**The national electricity plan**

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Part - I

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Complying with the recently introduced requirements of the Nepra Act, the power division has prepared the first draft of the National Electricity Plan (NEP). This plan is one of the new instruments in the country’s energy regime and appears to be a good effort. It may not be a conventional plan – providing projections and numbers – but is better than that, although there may be semantic issues.

The NEP puts together almost all that has to be done in the power sector under a cogent framework. Not only it lists activities to be done, but also assigns responsibilities and sets deadlines. Previously, it was rarely found in government documents. It appears that this time the power division means business. Having said that, it is important to see how and when the plan will be implemented. Also, regardless of the fact that the government has take a commendable step, it is essential to point out the flaws and inadequacies in the plan and suggest the possible improvements.

There are a few challenges: a major market initiative called the Competitive Trading Bilateral Contract Market (CTBCM) is under development which has an overlap with the NEP. It has tried to create harmony and sync with the CTBCM, but it will be quite tricky. The pace of the CTBCM may create conflicts and challenges.

The main achievement and milestone that has been partly implemented is the establishment of the Power Planning and Management Company (PPMC) which will serve as a technical organ of the power division. This step indirectly accepts that conventional bureaucracy cannot handle complicated technical issues. The NEP is almost a job description of the PPMC which is the main organisation that will organise and monitor the implementation of the NEP.

In all countries, there are similar organisations that support technical ministerial work. In India, there is the Central Electric Authority (CEA) which has a similar role. Perhaps, with time, some additional roles and functions would be added. It is likely to be a real challenge to build up this organisation, selecting the right personnel. Preferably, at least 50 percent of the professionals should be seconded from the existing DISCOs, GENCOs, NTDC and other power division institutions to this organisation. There are quite qualified and skilled people in these organisations. If the sector as a whole suffers from issues and problems, it does not mean that all employees are unprofessional.

The NEP has five dimensions and 13 objectives. High transmission and distribution losses and the consequent circular debt are the major issues in Pakistan’s power sector which are casually mentioned in the plan. ‘Decarbonisation’, on the other hand, has been given a prominent title and placement under the 13 objectives; ‘hydrogen’ has been added as well. In foreign-funded studies and initiatives, this is a common problem. Decarbonisation is an important aspect, but is it as important or more important than the issues like transmission and distribution losses?

Also, there is no guidance with respect to how this particular issue should be handled and solved while on other issues there is significant helpful material. Privatisation and smart metres are being touted as the only solution, but it has not happened for the last two decades or more. While pending privatisation is a looming issue, not much has been said about the smart metres issue as well. How will the investment of $7 billion be financed among other pressing needs? Are there other solutions? It is hoped that the developers of the NEP would deal with these issues efficiently and come up with reasonable strategies and proposed actions.

The merger of Nepra and the Oil and Gas Regulatory Authority (Ogra) has been proposed, and the National Energy Efficiency and Conservation Authority (NEECA) has been added for a trilateral merger. In most market economies, the power and gas sectors have one regulator. As far as tariff determination is concerned, the methodology and skills required are the same for cost-plus cases.

In technical aspects, there are differences. Not much technical content has been seen in Nepra and Ogra’s past work except the formulation of standards by Ogra in its initial days. There is a lot of interdependence among fuel and power, which explains the logic of the merger of the two. However, the merger has not shown much interaction among the merged entities. The classic case is that of the Ministry of Energy; the petroleum and power divisions were merged, assuming that this would bring about much-needed coordination. This did not happen.

The incumbent leadership and senior executives, however, should not get nervous, as this activity is scheduled for mid-2024, long after the incumbent ministers would have completed their term. Another aspect is that of the unnecessary inclusion of NEECA. Let us keep it more as a development body rather than one with a regulatory function. Energy conservation and efficiency have already suffered under the three decades of a company which, even after receiving millions of dollars in USAID funding, did not deliver satisfactorily.

Acquiring power is a cherished objective of bureaucracy. Unless it has powers to control somebody, it doesn’t think it exists at all. NEECA bureaucracy has managed to acquire regulatory function in its formative days. The Alternative Energy Development Board (AEDB) made the same mistake and shunned its development objectives, opting for acquiring the role and power of approving projects. Today, it has a problem justifying its existence. It is in doldrums under the merger with the Private Power and Infrastructure Board (PPIB), and it is feared that NEECA would see the same fate. It is essential that it be saved from this and excluded from the proposed merger.

It should be mentioned that tribunals are good and desirable institutions. Unfortunately, the affected institutions oppose or drag their feet when it comes to the establishment of tribunals. The electricity sector tribunal has been in the pipeline for a long time now but has not become functional yet. It may be desirable to extend it to all sectors of energy. It is an unfortunate situation that even public- sector companies of the energy sector resort to going to London for the adjudication of their issues, spending a lot of much-needed and already scarce foreign exchange reserves. A cost-plus regime has also made energy companies insensitive to cost and expenditure. This must end as early as possible. The energy tribunal can save a lot of precious time and money.

The target has been taken as a 75 percent share of renewable energy. And the committed projects are mostly public sector projects of organisations like Wapda and the Pakistan Atomic Energy Commission (PAEC). And they have to be taken into the IGCEP-generation plan irrespective of good or bad economics or whether the least-cost principles are violated. In the recent Indicative Generation Capacity Expansion Plan (IGCEP), bulks of the projects are committed. Not many projects, except solar and wind ones, are non-committed. As a result, there are problems in the open market regime.

Uncommitted supplies or competitors would not be available and hence no competition. So where does the so-called market go? There would be a bilateral contract among wholesale buyers and suppliers in the absence of a benchmark such as one created by a market exchange. In this land of the pure, such liberties given to buyers and suppliers to fix prices are a dangerous proposition. Market enthusiasts should think about it.

To be continued

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