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Nepra makes industry consultation a must for ICP approval

BUSINESS RECORDER

National Electric Power Regulatory Authority (Nepra) on Thursday warned the Power Division that it would not accept any revised Incremental Consumption Package (ICP) unless the industry was taken on board.

The warning came during a public hearing on the Fuel Charges Adjustment (FCA) for July 2026, presided over by Nepra Chairman Waseem Mukhtar, along with Members Maqsood Anwar Khan, Amina Ahmed and newly appointed Member (Law) Ghulamullah Shaikh.

The Central Power Purchasing Agency-Guaranteed (CPPA-G) had sought a positive FCA adjustment of Rs2.52 per unit for July to recover an additional Rs36 billion from consumers on account of variations in fuel costs. However, after expiry of the Rs0.75 per-unit FCA for June 2026, the net additional impact would be Rs1.77 per unit, translating into a cumulative burden of around Rs25.665 billion.

The FCA impact could have been significantly higher had a negative adjustment of around Rs22 billion not been available during the month, including savings of approximately Rs10 billion from the use of local coal.

Nepra Member Development Maqsood Anwar Khan advised the government to develop an alternative mechanism to deal with the disruption in Qatari LNG supplies. Pakistan has been procuring LNG from the spot market, which is considerably more expensive than contracted supplies from Qatar.

However, CEO CPPA-G Rihan Akhtar clarified that the damage to Qatari LNG fields was not substantial and that the main issue was transportation of vessels. He said Pakistan could resume receiving LNG from Qatar once vessels were allowed to return after offloading their cargo.

Responding to a question regarding LNG prices in August, Akhtar said spot-market procurement was currently expensive, but operation of RLNG-based plants was necessary to maintain system stability.

Nepra official Gul Hasan Bhutto expressed concern over the continued increase in adjustments under Part Load Adjustment Charges (PLAC). He noted that the PLAC adjustment had increased from Rs3.5 billion in June to more than Rs6 billion.

Some interveners also questioned coal procurement by the Port Qasim Power Plant and called for an investigation by the Authority.

The hearing was told that the impact of the Quarterly Tariff Adjustment (QTA) for July 2026 would initially be negative by Rs0.38 per unit. The cumulative impact would, however, be determined after data for the full three-month period became available.

Meanwhile, industry representatives strongly objected to the existing FCA mechanism and demanded that adjustments be applied prospectively rather than retrospectively.

Aamir Sheikh said that goods manufactured in July had already been sold, making it impossible for industries to absorb an additional 7-8 percent cost retrospectively. He said FCA and QTA increases from September could raise industrial electricity tariffs by more than 10 percent, describing it as a major shock to industry.

He also argued that industries were suffering from both higher FCA and QTA because of the incremental package. According to him, RLNG generation was around 2,000 MW during the day but had to rise to about 4,000 MW during evening hours after solar generation declined. The marginal fuel cost of such generation could exceed Rs47 per unit, while the electricity was being sold at around Rs23 per unit.

Sheikh questioned how the merit order was being maintained when the RLNG rate for July was announced on July 31, after the month had ended.

He also urged the government to reconsider the levy on furnace oil (HFO), arguing that its removal could help reduce electricity costs and save foreign exchange. He suggested that a comparative study should be undertaken to determine whether HSFO or RLNG was more economical under prevailing prices.

Industry representatives further told Nepra that the Authority's earlier direction to consult the sector before revising the ICP had not been followed. They also claimed that marginal-cost data presented to Nepra did not match the Authority's own records.

Tanveer Barry, representing the Karachi Chamber of Commerce and Industry (KCCI), warned that consumers could face an additional burden of more than Rs4 per unit, excluding taxes, in September due to the combined impact of FCA and an expected positive QTA.

He attributed the high FCA partly to changes in reference fuel charges. According to data presented at the hearing, the reference fuel charge was Rs6.8935 per kWh in FY2023-24, Rs9.3520 per kWh in FY2024-25, Rs9.6139 per kWh in FY2025-26 and Rs7.0926 per kWh under the current calendar-year reference.

Barry argued that without the change in reference costs, the FCA could have been negative by around 27 paisa per unit.

He further contended that the government's reported reduction in power-sector subsidies did not represent a genuine saving because part of the cost had effectively been shifted from the subsidy bill to consumers through FCA adjustments.

Rehan Javed, Convener of the FPCCI Energy Advisory Committee, also told the Authority that industry had not been consulted despite repeated directions from Nepra.

Member Nepra Amina Ahmed stated that if the revised package had not been properly consulted with industry, it would be returned to the Power Division.

CPPA-G and PPMC told Nepra that the marginal cost had not exceeded the frozen ICP rate of Rs22.98 per kWh since April. Javed disputed the claim, citing ISMO data and maintaining that the marginal cost had remained above the prescribed rate for the past four months.

He argued that the resulting gap was being recovered from all consumers through the general FCA instead of being charged only to ICP consumers, contrary to Nepra's ICP decision.

Javed also maintained that the low reference cost fixed at the latest tariff rebasing, rather than an actual surge in fuel costs, was a major reason behind the Rs2.52-per-unit July FCA. He argued that using historical reference costs could have substantially reduced the adjustment.

Citing Nepra's rebasing data and the government's Budget-in-Brief, he claimed that nearly 73 percent of the much-publicised reduction in the power-sector subsidy represented a shifting of costs to consumers through FCA bills.

"It is astonishing that having reduced the subsidy, they have put the burden onto the consumer," Javed told the Authority.

He said official claims regarding lower subsidies were misleading if the impact of the revised reference costs was not disclosed.

Nepra reserved its decision on the July FCA petition and is expected to seek a formal response from CPPA-G and the Power Division regarding the alleged lapse in consultation with industry.

Arif Bilwani enquired that when nuclear power plants in Karachi will be fully operation and if wind power projects are getting disptach from NPCC.

ISMO official gave detailed presentation on generation trends in July and maximum generation achieved during the month.

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