

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 solution.

1 Introduction of IPPs agreement and dependency on fossil-fuels:-  
In 1994, the government of Pakistan started allowed investors to produce electricity. They given state ~~back~~ <sup>guarantee</sup> to private investor. By this agreement, Gov of Pakistan ~~will have to~~ purchase electricity and they will have to give both capacity payment and energy cost. Due to this policy, many investor came Pakistan and installed power producing company. Now Pakistan has 45,000 MW <sup>energy producing</sup> capacity, but Pakistan does not have potential to distribute across Pakistan due to weak

infrastructure. Pakistan produce electricity ~~and~~ but not distribute that result energy prices is high in Pakistan by which high badly impact on industrial and other crucial sector. These problems can be solved by taking effective measure.

~~IPPS agreement and weak infrastructure impact on Hike Prices impact~~

2 Hike electricity prices impact on industrial sector.

Due to high prices of electricity, Pakistan's industrial sector is very badly effected because electricity is the back bone of industry.

2.1 Product cost raises

When electricity price high then product cost will also be raised. IN Pakistan has high electricity prices due to transmission losses and expensive IPPS agreement. Pakistan government

sells electricity on industry <sup>the most</sup> expensive Rs 40 per unit which is expensive

Leave a line space between headings for neatness

in South Asia -  
2.2 Profit margin ~~decrease~~ increase  
when cost ~~price~~ of product <sup>price</sup>  
is high, and then they have  
to reduce the profit margin  
because there are other businesses  
who sell on less price.  
in international market,

Add and highlight references/examples against these arguments

~~It market~~  
Businesses finds other friendly  
business environment :-  
when electricity prices  
is high then businesses find  
other venues where he can  
make <sup>better</sup> ~~then~~ production. In Pakistan  
electricity prices is high  
that results many companies  
left Pakistan: Telenor, Shell etc.  
So, when product or service cost will  
high then business will find another way.

3. ~~High~~ Prices impact on household  
and small businesses :-  
when electricity prices is high  
then it great impacts on household  
and small businesses. In Pakistan  
40% people live under poverty  
line according to government  
~~charges~~ Rs 70 per unit consumer.

This is a greater shock to consumer. It results half part of middle class's salary goes in to bill payment. Thus, hike electricity prices destabilize people.

Reaction of upper middle and high class against hike prices:-

In Pakistan electricity prices is too high that result people shift on solar energy. Many middle and upper class installed solar pannel on roof.

and decrease to gain electricity from government. This solarization decision is disaster to government because government has made agreement with IPPs and government is liable to purchase electricity. When electricity consumption is low by people then government will have to raise price per unit. So, hike electricity price is challenged to government and solarization further increase this problem.

• Add more arguments in these parts

4 How these problems can be eliminated by effective measures. The government of Pakistan should take some measures

by which reduce the <sup>high</sup> electricity ~~take~~ prices.

4.1 Privitization in ~~electricity~~ electricity distribution sector :-

In Pakistan, maximum electricity is lost in distribution sector and transmission line. According to the News The Nation, "Pakistan has lost 22,258 Giga watt hours electricity in amount Rs 520.3 bn in 2022." These losses can be mitigated when government privatize the distribution sector then private sector will maintain the transmission line. It results minimum energy loss and per unit price cost will be low.

4.2 Expansion of transmission line to far area

The government of Pakistan should try to expand electricity access to far area. In Pakistan, now electricity supply system is not available in Ex-Fata and Interior Sindh. Now, Pakistan

has high energy producing capacity (of 5000 MWh) - but Pakistan can not use all these energy due to weak infrastructure. When these line transmission expand toward far area then maximum energy will be used and capacity payment will be reduced per unit and government can give easily these payment without raise electricity price. So, when maximum consumer utilize electricity then per unit capacity cost will reduce.

4.3 Hike taxes on Solar<sup>panel</sup> and beneficial Wapda electricity  
The government of Pakistan ~~made~~ agreement with IPPs to purchase electricity. If government does not take electricity, they will have to pay full amount of electricity to Power Producer. Now, in Fiscal year 2024-25 total 6 Mega watt electricity Pannel imported from China. ~~and~~ Pakistani people reduced 9% electricity consumption because

People shifted on solar pannel. This is disaster for government because when people shifted to solar pannel then capacity payment will be increased per unit and electricity prices will have to be raised. Government should tax on electricity and expand wapda electricity consumption. Hence, when wapda electricity consumption high then government can easily pay charged to IPPS.

Renegotiate agreement with IPPS :-  
~~and~~ Government of Pakistan should renegotiate agreement with IPPS. The renegotiation agenda should be fixed dollar price and convert imported coal to local coal. Because Pakistan has high potential of Thar coal which can be used for generation of electricity. In future, government should make agreement based on renewable energy such as geothermal, solar pannel and

wind power. when government renegotiate agreement based on these recommendation then ~~these~~ electricity high price problem can be solved.

A 20 marks answer should have around 15 subheadings

Conclusion:-

The government of Pakistan made agreement with IPPs for energy production. It is very expensive and Pakistan has not capacity to distribute all these energy to consumer due to bad infrastructure. It results, business class and common people have badly effected because they have to pay high electricity bill. These problems can be solved. when government take some measure which discuss in upper paragraph then Pakistan electricity high price problem will be solved. and Pakistan will be prosperous.