



September 01, 2022

TIP 2022/0901/1B

Mian Muhammad Shehbaz Sharif
Prime Minister of Pakistan
Prime Minister House
Islamabad

Subject: Complaint against K.E charging electricity at Rs 35/unit (including taxes, FCA, line losses) against Rs 17.5/unit (including taxes, FCA, line losses) due to SSGCL violation of Gas Priority List notified in 2018 by Ministry of Energy by stopping Natural Gas to KE form October 2021 in Connivance with Owners of Captive Power Plants which is causing additional Approx. Rs. 131 billion Annually expense to KE consumers

Honorable Prime Minister,

TI Pakistan has received a complaint against K.E charging electricity at Rs 35/unit (including taxes, FCA, line losses) against Rs 17.5/unit (including taxes, FCA, line losses) due to M/s SSGCL violation of Gas Priority List notified in 2018 by Ministry of Energy by stopping Natural Gas to KE form October 2021 in connivance with owners of Captive Power Plants which is causing additional approx. Rs. 131 billion Annually expense to KE consumers.

The complainant has made the following allegations:

That,

1. According to Ministry of Energy (Petroleum Division) Notification NG(I)-7(158),17-LS dated 15th October 2018, that as per Natural Gas Allocation and Management Policy 2005-Revision in Priority Order, the priority of allocation of natural gas is as under which confirms that Power sector has second priority and Captive Power Plants sector has third priority. (Annex-A)

Sr.	Category of Consumers	Priority Order
1.	Domestic and Commercial	First
2.	Power Sector, *Zero Rated General Industry	Second
3.	General industrial, Fertilizer and Captive Power	Third
4.	Cement Sector including its Captive Power	Fourth
5.	CNG Sector	Fifth

2. However, M/s SSGCL without any approval of Ministry of Energy/ Cabinet has changed the priority of Captive Power to second and Power sector is eliminated, and instead of KE is being supplied RLNG w.e.f. October 2021 which is costly Rs. 4,656/MMBTU whereas Natural Gas is Rs. 857/MMBTU.
3. SSGC is supplying a total of 210 MMCFD natural gas to Captive Power plants at the rate of Rs 857/MMBTU (to captive power plants) and Rs. 1087/MMBTU (to captive general industries) which is at third priority order, while the power sector which is at the second priority order is supplied 70 MMCFD expensive RLNG at the rate of Rs. 4,656/MMBTU instead of natural gas violating the Gas priority list.
4. Currently, due to power generation on RLNG, the consumer of electricity is compelled to pay Rs. 17.5/unit (approx.) additional electricity charges (including all taxes, FCA and line losses) compared to electricity generation on natural gas, which means that if a consumer consumes on average 500 unit/month, the 2.5 million consumers are paying approximately Rs. 131 billion extra amount per year in the consumption of electricity. (Annex- B)



5. According to SSGCL letter No. Ref: MD.KE/334 to KE dated 23 April 2018, SSGC to manage the load according to the available volumes which is currently up to 130 MMCFD maximum natural gas for power generation to K-Electric. Any additional volumes required by K-Electric over and above these volumes will be met through RLNG. (Annex-C)
6. Another discriminatory issue is that the export industries in Punjab is supplied RLNG at USD 9/MMBTU which is Rs. 1980/MMBTU (at Rs. 220 conversion rate), whereas the export industries in Karachi are supplied Natural Gas at Rs 857/MMBTU, which is a big revenue loss, and this is also in connivance with the owners of the export industry and M/s SSGCL.

TI Pakistan Comments:

Based on the authenticity of the submitted documents, prima facie, it appears that SSGC is violating Gas Priority List notified in 2018 which is costing Rs 35/unit electricity charges to consumers of KE, and supplying Natural Gas to Captive Power Plants which stands third in priority order. SSGC is only supplying expensive RLNG instead of Natural Gas to the power plants i.e. KE which has increased the cost of electricity, making it very difficult for the consumers of Karachi.

TI Pakistan's Recommendations

TI Pakistan requests the Prime Minister of Pakistan to investigate the complaint, and direct the concerned authorities to ensure the implementation of Gas Priority List notified in 2018 as per the decision of Federal Cabinet Committee on Energy, and ensure that SSGC to provide 130 MMCFD natural gas to power plants, so that lower cost electricity may be produced for the end consumers. The Honorable Prime Minister is also requested to address the discrimination of supplying RLNG and Natural Gas supply to the export industries of Punjab and the export industry of Karachi which is also causing huge losses to the Government of Pakistan.

Transparency International Pakistan is striving for across the board application of Rule of Law, which is the only way to stop corruption, and achieve against Zero tolerance against corruption.

Regards

Ms. Yasmeen Lari
Sitara-e-Imtiaz, Hilal-e- Imtiaz
Chairperson
Transparency International Pakistan

Justice (Rtd) Nasira Iqbal
Vice Chair, Sitara-e-Imtiaz
Transparency International Pakistan

Copies forwarded for the information with request to take action under their mandate to:

1. Federal Minister for Energy (Power Division), Islamabad
2. State Minister for Petroleum Division
3. Chairman, NAB, Islamabad
4. Chairperson, SSGCL, Karachi
5. Chairman, NEPRA, Islamabad
6. Prime Minister's Inspection Commission (PMIC), Islamabad
7. Registrar, Supreme Court of Pakistan, Islamabad

Note:

TI Pakistan act as whistleblower and operate under Article 19-A, of the Constitution of Pakistan which gives the right to public to know how government is being run by public officers. Article 19-A makes the right to access of information pertaining to a public authority a fundamental right, Justice Syed Mansoor Ali Shah in his landmark judgment in case of Ataullah Malik v. Federation of Pakistan includes following order;

Right to information is another corrective tool which allows public access to the working and decision making of the public authorities. It opens the working of public administration to public scrutiny. This necessitates transparent and structured exercise of discretion by the public functionaries. Article 19-A empowers the civil society of this country to seek information from public institutions and hold them answerable. PLD 2010 Lahore 605.

SOS APPEAL



Shehbaz Sharif
Prime Minister of Pakistan



Bilal Raza Wario
Chief Minister of Punjab



Mansoor Ali Khan Pataudi
Former Captain of Pakistan Cricket Team



Khwaja Asif Iqbal
Former Captain of Pakistan Cricket Team



Syed Yousaf Ali Shah
Chairman of K-Electric



Syed Murad Ali Shah
Chairman of SSGC

SAVE THE DOMESTIC AND INDUSTRIAL CONSUMERS OF KARACHI FROM SURGING FUEL PRICES

We request for immediate diversion of minimum 100 MMCFD indigenous gas to power plants that produce electricity for Karachi

The violation of the Gas Supply Priority List 2018 has made it difficult for the citizens and industries of Karachi to afford electricity. Due to non-supply of indigenous gas, K-Electric is forced to generate power using RLNG, a far more expensive alternative, raising generation cost. Resultantly consumers of Karachi are heavily burdened with Fuel Adjustment Charges, raising power cost to an alarming Rs. 50/kWh (inclusive of taxes).

Unfortunately cheap Gas to Captive Power Plants only subsidises the rich/affluent large manufacturer and is recovered from the masses of Karachi, putting an additional burden on them. 210 MMCFD has been awarded to these Captive Power Plants at Rs. 857 and Rs. 477/MMBTU, **benefitting few connected and influential individuals**. As a result of this violation, RLNG (70 MMCFD) being supplied to a utility that is serving an entire city of 30 million residents and 25,000 industries. These influential parties are pocketing **Billions of Rupees** producing electricity at approximately Rs. 15/kWh for themselves and refuse to share any line losses and rupee depreciation impact.

Indigenous Gas awarded to Captive Power Plants:

210 MMCFD

Rs. 857/MMBTU

RLNG supplied to K-Electric:

70 MMCFD

Rs. 4,656/MMBTU

It is remarkable/unfortunate to see that these inefficient Captive Power Plants also have the additional comfort of using the Grid Electricity as our Government has already mandated a subsidized electricity rate of 9 Cents for exporters. These Captive generating units have created an illusion of being Efficient but have been working below a parity to prove their efficiency.

We appeal to the Distinguished Federal and Provincial Governments to:

Immediately direct SSGC to follow the Gas Supply Priority List 2018 and divert at least 100 MMCFD Natural Gas from Inefficient Captive Power Plants to GRID Power Plants that are producing electricity for residential and industrial consumers of Karachi. This action will enable at least Rs. 7 reduction in Fuel Adjustment Charges and benefit the consumers.

From electric consumers of Karachi (Industrial, Commercial & Domestic)



Contact # : 0300-2336009

*Push Ashraf
in Business
Retiree*



F.No. 9(1) TID/12-RDA
GOVERNMENT OF PAKISTAN
MINISTRY OF COMMERCE
(TEXTILE WING)

CABINET CASE / IMMEDIATE

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کابینہ کی طرف سے منظور کیا گیا

Islamabad, the 11th August, 2022

OFFICE MEMORANDUM

Subject: The Decision/s of the Economic Coordination Committee of the Cabinet

The undersigned is directed to refer subject above and state that ECC of the Cabinet considered a summary submitted by Ministry of Commerce under case No. ECC-224/23/2022 regarding "Regionally Competitive Energy Rates for Export Oriented Sectors During FY 2022-23 (Effective 1st July 2022)" dated 25th July 2022 and subsequently the Federal Cabinet ratified the ECC's decision under case No. 196/23/2022 dated 27th July 2022.

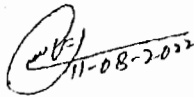
Decision of ECC of the Cabinet	Ratification of the Cabinet
<p>The Economic Coordination Committee (ECC) of the Cabinet considered the summary submitted by Ministry of Commerce regarding "<u>Regionally Competitive Energy Rates for Export Oriented Sectors during FY 2022-23 (Effective 1st July 2022</u>" and approved as following:</p> <p><u>GAS/RLNG</u></p> <ol style="list-style-type: none">RLNG would be provided at US\$ 9 per MMBtu all-inclusive to five export oriented sectors industries across Pakistan for all existing connections remaining with the allocation a total subsidy of Rs. 40 billion as already made by Finance Division in the budget.ECC recommends the Federal Government to raise existing indigenous gas tariff across Pakistan to Rs. 1350/MMBtu for export oriented industries and Rs. 1550/MMBtu for general industry (non-export).Petroleum Division in consultation with Finance Division and Commerce Division will review subsidy requirements and its release on quarterly basis.There shall be quarterly review of the subsidy provided to export industry for both gas and electricity. A report will be prepared by the Petroleum Division, providing list and amounts of all Captive Units of export-oriented sectors who are getting subsidy on account of supply gas/RLNG and subsidized electricity. A similar report on subsidized electricity shall be provided by the Power Division. The report shall be presented to the ECC within a month. <p><u>Electricity</u></p> <ol style="list-style-type: none">Electricity will be provided at US cents 9 per kWh all-inclusive to five export oriented industries subject to subsidy cover of Rs. 20 billion already provided by Finance Division w.e.f. 1st August 2022.Power Division will notify the tariff for first quarter.	<p>The Cabinet ratified the decision of the ECC in the case titled "<u>Regionally Competitive Energy Rates for Export Oriented Sectors during FY 2022-23 (Effective 1st July 2022)</u>" with following stipulations:</p> <ol style="list-style-type: none">The rate of US cents 9 per kWh for the export-oriented sectors will also be applicable till the end of FY 2022-23 as in case of RLNG;The rates will be effective from 1st August, 2022; andThe recommendations of ECC to raise existing indigenous tariff across Pakistan to Rs. 1350/MMBtu for export-oriented and general industry was not approved.

2. In accordance with stipulations under ratification of the Cabinet, the afore-mentioned decision is summarized as follows:

- i. [REDACTED] all-inclusive to five export oriented sectors industries across Pakistan for all existing connections remaining with the allocation a total subsidy of Rs. 40 billion as already made by Finance Division in the budget from 1st July 2022 till the end of FY 2022-23.
- ii. Electricity will be provided at US cents 9 per kWh all-inclusive to five export oriented industries subject to subsidy cover of Rs. 20 billion already provided by Finance Division w.e.f. 1st August 2022. The rate of US cents 9 per kWh for the export oriented sectors will also be applicable till the end of FY 2022-23 as in case of RLNG.
- iii. Petroleum Division in consultation with Finance Division and Commerce Division will review subsidy requirements and its release on quarterly basis.
- iv. There shall be quarterly review of the subsidy provided to export industry for both gas and electricity. A report will be prepared by the Petroleum Division, providing list and amounts of all Captive Units of export-oriented sectors who are getting subsidy on account of supply Gas/RLNG and subsidized electricity. A similar report on subsidized electricity shall be provided by the Power Division. The report shall be presented to the ECC within a month.

3. Aforesaid in view, it is requested to implement the decision/s of ECC of the Cabinet as ratified by the Federal Cabinet under intimation to this Ministry on priority basis.

Encl: As above:


(Umar Farooq)
Section Officer (Textile)
051-9207736

Secretary,
Ministry of Energy (Power Division)
Islamabad.

Secretary,
Ministry of Energy (Petroleum Division)
Islamabad.

Copy for information to:

- i. Secretary, Ministry of Finance, Islamabad.
- ii. Secretary, Ministry of Commerce, Islamabad.
- iii. Chairman, Federal Board of Revenue (FBR), Islamabad.
- iv. Joint Secretary (Power Policy & Finance Wing), Power Division, Islamabad.
- v. Director General (Gas), Petroleum Division, Islamabad.

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NG(I)-7(158)/17-LS
Government of Pakistan
Ministry of Energy -- Petroleum Division
(Policy Wing)
Directorate General of Gas
First Floor, Petroleum House Ataturk Avenue G-5/2

Islamabad, the 15th October, 2018

01. ~~The Managing Director,~~
Sul Northern Gas Pipelines Ltd,
Lahore

02. The Managing Director,
Sul Southern Gas Company Ltd,
Karachi

Subject: GAS ALLOCATION AND MANAGEMENT POLICY 2005 - REVISION IN PRIORITY ORDER

Dear Sir(s),

I am directed to inform that the ECC of the Cabinet in its meeting held on 17.09.2018 vide case No.ECC-86/17/2018 dated 17.09.2018 while considering a summary submitted by Petroleum Division regarding Natural Gas Sale Pricing Inter-alia directed as under:

(iii) *The priority of allocation of system gas will be revised to bring the five zero-rated sectors at second priority along with the power sector.*

2. In pursuance of the above ECC decision, the revised priority order under Natural Gas Allocation and Management Policy, 2005 will be as under:

S.#	Category of Consumers	Priority Order
1.	Domestic and Commercial	First
2.	Power sector, *Zero-Rated General Industry	Second
3.	General Industrial, Fertilizer & Captive Power	Third
4.	Cement Sector including its Captive Power	Fourth
5.	CNG Sector	Fifth

* Textile (including jute) carpets, leather, sports and surgical goods

Yours truly,

(Sohail Anwar)
Deputy Director (Gas)

Copy for Information:

- i. Secretary Finance, Government of Pakistan
- ii. Secretary Industries & Production, Government of Pakistan
- iii. Secretary Power Division, Government of Pakistan
- iv. Secretary Planning, Development & Reforms, Government of Pakistan
- v. Chairperson, OGRA, Islamabad
- vi. PS to Secretary Petroleum Division
- vii. SPS to Addl. Secretary (P) Petroleum Division
- viii. PA to DG(Gas) Petroleum Division

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Monthly FCA for July 2022 – Cost Analysis (1/2)

Plant / IPPs	June 2022			July 2022		
	Units (Gwh)	Cost (Rs. in Mn)	Cost per Unit Rs/kWh	Units (Gwh)	Cost (Rs. in Mn)	Cost per Unit Rs/kWh
BQPS I – Ind gas	-	-	-	20	195	9.8
BQPS I – RLNG	0	10	53.3	2	105	44.8
BQPS I – FO	371	15,905	42.9	241	10,756	44.7
BQPS I – Total	371	15,915	42.9	263	11,057	42.0
BQPS II – Ind gas	-	-	-	43	307	7.2
BQPS II – RLNG	328	12,733	38.8	275	9,004	32.8
BQPS II – Total	328	12,733	38.8	318	9,311	29.3
KGTPS – Ind gas	-	-	-	2	16	7.8
KGTPS – RLNG	1	42	42.1	5	190	35.5
KGTPS – Total	1	42	42.1	7	206	27.8
SGTPS – Ind gas	-	-	-	2	18	7.8
SGTPS – RLNG	2	87	40.5	7	261	35.7
SGTPS – Total	2	87	40.5	10	279	28.9
KCCP – Ind gas	-	-	-	3	22	7.3
KCCP – RLNG	2	84	38.8	9	305	33.1
KCCP – HSD	18	718	40.1	2	128	51.5
KCCP – Total	20	802	40.0	15	455	30.8
BQPS III – RLNG	198	6,385	32.2	180	6,153	34.2
BQPS III – RLNG	198	6,385	32.2	180	6,153	34.2
KE – Total (Inc. BQPS III)	921	35,962	39.1	792	27,460	34.7

► Own Gen ► PP ► Secondary



**Sui Southern Gas
Company Limited**



Ref: MD.KE/334
23 April 2018

Mr. Tayyab Tareen
Chief Executive Officer
K-Electric Limited
Karachi

Subject: GAS SUPPLIES TO K-ELECTRIC

Dear Tayyab,

This refers to the decision of the Cabinet Committee on Energy (CCE) chaired by the Honorable Prime Minister of Pakistan, held at Governor House Sindh on 23 April 2018.

Pursuant to the meeting, the following was directed to both the parties (Sui Southern Gas Company Ltd. and K-Electric).

1. SSGC to manage the load according to the available volumes which is currently upto 130MMCFD maximum indigenous gas for power generation to K-Electric. Any additional volumes required by K-Electric over and above these volumes will be met through RLNG.
2. The parties have been directed to execute the Term of Reference (TOR) within 15 days w.e.f 23 April 2018 which has already been agreed and initiated between the parties for the appointment of International reputed Chartered Accountants Firm in order to determine the principal outstanding amount as well as interest / late payment surcharge (LPS) owed to SSGC by K-Electric.
3. The Cabinet Committee on Energy directed SSGC that in the event if the TOR is not executed within 15 days w.e.f 23 April 2018, SSGC shall be at liberty to reduce the gas supply to K-Electric Power Generation Units.
4. The Cabinet Committee on Energy directed both the parties to simultaneously within the stipulated period of 15 days, finalize and initial the following 02 GSAs.
 - i. GSA based on as & when available indigenous gas.
 - ii. GSA based on RLNG.

The above stated position is subject to the written confirmation of the decision of the Cabinet Committee on Energy.

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