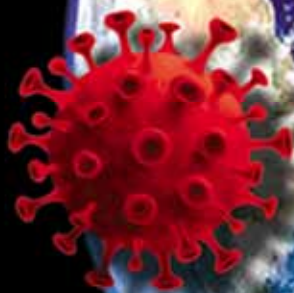


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# ENERGY UPDATE



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Talk with Regulator

# Renewable energy is on top of NEPRA's agenda – Tauseef H. Farooqi

*Exclusive Interview of Chairman, National Electricity and Power Regulatory Authority (NEPRA)*

■ By Halima Khan

**C**hairman National Electricity and Power Regulatory Authority (NEPRA), Mr Tauseef H. Farooqi is an electrical engineer from UET, MBA from LUMS, and a Columbia Business School Graduate in Executive Program in Leadership and Management with 28+ years' experience of Techno-Commercial-Financial, Strategic Management, and governance of utilities/IWPPs whilst working with world's topnotch Power & Water Developers.

Successfully administered over 6B USD of Commercial Settlement in terms of monthly invoicing, service agreements and insurances. Experienced in Power & Water Infrastructure Development and Asset Management under IWPP setup (Greenfield Projects) resulting from Government Privatization (Brownfield Projects) and Public Private Partnerships with special focus on Health,





**Safety & Environment. Expert in administering the Long Term Agreements like Power & Water Purchase, Fuel Supply, O&M, Facility (Loan Note), Shareholders Agreements, EPC and Business Contracts etc. Highly skilled in developing budgets, business plans, and business processes to set aggressive business targets and monitoring Key Performance Indicators (KPIs) to enhance overall profitability. Expert in Strategizing, Developing, Operationalizing, Optimizing, and Maximizing Business Gains for the Shareholders in Mega Power & Water Projects in a highly Regulated Markets. A Regular Presenter & Panel Member in the top Power, Water, Energy Summits. Regulating Pakistan's entire power industry including generation, transmission, and distribution assets as well as taking other most modern initiatives. With the two most diverging responsibilities of protecting 1) Investors' Interests 2) Consumers' Interests whilst ensuring induction of the most affordable, reliable, and sustainable Conventional/ Renewable Energy in Pakistan. Very recently Energy Update has talked to him on various national issues, he says that.....**

**EU: What new improvements are being introduced by the NEPRA in its system to duly safeguard the interests of end-consumers?**

**Farooqi:** NEPRA while determining consumer end tariff allows only the prudently incurred cost to distribution companies with specific benchmarks for T&D losses and recoveries. Any additional inefficiency by DISCOs over and above the allowed benchmark of NEPRA is not allowed to be passed onto the end consumers. NEPRA will continue making performance benchmarks more challenging to enable DISCOs to be more efficient in the days to come. Further, amendments to the NEPRA Act in 2018 included a newly introduced section which empowers NEPRA to administer complaints of theft and over billing whereby NEPRA can either itself impose a fine on the entity or file a direct criminal complaint against an individual involved in the theft. This was a major procedural change aimed at simplifying the handling of cases of theft and overbilling, in this regard NEPRA has already established 9 regional offices for redressed of consumer complaints. Relevant staff has been appointed in these offices and empowered to hear complaints up to 1 Lack beyond which NEPRA HQ staff handles the complaints. NEPRA Net Metering Regulations 2015 allows the consumers to reduce their

bills by netting off their consumption through rooftop solar by selling excess units they generate to the DISCOs.

**EU: What methods are being used by the NEPRA to make its process of tariff determination maximally transparent, just, and judicious to the needs of the end-consumers of electricity in the country?**

**Farooqi:** NEPRA determines the tariff of any licensee through a transparent process, whereby once the tariff petition is admitted the salient features are published in the leading newspaper inviting comments/intervention from various stakeholders including industry experts which are being uploaded on NEPRA website. A public hearing is conducted wherein; the participant is encouraged to provide their written or oral comments. Based on the submissions made by the petitioner and comment or intervention received from stakeholders, and through a sound due diligence process by analyzing comparative international and regional data, NEPRA determines the tariff. Further, in case the parties are not satisfied with the determination, they file a review petition before NEPRA that NEPRA considers very judiciously to ensure justice is served to both petitioners and the consumers

**EU: What measures have been taken by the NEPRA to safeguard the interests of consumers of K-Electric and to save them against exploitation and excesses as the Karachi Electric is the only privatized power utility of the country?**

**Farooqi:** Consumers of K-Electric are treated at par with all the other consumers of Pakistan, any complaints regarding excess billing, consumer exploitation are efficiently dealt within our Consumer Affairs Division (CAD). To facilitate KE consumers, NEPRA has already established its Regional Office in Karachi. Efforts have been made to ensure that there is an improved quality of electricity supply and service for consumers at KE. Work has been done on loss reduction initiatives, segmented load shedding policy, setting up of IBCs (Integrated Business Centers) to provide a one-stop solution to the consumers, process improvements and technology advancements including universal customer care center, Asaan Meter, KE live app, IBC on wheels, etc.

**EU: What processes and mechanism are generally used to ensure reliability and sustainability of the electric supply systems in the country including that of national grid so that energy needs of the country are constantly met without any interruption?**

**Farooqi:** Reliability and sustainability of electric supply is required to be provided by all generators supplying power, National Transmission and Dispatch Company and 10 major distribution companies (Discos). Generally, NEPRA carries out annual evaluation of these entities by scrutinizing their performance and future development plans. Their investment needs to fulfill their responsibilities are accordingly determined and allowed by NEPRA. NEPRA has set performance standards for generation, transmission and distribution companies which cover all quality related benchmarks like availability of facilities, voltage profile, power factor and frequency range. In addition, distribution companies are also required to follow standards on number of interruptions (SAIFI) and duration of interruptions (SAIDI). Similarly, restoration of electricity supply to end consumers is also monitored through specific standards prescribed by NEPRA. All generation, transmission and distribution companies are required to adhere to NEPRA prescribed standards and in case of failure, NEPRA initiates legal proceedings against them including fines etc.



**EU: What system is followed by the NEPRA to ensure due representation of all the provinces in the country in the electric supply affairs of the country especially in the context of the 18th Constitutional Amendment?**

**Farooqi:** The NEPRA Authority as per the Act includes a Chairman to be appointed by the federal government and four members, one from each province, to be appointed by the federal government after considering the recommendations of the respective provincial governments. Resultantly, due representation of all provinces is ensured in the Authority.

**EU: How you see and comments on the Power report by Muhammad Ali as it gives recommendations in three areas specifically generation review, circular debt and inefficiencies and road map ahead and we would like to have your holistic views?**

**Farooqi:** NEPRA is in the process of evaluating every single accusation/claim made in MA's report. We consider them accusations because nothing has yet been proven. IPPs are very important business partners and whilst NEPRA would leave no stone unturned to evaluate every single point, we can't just consider them as criminal because as the report says so. NEPRA will take every action at any cost to ensure that due interests of consumers are not compromised.

**EU: IPPs excess profits are much widely misread and misinterpreted at media, since the power sector is fully regulated business and we would like to listen your views and highlight to any major discrepancies if any?**

**Farooqi:** NEPRA determines the tariff of any licensee through a transparent process, whereby once the tariff Petition is admitted; salient features are published in the leading newspaper inviting comments/intervention from stakeholders and also uploaded on the NEPRA website. A public hearing is conducted wherein; the participants are encouraged to provide their written or oral comments. Based on the submissions made by the petitioner, comments / interventions received from stakeholders NEPRA determines the tariff. Further, in case the parties are not satisfied with the determination, they can file a review before NEPRA.

The matter regarding excess profits by IPPs is already under consideration of the Authority and NEPRA has already initiated suo moto proceedings against IPPs, however, the matter is currently subjudice in Islamabad High Court.

**EU: Power sector has been epicenter of the country economy and till today 3.3 trillion is paid in subsidies and 2 trillion circular debt is outstanding, what is road map and improvements suggested ahead for the sustainability and affordability of the power sector?**

**Farooqi:** Circular debt primarily is the result of the inherent inefficiencies within the power sector due to governance and operational issues. Time and again NEPRA has issued several advisories to the federal government; responsible for managing public sector GENCOs, Transmission Company (NTDC) and DISCOs for addressing governance issues of these entities.

As Chairman NEPRA, I had presented detailed recommendations to the Prime Minister, Pakistan on the current status of the power industry. My recommendations contained some short to medium term recommendations for the immediate yet long lasting fix of power industry. Detail of my presentation to PM have already been published in all the leading newspapers and other mainstream media of the country, so really no use repeating them all here. However, power industry issues are so much ingrained that the usual solutions won't work. As they say "unusual circumstances require unusual solutions", so we need to be a bit bold in resolving them – conventional solutions simply won't work.



### EU: What are the mechanisms to put structural safeguards in future deals?

**Farooqi:** NEPRA is introducing the concept of the Claw back/Sharing mechanism to minimize or eliminate the issues such as extraordinary profits. This will ensure that any excessive benefits in terms of efficiency gains are passed on to the consumers of electricity in Pakistan as the ultimate beneficiaries.

### EU: Are there any demand-side management mechanisms being worked upon?

**Farooqi:** NEPRA, closely working with NEECA (National Energy Efficiency & Conservation Authority), is helping in devising strategies, implementing the demand side management standards and improving the efficiency of power usage in the country. By using the "Energy Efficiency Standard & Labeling (EES&L)" program, NEECA is bringing significant impacts in terms of availability of higher quality energy-efficient products in the market; leading to a subsequent reduction in energy consumption. The program has been promoted by all the Electricity Distribution Companies (DISCOs) through a promotional advertisement at the backside of the utility bills. This scheme has also helped in the development of accredited labs of LED lights and Refrigerators at PCSIR laboratories complex in Lahore.

### EU: Talking about renewables, what are the set goals around and are we going to achieve them in near future?

**Farooqi:** As per the vision of Prime Minister, we are going to induct 20% of RE by the year 2025 and 30% of RE by the year 2030. A strong push and facilitation is being provided by NEPRA to achieve these targets within the set timelines. As a Power Regulator, NEPRA aims at addressing the Energy Trilemma by using the cheapest and indigenous electricity, and with the current tariff the RE sets itself right on the top of the priority list when it comes to supplying affordable, reliable, and sustainable electricity to the consumers. RE is also going to be playing a vital role in providing electricity closer to the load centers for the isolated/ remote areas in Balochistan and Rural Sindh, where the cost of laying down the electricity transmission infrastructure is not economically feasible.

### EU: Are you planning to introduce competition in the power industry?

**Farooqi:** NEPRA is pushing for the following few initiatives to bring about a paradigm shift in the way power industry is operating to make it more competitive for the larger interest of reducing cost of doing business and bringing overall affordability for the consumers: NEPRA fully supports and awaits the New 2019 RE Policy to be approved by the CCI to foster Competitive Bidding based 'Auctions' to add new Renewable Energy Capacity in Pakistan. Until New RE Policy is approved, NEPRA will continue giving full support to Prime Minister's vision of adding new RE Capacity using our existing Cost Plus model. Already approved CTBCM (Competitive Trading Bilateral Contracts Market) B'basic design as submitted by CPPAG and now in the process of approving the detailed design. This will revolutionize the wholesale electricity market (stand at around 16% of the total power market with 2000 players above 1 MW). NEPRA took a monumental decision under my command and issued the very first, provincial grid license to Sindh thus allowing formation of Sindh Transmission & Dispatch Company, first of its kind thus bringing competition in the unconventional transmission business that was historically considered as the monopoly business.



### EU: What is NEPRA's contribution in bringing down the cost of doing business?

**Farooqi:** Upon request of Board of Investment and whilst delivering on prime minister's vision for improving on ease of doing business in power sector of Pakistan, NEPRA worked with the distribution companies to immediately reduce the time period of getting new connections from earlier 73 to now 58 days through amended Consumer Service Manual. All distribution companies including K Electric have been directed to immediately implement the above directions.

### EU: What message would you like to give to the international investors?

**Farooqi:** The message is loud and clear. We welcome and appreciate the presence of international and local investors in our power industry as we provide them with an enabling environment to conduct business here. One thing that they need to be mindful with is that it is not going to be a rip-off; they'll only be able to earn profits within the margins determined by the Regulator. In the long run, "Trust" is the name of the game and if anyone is found breaching the rules of engagement, there will be consequences.■

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