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By Afia Malik

On September 27, 2022, NEPRA conducted an open hearing concerning the NEPRA draft amendment in Distribution Generation and Net-metering Regulation, 2015. According to NEPRA, after this amendment, the currently applicable national average power purchase price of Rs. 19.32/kWh will be replaced with the national average energy purchase price of Rs 9/kWh. The difference between the two is power purchase price includes capacity purchase price. NEPRA earlier also clarified through a press release that these changes are only for 20,700 consumers across Pakistan who have been allowed Net Metering as per the NEPRA regulations.

During the hearing, a valid explanation with numbers was expected from NEPRA behind this move. In contrast, Chairman NEPRA came up with an emotional description that these 20,700 net-metering consumers should give up Rs 10.32 /kWh for the extra exported units to DISCOs; for the sake of 36 million consumers who have not opted for this facility, as they don't have the resources to do so. Before delving further into the likely impact of this amendment, it is essential to mention that, by law, NEPRA is an autonomous organization. Still, in practice, its independence is compromised in its decision-making on various aspects of its jurisdiction, including consumer-end tariffs. Therefore, the repeated claim by NEPRA that NEPRA initiated this move for those 36 million consumers is difficult to believe. This claim contradicts what NEPRA has reported in its State of Industry Report 2022, published September 30, 2022, that DISCOs' behavior towards net-metering connections is not favorable.

Concerning the impact of this amendment, the capacity under net-metering or self-generation for 20,700 consumers is not more than 476MW. For 476 MW installed capacity with a plant factor of 16% to 19%, the maximum photo voltaic (PV) generation could be 90MW. Roughly 25 per cent or only 23 MW extra units are exported to the grid. In the current generation of around 30,000 MW, what difference to the basket price would be made by 0.08% of the self-generation plants for those 36 million consumers without PV systems?

However, this 0.08% generation may impact DISCO revenues as the net-metered consumers were neither stealing electricity nor delaying bill payments before moving towards self-generation. In other words, this amendment in NEPRA regulation will protect incompetent DISCOs rather than forcing them to improve their inefficiencies. Because of the undue favor to DISCOs, the continuous anomalies in the bills DISCOs generated for net-metered consumers remain unchecked. After this amendment, irregularities in DISCO billing will increase.

Before moving further, one thing which needs clarification is the difference between the net-metering and net-billing applicable globally. In net-metering, units imported from a grid or exported to the grid are of the same worth, that is, at the retail rate. A net-metering consumer can exchange the units exported to the grid for an equal amount of kWh whenever needed. The consumer can bank these units and roll them over from month to month. In net-billing, the average purchase price or wholesale price for power (excluding distribution overheads and other extra charges) is paid to the consumer. In net-billing, solar-generated electricity is treated like any other large-scale producer or generation plant supplying electricity to the grid. The only difference is, instead of credit on the utility bill, a consumer gets a monetary value based on the wholesale rate or average power purchase rate.

In Pakistan, the term net-metering is misused. Perhaps, NEPRA itself is not clear about it. Currently, a power purchase price is applicable on exported units. But after the amendment, the rate for exported units would be even lower. The impact of this reduction of Rs 10.32 in money terms would be (roughly) less than Rs 0.2 million.

In comparison, there are few other areas in which interventions will substantially impact DISCO revenues and consumer-end tariffs. For instance, as reported in the NEPRA State of Industry Report 2022, DISCOs (including K-electric) receivables from Federal, Provincial, and private consumers stand at Rs 1.7 trillion. These Federal, Provincial, and private consumers are part of these 36 million consumers. The same NEPRA Report details around 20% average distribution

losses across DISCOs, including K-electric. A significant portion of these losses is due to theft or meter-tempering. The impact of these losses on consumer-end tariff is more than Rs 2/kWh. Additionally, those who are stealing electricity or not paying their bills are part of these 36 million. Improvement in receivables and line losses will significantly impact DISCO revenues and consumer-end tariffs.

Likewise, what about the impact of those getting free electricity on the tariff of 36 million? According to NEPRA Report 2022, the cost of providing free electricity to retired or serving employees of the electricity companies, excluding WAPDA, has reached 6.8 billion. The elimination of this subsidy would substantially impact DISCO revenues, and eventually, it will trickle down to end-consumers. Is NEPRA working on any strategy to minimize the impact of these losses on tariffs?

During the NEPRA hearing, Chairman NEPRA also mentioned the Competitive Trade Bilateral Contract Market (CTBCM) a market model NEPRA is about to implement. The very gist of any market model in the world is to provide a level playing field to all players in the market. In other words, for a wholesale market, a non-discriminatory governance structure is essential. Currently, solar IPPs are getting a much higher rate per unit. For instance, Crest Energy is getting Rs 35.22/kWh, Best Green Rs 34.91/kWh, Apollo Power Rs 33.5/kWh, and Quaid-e-Azam solar part is getting Rs 24.3/kWh. Why the extraordinary special treatment for them?

The argument provided is that they are under long-term contracts. What was an independent regulator doing when these contracts were made at such a high tariff for projects with a plant factor of only 19%? NEPRA determined the tariff for these and issued licenses to them. Large business groups own all these IPPs, but small businesses or middle-class households do net-metering. It is easier for the government and a regulator to target and penalize middle-income honest consumers.

Recently, a draft Integrated Generation Capacity Expansion Plan (IGCEP) 2022-31 has been submitted to NEPRA for approval. In the draft plan, 480MW of net-metering is considered every year till 2031. With this amendment to NEPRA regulation, the target will never be achieved.

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