

# Institute for Policy Reforms

Press Release

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## No Improvement in Load Shedding for the Next Two Years

The Institute for Policy Reforms issued a Fact Sheet today about the State of the Power Sector. Based on NEPRA's recently released State of Industry Report 2014, the Fact Sheet provides important information about a sector that has been a source of great hardship for the people of Pakistan and, which has also stymied economic growth of the country.

The Fact Sheet states that for the next two years there is no improvement expected in load shedding in the country. It estimates gap in peak demand to exceed 4500 MW. Load shedding remained high in 2013-14. Daily average load shedding was as high as 10 hours in Multan and Quetta while it was 3 hours in Gujranwala and Lahore, and 2 hours in Karachi. Over-charging of bills became a special concern in 2013-14. The number of complaints received from consumers increased to 3.4 million in number in 2013-14. Most of these pertained to overcharging. The highest incidence of complaints was in Karachi, Lahore, and Gujranwala.

Supply of electricity to distribution companies of Punjab province showed high growth, especially in the case of GEPCO, MEPCO, and FESCO. Some utilities saw a decline in supply. These include PESCO (Peshawar), HESCP (Hyderabad), and QESCO (Quetta).

The country has seen no improvement also in line losses from transmission and distribution of power. Total line losses remained at 18.5% in 2013-14. Some distribution companies registered especially high line losses. For example, line loss in SEPCO (Sukkur) was a high of 39%. Reduction of line losses is an area that the government must improve.

In addition to line losses, under recovery of bills remained a concern. On the aggregate, DISCOs and K-Electric combined recovered 11% less than the amount billed in 2013-14. While performance of Faisalabad and Lahore was good, Quetta recovered less than half of the amount billed. Consequently, total arrears due from consumers have increased by 25% in 2013-14 to reach 513 billion rupees. Of this, an amount of 313 billion is due from private consumers contributing to the circular debt.

The Fact Sheet recognizes a modest increase of 550 MW in installed generation capacity in 2013-14. Most of the increase is in thermal generation. Furnace oil as a fuel source had a share of 61% in thermal generation. This has increased the country's dependence on imported fuel for power generation.

Despite the marginal increase in generation, load shedding is expected to continue well into the year 2019 exacting a high cost of 3.7% of GDP on the economy.