THE MAKEUP OF THE PAKISTAN POWER SECTOR

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The Power Sector in Pakistan has a distinct make-up. Its genesis is basically triggered by the actual developmental needs of the country and also sometimes on the whims of persons at the helm of affairs. The latter of the catalysts are more evident during the last 35 years or so – when the multilateral donor agencies (MLDAs) too held sway over the country.

1958 saw the setting-up of WAPDA (Water and Power Development Authority) – an entity tasked to oversee and also implement development of both the water and power sectors, and which did a commendable job for many years. And then too, the surmise that the longitudinal geography of the country needed to be used for satiating the power appetite prevailed for three decades or so. Consequently and rightly, all of the hydro-generation was planned and installed in the North, while thermal generation was provided in the South and then the transfer of the seasonal generation to and for was arranged through the marvel of a national grid.

Pakistan as early as in 1978 had its own EHV transmission line supplying power from Tarbela to the mid-country load center of Faisalabad. At that moment of time, Pakistan boasted its 500 KV line as a first in Asia – including China, India and Japan. Thereafter, things went well until WAPDA bogged down due to its inability to raise electricity tariffs in the period 1992-1997 and when HUBCO (it is not an IPP under the 1994 Power Policy) claimed first right to the Authority's revenues. And instead of once again going to the drawing boards or taking a leaf out of the PIDC's (Pakistan Industrial Developmental Corporation) book, GoP decreed that WAPDA would restrict itself to hydro-development while thermal generation would become the forte of the private sector alone. Such investors were mindlessly facilitated with US dollar denominated tariffs and returns and the rest is history in the shape of constricting IPPs.

Corporatisation of WAPDA's Power Wing into distribution companies (DISCOs), the National Transmission and Dispatch Company (NTDC) and public sector generation companies (GENCOs) were taken-up concurrently (with the IPPs) and now these entities are at the whims of their non-professional boards of directors and a near free float, that defies logic; while service, sales and development have all plummeted. Unfortunately, due to reasons known to all the electricity tariff has gone galloping. The sad part is that the same old style of load suppression model for the electricity tariff has been retained which under the circumstances is simply unfathomable. That this has serious ramifications after the present glut and ensuing low sales of electricity generation, needs to be kept in view for any decision making.

Coming over to the present goings, we see that the national generation portfolio of 43,775 MW has 10,635 MW of hydro-generation – primarily in the public domain and 19,607 MW of IPPs – nearly all thermal units with only 2,837 MW of alternate and renewable energy (ARE) units. The maximum demand (including KESC) manifested during the period July-August last year reached 34,000 MW , while the same in winters drops to as low as 15,000 – 16,000 MW. The difference mainly is on account of the cooling demand of the summers. This anomaly forces the power sector to arrange for a generation level that could meet the maximum demand of high summers, while not being excessive during winters – all of which needs extreme dexterity. As the various needed step have not been taken, the sector has become a serious threat to the economy and along-with it, the lowered writ of the government has wreaked havoc. Consequently, the sector is presently unable to recover it's legitimate revenue, forcing the non-professional managers to resort to revenue based loadshedding or simple denial of power to areas with low bills recovery, which in turn had ended-up in the weight of raw capacity charges to be paid to the IPPs – presently shut or having low dispatch. That such a scheme had to be for a very short period during which main-streaming of the deviant consumers could be achieved has been forgotten and now we see huge protestations all around the country.

In view of the ensuing Power Sector Circular Debt (CD), the MLDAs – the very ones who in-fact are responsible for cajoling the non-professional in the GoP to de-bundle WAPDA's power wing into the 15 PSCEs (Power Sector Corporatized Entities) – are now assuring that we increase the tariffs to make space for ameliorating the above debt of Rs. 2.3 trillion. This exercise is being dubbed as some full recovery of the cost of service and a substantive reform. This is oblivious of the fact that the receivables to DISCOs currently tally at Rs. 2.188 trillion – collection of which can simply off-set whole of the circular debt. Besides, no one from the Power Division has the depth and understanding of the dynamics of the sector so that they could think about ways and means to assure that, at-least, the governmental entities pay their electricity bills on time. This is even more important considering the official statistics for May, 2023 depict a governmental default as large as Rs. 271.93 billion. If we add the GoP and GoB's obligations against Baluchistan tube-wells, then another Rs. 70.56 billion has to be added to official obligations, what to say about the dire straits in which the Power Sector seems to be.

Lately the Power Division has accused the provincial governments for the rot and the continuing increase in the receivables and inability to help DISCOs to stem line losses. Earlier on, the same Power Division had conjured a plan to transfer the DISCOs (10 in number) to the unsuspecting provinces with the plan to make them receivers of the power from the national grid and then have the cost thereof deducted from their federal outlays under the current financial accord. The provinces, at present, are processing possible take-over through transaction advisors. We need to keep our fingers crossed till final decision by the provinces. However, one thing is clear; the present so-called Corporatised Power Sector, instead of rallying, is failing day by day with no respite on the horizon.

What could be the main reason for the continuing rot? And what could be the silver bullet of a solution? Foray into the present scheme of things leads us to the conclusion that the main problem is duality of control by the Power Division and the most political BoDs. So dominant is the political angle that over 50 Khuli Katchehris have been conducted by a DISCO BoD Chairman alone during the last seven months and that too reportedly at the cost of Rs. 0.50 million for each event with much fanfare and undue advertisements even on the private media channels. This practice has continued although no such allocation or requirement is evident in the obligations of the BoDs and strangely this is happening in 2023.

Consequently, the requirement is to replace the present DISCO BoDs with truly professional ones in line with SECP's fit and proper criteria – rather, on the basis of an even more stringent criteria in line with today's issues and requirements. Conversely, the BoDs need to be scrapped altogether being a drag and nothing else. The Power Division or its power planning and monitoring commission can take care of the issues in a better manner then the present BoDs.

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