

SENATE OF PAKISTAN
HOUSE OF THE FEDERATION

Report No.07
Parliamentary year 2020-2021



REPORT OF
THE SENATE STANDING COMMITTEE ON POWER

ON

"EXACT FIGURE OF CIRCULAR DEBT"

Presented By

SENATOR FIDA MUHAMMAD
CHAIRMAN

SENATE SECRETARIAT

REPORT OF THE SENATE STANDING COMMITTEE ON POWER ON POINT OF PUBLIC IMPORTANCE REGARDING "EXACT FIGURE OF CIRCULAR DEBT" RAISED BY SENATOR NAUMAN WAZIR KHATTAK DURING THE SENATE SITTING HELD ON 4TH MARCH, 2020".

1. Senator Fida Muhammad, Chairman, Standing Committee on Power, have the honour to present, on behalf of the Committee, this report on a Point of Public Importance regarding "Exact figure of circular debt" raised by Senator Nauman Wazir Khattak during the Senate sitting held on 4th March, 2020".

2. The composition of the Standing Committee is as under:-

1.	Senator Fida Muhammad	Chairman
2.	Senator Nauman Wazir Khattak	Member
3.	Senator Mirza Muhammad Afridi	Member
4.	Senator Dr. Ghous Muhammad Khan Niazi	Member
5.	Senator Ahmed Khan	Member
6.	Senator Agha Shahzaib Durrani	Member
7.	Senator Mushahid Ullah Khan	Member
8.	Senator Dilawar Khan	Member
9.	Senator Moula Bux Chandio	Member
10.	Senator Syed Muhammad Ali Shah Jamot	Member
11.	Senator Muhammad Akram	Member
12.	Senator Molvi Faiz Muhammad	Member
13.	Senator Siraj ul Haq	Member

3. The Committee considered the subject matter in its meeting held on 3rd September, 2020, at 11:30 a.m. in Committee Room No.4, Parliament House, Islamabad. The following attended the meeting:-

1.	Senator Fida Muhammad	Chairman
2.	Senator Nauman Wazir Khattak	Member/Mover
3.	Senator Mirza Muhammad Afridi	Member
4.	Senator Mushahid Ullah Khan	Member
5.	Senator Ahmed Khan	Member
6.	Senator Molvi Faiz Muhammad	Member
7.	Senator Siraj Ul Haq	Member
8.	Senator Muhammad Akram	Member


10. Senator Nauman Wazir, Mover of the agenda item said he had raised the issue in the Senate because the print media had reported that as per data provided by NEPRA, monthly circular debt was Rs.42 billion whereas, the Ministry's figure was Rs.29 billion. He further said since the matter was serious in nature, therefore, he wanted to know as to which figure was correct. The Additional Secretary, Power Division, stated that the circular debt during the fiscal year 2019-20 was Rs.538 billion which had two components; one was linked with government policies like tariff determination, quarterly adjustments and Fuel Price Adjustments that were passed on to the consumers; and 2nd part was the difference between billing and recovery. He said that the capping plan with IMF on circular debt for 2019-20 was

Rs.132 billion. He added that from July 2019 to February 2020 less recovery was 90 billion Rupees i.e. difference between billing and collection. He told the Committee that due to the COVID-19 from March, 2020, various administrative actions were slowed down which resulted in less recovery of Rs.46 billion and therefore, the whole year was closed with less recovery of Rs.136 billion. He stated that in view of the COVID-19, the government had to give relief to the single phase domestic consumers with consumption up to 300 units to receive their monthly bills in three installments and that impact from April-June 2020 was Rs.50 billion. He further stated that there was a change in consumer mix and industrial slow down and therefore capacity charge of Rs.54 billion, which was part of the tariff, could not be recovered. He said that the impact of COVID-19 was Rs.104 billion and the overall impact of less recovery up to June 2020 was Rs.240 billion.

11. Senator Nauman Wazir Khattak was of the view that the deferred bill payment of Rs.50 billion should not be shown as part of the circular debt. In reply, the Power Division informed the Committee that all receivables had to be reflected in the circular debt and when received/recovered, were subtracted from the total of the circular debt. Senator Khattak viewed Rs.132 billion of Circular Debt Management Plan (CDMP) as ghost billing. He was of the considered opinion that due to the poor performance of some DISCOs, such a huge amount had been added in the Circular Debt. He said that there were DISCOs whose recovery percentage against the billed amount was 95-97%. He suggested to the Power Division and NEPRA to take action against those DISCOs whose performance was not good. He said that it should be made mandatory for the DISCOs to recover the entire amount they bill.

12. While briefing on the difference in the amount of circular debt between the NEPRA and Power Division, NEPRA informed the Committee that the amount on account of inefficiency on the part of the DISCOs was their bad debts which were not made part of the cost to be borne by the consumers. It was further informed that as far as fewer recoveries by DISCOs due to the COVID-19 were concerned, those were their current assets and when the case would be brought before NEPRA, decision would be made accordingly as, prima-facie, the situation was beyond the control of the DISCOs.

13. Senator Nauman Wazir Khattak asked as to what was the exact figure of circular debt as on 30-06-2019. The Power Division stated that as on 30-06-2019 the circular debt was Rs.1600 billion and on the closure of the last fiscal year i.e. 30-06-2020, Rs.538 billion were added and the total was raised to Rs.2150 billion. At this point Senator Nauman Wazir Khattak asked the Power Division and NEPRA if both were agreed on the total of the circular debt as on 30-06-2020. NEPRA's and Power Division's reply was in affirmative. Accordingly, the matter was disposed of.


(ABID HUSSAIN)
Secretary Committee


(SENATOR FIDA MUHAMMAD)
Chairman Committee