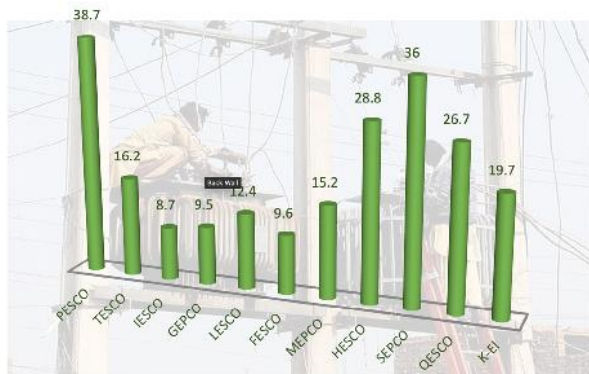


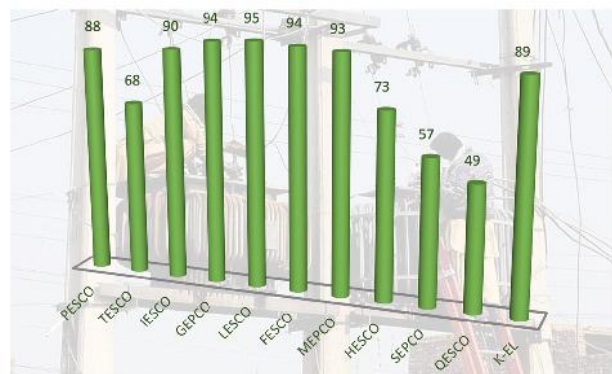
# Reforming electricity distribution

The power sector in Pakistan experience shortages not due to lack of supply, but mostly because of the financial issues of the distribution companies (DISCOs). Weak governance and mismanagement are prevalent in the distribution sector. About 10 per cent on average of the electricity sold is not recovered. There are issues of overbilling. More than 18 per cent of electricity is lost due to system inefficiencies and network deficiencies.

**Distribution Losses (%) in FY2020**



**Bill Recovery (%) in FY2020**



DISCO employees (management) after corporatisation are company employees but they are still treated as government employees and get transferred quite frequently. In the DISCO boards, there is hardly any expert to guide DISCO management. DISCOs are not independent to take decisions; even for minor purchases, they need approval from the power division.

For determining the sector's performance the focus is only on two key performance indicators (KPIs), i.e., transmission and distribution losses and recovery rates; no consideration is given to reliability or sustainability of supplies to end-consumers. Though there is a difference among DISCOs based on two main KPIs used; when viewed in terms of sales volume, there is not much difference in performance. The socio-political environment, in which the company operates, plays an important role.

Disharmony between federal and provincial governments is also affecting the efficiencies in the DISCOs. The roundtable besides highlighting challenges in the distribution sector, suggests steps to correct distribution inefficiencies. These include:

- Appoint experts on the boards of DISCOs and empower them to take tough decisions; make them accountable for their decisions. Make DISCOs a corporate entity with no government interference; the government should limit itself to policy-making.
- Invest in energy loss reduction programmes, distribution infrastructure and grid augmentation. Invest in human resources to build the capacity of DISCOs. Not only capacity building of management; DISCOs also need trained technical staff.
- The distribution sector requires smart and effective regulatory structure; there should be a strong linkage between the regulator and the DISCO management.
- After the amendment in NEPRA Act in 2018, DISCOs are asked to come for separate tariff determinations for 'wire' business and 'retail' business. Keep the assets (wire business) in the public sector (DISCO ownership); maintain them\_ to earn a reasonable profit out of it. Privatised or lease the 'retail' business. Divide large utilities into small units for better administration.
- Before taking any decision, there should be a consensus among all, that is, not only power sector stakeholders but also academicians, politicians, judiciary etc.