

DATE: _____

Current Affairs DAY

Q: Expensive agreements with IPPs, overwhelming dependency on hydrocarbons, line and other losses in the transmission and distribution sector have caused massive hike in electricity prices having far reaching implications on industry, domestic and other crucial sectors. Analyze the statement and give possible recommendations.

Introduction:

Energy crisis is always been a debatable issue in Pakistan. The expensive agreements with IPPs, circular debts, capacity payments are hurdles in the progress of Pakistan's economy. There is need to bring comprehensive reforms in re-negotiate IPPs agreements, line loss (transmission and distribution) and other areas of energy issues. Special efforts need to be made for renegotiating the IPP contract and government support is must to resolve this issue.

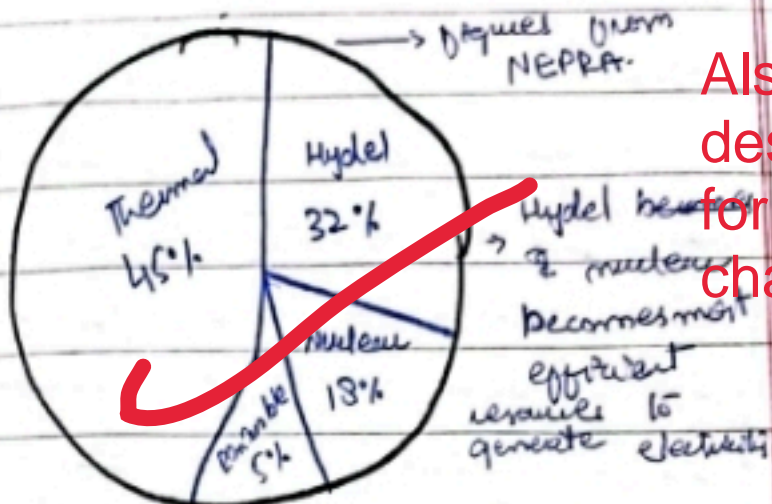
Expensive agreements with IPPs
burdened the whole economy

The agreements with IPPs
 is too expensive. They are based on
 imported raw materials like diesel and
 coal. Pakistan purchase a unit
 per Rs 742/- from the RUSCH power
 plant owned by Dawood group with
 zero generation only because of the expensive
 agreement.

Capacity payments from the
few trillion economy damages
the whole budget

Pakistan pays 2 trillion PKR
 to IPPs from the budget a total
 of 28.9 trillion PKR (NEPRA). These
 huge capacity payments damages the
 whole budget. 5 70

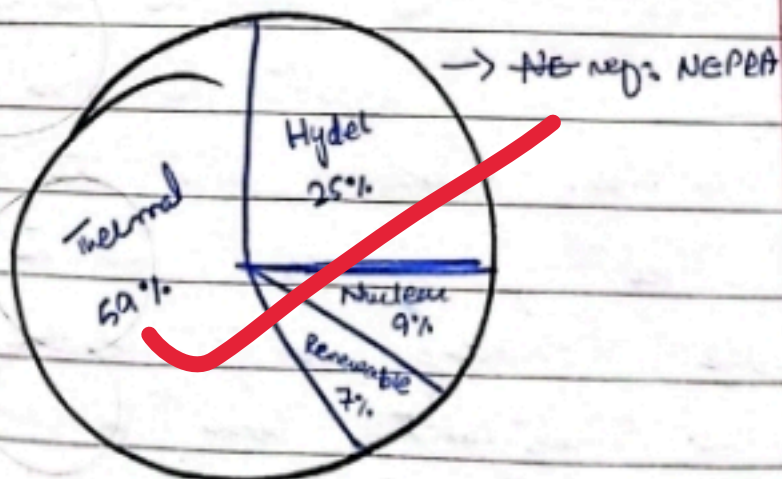
Electricity generation from different resources



Also add description for these charts

This is the total electricity generation for the year 2023-24.

Installed Capacity for electricity generation from different resources



Installed capacity from thermal is 59%. (the largest and most expensive) while others are cheaper and efficient.

Transmission and distribution losses

There is an average of 17% line loss due to damaged transmission lines and electricity theft. \approx

Total installed capacity	=	42,000 MW
Total generation	=	33,000 MW
Total consumption	=	22,000 MW
Total line loss	=	9,000 MW <small>left NEPRA</small>

Massive hike in prices impact negatively on industries

The massive hikes in unit prices affects the small scale industries. Pakistan with the less number of industries faced the double edge challenges with the massive price hike. Industrialist seeks to shut down their industries due to expensive production cost and minimum payables.

Add more arguments

Recommendations for energy reforms:

There is a need for comprehensive reforms to resolve energy problems in Pakistan. Including, renegotiations with IPP, forensic audits, reduction in line loss, and a mega shift from imported hydrocarbon to the local.

(i) Renegotiation with IPP

Renegotiation with IPPs is the most step government need to take to decrease the burden from economy. The retired plants should be removed and the payments to local IPPs should be in PKR.

(ii) Efforts to utilize maximum capacity

Pakistan is stuck in the game of "take or pay." It needs to put conscious efforts to utilize maximum

Leave a line space between headings for neatness

installed capacity by installing new factories and increase the demand. Demand can be increased by bring change in transportation sector like; fuel bikes to e-bikes.

(ii) Transmission and distribution losses need to be significantly reduced

Transmission and distribution loss can be reduced by changing transmission lines. Also, the loss should be decreased from 17% to 5% or 6%.

(iii) Government support to tackle theft is must

Tackling theft is an issue of governance. Local government support is needed to tackle energy theft. So that the true number of demand, consumption

a utilization in peak season and in winter season need. Also, the proper recovery would be ensured.

(v) Forensic audit of all upfront IPPs need to be conducted

According to the statement from PIDE, there is no forensic audit is conducted in IPP plants from the government. To calculate the right amount of capacity charges, the forensic audit need to be conducted.

(vi) Special efforts should be made to terminate contracts with diesel and RFO- based IPPs

Most of the Independent Power Producers import the diesel to generate electricity. Special efforts should be made to terminate contracts with diesel and RFO-based IPPs and shift them to local reserves.

Add and highlight references/examples against these arguments

DAY: _____

(vi) Shifting the imported coal based power plants to local coal

There are a large reserves of coal in Iran and now the reserves in Balochistan can contribute in the reforms of energy sector. The imported coal based power plants need to shift on local coal.

(vii) Reviving the hydel Projects

Most of the hydel projects are polarized. Though, the efficiency of hydel electricity is commendable. The projects like Kalabagh dam need to revive to bring change in energy sector.

Conclusion

The reforms in energy sector cannot be brought in months or few years. It requires sufficient time but the efforts to pull-out the country from energy crisis need to be made instantly. Government have to put conscious efforts to shift from imported coal to local thermal, hydro or wind, revival of local projects, and terminating the contracts from IPPs. Thus, it is not impossible, these solutions can be achieved by time interventions.