



**NATIONAL ELECTRIC POWER REGULATORY AUTHORITY  
PAKISTAN**



# **Presentation**

## **on Regulatory Framework In**

### **Electric Power Sector of**

# **PAKISTAN**

# ESTABLISHING INDEPENDENCE

## ● Degree of Independence of Commission

- ❑ Chairman & Members appointed by the Federal Government (Members on Recommendations of the Provincial Governments one from each Province).
- ❑ Tenure Post for a Term of Four Years.
- ❑ Can only be removed if found incapable of performing the function of office by reason of mental or physical incapability or has been found guilty of misconduct.
- ❑ Only Functional Attachment With Cabinet Division but
  - ❖ Can take all decisions, independent of the Government.
  - ❖ Can employ Officers, members of Staff, Experts and Advisors on such terms and conditions as it may deem fit.

# ESTABLISHING INDEPENDENCE

## ● Degree of Independence of Commission

- ❑ No Direct or Indirect Financial Interest with any Company.
- ❑ Self-Sufficient in Generation of Funds through Fee and Fine.
- ❑ Free to form Any Rules, Regulations required for day to day working of the commission.
- ❑ Free to give Determinations on various aspects and problems of the utilities etc.
- ❑ Once a Determination of rates made by NEPRA, the Government can not change/over rule the decision but can only ask NEPRA to reconsider its decisions.

# ESTABLISHING TRANSPARENCY

## ● Enforcement of Standards and Compliances

- ❑ Commission has prescribed different Standards including Generation, Transmission and Distribution Standards.
- ❑ Utilities have started Compliance of these Standards.

## ● Working with Utilities, Consumers and Ministries

- ❑ Good Working Relationship with utilities with proper focal persons in each Division of the Commission.
- ❑ Dedicated Consumer Affair Division for addressing consumer complainants.
- ❑ Suitable Focal Person (Registrar) for making communication and responding any queries of the Utilities, Consumers, Ministries and other stakeholders.

# ESTABLISHING CREDITABILITY

## ● Developing New Standards

- ❑ Framing Power Procurement Standards based on Least Cost Expansion Plan.
- ❑ Formulation of Future Market Guidelines.

## ● Customer response Standards

- ❑ Approval of Consumer Service manual for each DISCO.

## ● Serving the Utilities and Consumers

- ❑ Facilitating & Guiding Utilities in Submitting/Filing their different Application for Licensing, Tariff petition and submission Annual Performance Reports.

# ESTABLISHING CREDITABILITY

- Licensing

- ❑ Describing Licensing Application and Modification Regulation for filing of new application and modification of Licences.
- ❑ Describing Licensing (Generation) Rules.
- ❑ Describing Licensing (Distribution) Rules.

# PROTECTING LOW INCOME CONSUMERS & ESTABLISHING REASONABLE TARIFF RATES

## ● How To Cover The Cost Of Renewable Energy Integration In Setting Tariff Rates

- ❑ Protecting the Low Income bracket Consumer from any Hike of Tariff
- ❑ Offering reasonable tariff to Renewable Energy Developers comparable to RFO Power Plant through Proper Tariff Determination.
- ❑ Describing Upfront Tariff for Wind Energy Projects.

# HUMAN RESOURCES

## ● Job Descriptions

- Well defined Job descriptions.
- Proper Term of Reference for each Professional.

## ● Administration & Role of Staff

- Proper Administration Division to support the Authority and Professionals in Performing their duties in the best possible way.
- Well defined Job descriptions.

## ● Internal Work Flow

- Proper Defined and Streamlined Internal Work Flow to allow movement of files and correspondences.
- Well defined Hierarchy & Proper Chain of Command.

# HUMAN RESOURCES

## ● Role Of Staff

### □ Determining Tariffs

- ❖ Proper Evaluation of Tariff Petition.
- ❖ Allowing reasonable Rate of Return on Equity.
- ❖ Allowing Proper Re-payment of Debt.
- ❖ Allowing Proper Indexations against U.S. \$/€ Parity against Pak Rs, Fuel Price Adjustment, One time Adjustments in EPC, Variation in Net Capacity, Net Efficiency etc.

### □ Improving Quality Decision Making

- ❖ Always striving to improve Quality

### □ Responsibilities of Staff in cases before the Commission

- ❖ Review of the Case before Submitting to the Commission.
- ❖ Preparation of Working Papers.
- ❖ Proper Technical & Financial Analysis of the Case.
- ❖ Making Final Recommendations to the Commission.

# GUIDELINES ADOPTED BY THE COMMISSION ON CONSUMER SERVICES

- Setting of Dedicated Consumer Affairs Division for redressing consumer complaints.
- Proper Consumer Service Manual for each DISCO.
- Setting of POI at Provincial Level.
- Pursuant to Section 21(2)(b) of the Act, NEPRA has issued Regulations for Eligibility Criteria for Consumers for non discriminatory provision of distribution services and sale of electric power.
- A Consumer Service Manual for procedure for theft and illegal abstraction of power is under review of stakeholders.
- Complaint handling and Dispute Resolution Rules and Procedure for Supply of Power to Housing Societies and high Rise buildings are being developed.

# INTRODUCING COMPETITION

- Gradual Transformation from Monopoly Status to Competition.
- Transformation to Single Buyer Plus Mode.
- Introduction of Bi-lateral Contracts for Capacities Less than 50 MW.

## INITIATIVES TAKEN BY NEPRA

- NEPRA has allowed Captive Power Plants to sell surplus power to the National Grid or Disco with rates negotiated mutually.
- Time of Use rates have been prescribed for all consumer categories above 5 KW. Discos have been directed for speedy implementation. Average differential for peak and off –peak is substantially attractive (the peak is considered from sunset onwards for 4 hours i.e. from 5 PM to 9 PM).
- Technical Audit of Discos to ensure monitoring and implementation of loss targets is being undertaken
- A flexible tariff setting mechanism for private sector hydro power projects has been prescribed by NEPRA.

# INITIATIVES TAKEN BY NEPRA

(continued)

- Processing time for determination of tariff has been shortened.
- To facilitate stakeholders, across-the-board up to 40% reduction in NEPRA's fee requirements.
- Introduction of Simplified Procedure for Generation Licence application of Captive Power Plant.
- Special Discounted rates for Captive Renewable Energy Projects of less than 2.5 MW supplying surplus to National Grid.
- For IPPs, the minimum limit of Calorific value of furnace oil has been revised to reflect available quality.

# INITIATIVES TAKEN BY NEPRA

(continued)

- Offering attractive Tariff for different categories.

Sr. No.	Type of Plant	Fuel	Tariff (U.S. ¢/kwh)
1	C.C.P.P. (G.T. + S.T.)	RFO	12.4598
2	C.C.P.P. (R.E. + S.T.)	RFO	12.1253~12.8011
3	C.C.P.P. (G.T. + S.T.)	Low BTU Gas	7.2630~8.8312

# INITIATIVES TAKEN BY NEPRA

(continued)

- Offering attractive Tariff for different categories.

Sr. No.	Type of Plant	Fuel	Tariff (U.S. ¢/kwh)
4	C.C.P.P. (G.T. + S.T.)	Natural Gas (Pipeline Quality)	6.1714~6.273
5	Hydel	-	5.9412 (Indicative)

# INITIATIVES TAKEN BY NEPRA

(continued)

- Offering attractive Tariff for different categories.

Sr. No.	Type of Plant	Fuel	Tariff (U.S. ¢/kwh)
6	Wind Power Plant	-	10.4754~12.1057
7	Wind Power Plant	-	9.5 (Up-Front)

# PROMOTION OF ENERGY CONSERVATION, ENERGY EFFICIENCY AND RENEWABLE ENERGY USE BY THE REGULATOR

- Introduction of Time of Day (ToD) Metering for Industrial Loads to Allow Diversity of Peak Demand.
- Giving Targets to DISCOs with Proper Time Lines to Convert all Industrial Load to ToD Metering.
- Gradual Introduction of ToD Metering to Commercial and Domestic Consumers.
- Making Obligatory for the DISCOs to inject Green Energy as Per Renewable Energy Policy 2006

# CHALLENGES

- Some time delay in Notification of NEPRA Determination by GoP.
- Deficiency of Power and Deterioration of Generation Mix.
- Slow implementation of Sector Reforms.
- Autonomy of Ex-WAPDA GENCOs, NTDC and DISCOs.
- Keeping balance between the interests of the Investors and of End Consumers.
- Improving Performance of the Ex-WAPDA GENCOs, NTDC, DISCOs and KESC.
- Rationalizing Energy Mix to reduce dependence on Oil for Power Generation.

# LESSONS LEARNED

- Inertia against change.
- Always bring stakeholders on board before embarking on any Regulatory and Reform Program.
- Proper due diligence before any Privatization Transaction.
- Transparency to be Maintained in Privatization of Utilities.
- Placing Obligation to serve Low Income Groups through Proper Legislation.



# Thanks

