal and void ab-initio and therefore be set aside. They also demand for any other relief that this court deems fit and proper may also be granted in favor of petitioners.

A country under these circumstances cannot provide cheap and uninterrupted supply to its commercial and industrial users, which is the bloodline for its production plants. The High Tariff Power will defiantly cause more inflation in the country. The Economic Crisis, bring the country at the edge of default.

Background:

All the stakeholders are in struggle for it, to make the revival possible. The "Wheeling Regulations" under the NEPRA (Wheeling of Electric Power) Regulations 2016 can bring a positive change.

- In June 2020, Pakhtunkhwa Energy Development Organization –PEDO launched the project of phase one of 18.00 MW (Pehur) of electricity supply to National Grid. Which is located at Pehur High Level Canal on the right bank of River Indus Downstream of Tarbela Reservoir in District Swabi. At the earlier PEDO had been selling electricity Rs. 4.5 per unit to the national grid. That has been reduced to Rs. 3.5 per unit, now.
- While providing electricity in the phase one, DISCOS objected to providing electricity to industry, urging that industry was the good consumer of DISCOS and they did not want to lose their consumers. PEDO had requested DISCOS to allow them to provide 40% share of electricity to industry and to convince DISCOS, PEDO offered that they would sell electricity only in the off peak hours and not in peak hours.

- After successful negotiation they started supply of electricity to industry Rs. 7.5 plus wheeling charges. That was a win-win situation for the industry as well as for the PEDO. As PEDO received more per unit price as compared to injecting electricity to the national grid i.e. Rs 7.5 instead of 3.5 while the industry receiving electricity at cheaper rates.
- PEDO launched 2nd phase of 148 MW for which they called the impression of interest from industries for which 73 industries showed their interest in the bidding. In the meanwhile Multan & other discos approached the Islamabad high court against wheeling charges and demanded Rs. 15 per unit wheeling charges. In this regards PEDO held several meetings with the then Secretary Energy and tried to convince to allow supply of electricity to industries through wheeling but all in vain.
- The meetings that due to the locational disadvantage as the industries are very far away from the sites of PEDO and do not have its own transmission network, it was unable to supply electricity to industry directly but to inject in the national grid at cheaper rates.
- In April 2022, Islamabad High Court dismissed the plea of the DISCOS. PEDO was trying its best to settle the matter with the Ministry of Energy and DISCOS out of the court. The Ministry was of the opinion that, if they allowed wheeling on cheaper rates then all the industries would shift to Khyber Pakhtunkhwa.
- That currently wheeling is continued for phase one while for the second phase PEDO tried their level best to settle the matter out of the court, for which PEDO held meetings with the ministers, federal secretaries etc. PEDO with proper consent of Khyber Pakhtunkhwa government did correspondence with NEPRA for allowing wheeling at Rs. 3.0 to Rs. 5.0 per unit.
- Pakistan's manufacturing sector total share is 12.3pc in FY2022 and it employed 16.1pc labour force. It is amongst the major prominent exporters textile to the world market. Khyber Pakhtunkhwa providing 10pc to Pakistan's total manufacturing sector, almost 10pc of total Pakistan textile industry configured and operational in Khyber Pakhtunkhwa and provision of electricity on cheaper rates will help a lot to industries located here. This will start a new era of industrialization in Khyber Pakhtunkhwa. But the bureaucracy of the Federal Government is very reluctant in this matter.
- In the month of January 2022, the Secretary of Energy and Petroleum during his visit and during the discussion shared concerns. That if they would not facilitate the consumer then they will reduce their consumption. But if the Industries of Khyber Pakhtunkhwa would be facilitated then other provinces industries will increase their consumption and produce more and more. In case of non-availability of electricity to the industry then no one will invest nor will the existing industry run its operations.

- South Korea was producing electricity via using nuclear resources. There are networks of small, medium and large scale industries everywhere. In Khyber Pakhtunkhwa, the textile industries producing electricity through generators and Captive Power Plants for which they were using natural gas. If electricity would be available to these textile industry at cheaper rates then they would not use the gas, and get the electricity from PEDO meaning thereby the gas would become surplus and the government would use this surplus gas at any other place.

Under Discussion Proposals:

- Khyber Pakhtunkhwa is producing 450 MMCFD gas while the total consumption of gas is less than 200 MMCFD. The Natural Gas produced in Khyber Pakhtunkhwa is supplied to fertilizer industry of Punjab. After the Wheeling these industries will get the surplus amount of Natural Gas for their production. Through this the government/ discos could get the extra income.
- NEPRA's role is a kind of mediator, which requires to be constructive and effective. In the CTBCM Regime, NEPRA is dividing the DISCOS in pieces. As the exemption is allowed for phase 1, probably NEPRA will also allow exemption to phase 2.
- As substitute option the prominent industrialists will approach the Senate Standing Committee, which will also be beneficial. PEDO recently constituted a committee for working on the proposal of its own transmission and grid stations and trying to produce more and more electricity. In the upcoming years, PEDO will be able to provide 1000 MW of electricity to the public sector, and 2500 MW to other sectors meaning thereby able to produce 3500 MW.
- At this stage, the 2nd Phase of PEDO and Prominent Industries from Khyber Pakhtunkhwa will consider the supreme legislative forum for intervention to resolve the matter. Being optimistic we are still hopeful for the relief in case of MDI/Fix Charges collection from commercial and industrial consumers.

These Limitations/ Restrictions not allowing the industries and investors to be fully focused on their primary matters related to production. The acts are against the spirit of industrialization in the country. We need to strengthen this Federation and to provide the ease in doing of business in over all the country.

Thanking You.

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Secretary General
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