

## IPPs in debt of Rs 32bn due to minimal payments by govt | Forex, Pakistan

Written by Shumaila Ahmed

Wednesday, 17 April 2013 09:18 -

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**ISLAMABAD:** The Independent Power Producers (IPPs) of the country are in huge debt because of Water and Power Development Authority's (WAPDA) default on its contractual obligations. Contrary to the Power Purchase Agreement, WAPDA has released meagre or in some cases absolutely no payments to the gas-fired IPPs over past few months. WAPDA's payment default has resulted in severe effects on the financial viability of these power plants. The combined over dues of the IPPs are close to Rs 32 billion. Condition is such that the IPPs are on the verge of collapse, despite engaging their entire working capital resources. This situation is the result of ongoing discriminatory treatment towards the gas-fired IPPs by routing the funds to oil-fired IPPs to keep them running.

Gas-fired IPPs are more reliable and are cleaner source of energy. Effective usage and funds allocation to the gas-fired IPPs can result in estimated combined forex saving of \$3.5 million per day, by utilising indigenous low British thermal unit/permeate gas. It can offer economical tariff compared to oil-fired power plants, with an average estimated saving of \$2.77 million per day equivalent to Rs 14 per kWh. Gas-fired IPPs can offer average tariff of Rs 4 per kWh versus Rs 18 for oil-fired IPPs.

Moreover, it is important to note that the funds paid to gas-fired IPPs remain in circulation within the country with government of Pakistan being the major indirect beneficiary, through its shareholding in Oil and Gas Development Company, Sui Southern Gas Company and Sui Northern Gas Pipelines Ltd. Any payment to IPPs from the release of funds by Ministry of Finance and regular collections of WAPDA/National Transmission and Despatch Company can settle the overdue receivables of gas-fired IPPs and will enable them to sustain operations thereby helping the energy starved nation. Besides the aforementioned direct loss per megawatt, shut down of gas-fired plants will have serious repercussions for government of Pakistan. Continuation would result in a negative energy mix skewed towards oil-based generation and would increase the quantum of circular debt, ultimately increasing the burden on end consumers in terms of more expensive power.

The IPPs can generate more energy with more efficiency as compared to public sector; however, it is paramount that government's facilities and encouragement is required in this regard.

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Courtesy: Daily Times