



TRANSPARENCY INTERNATIONAL-PAKISTAN

S-C, 2nd Floor, Khayaban-e-Itehad, Phase VII,
Defence Housing Authority, Karachi.
Tel: (92-21)-5390408, 5390409, Fax: 5390410
E-mail: t.pakistan@gmail.com
Website: www.transparency.org.pk

26th August, 2009

Mr. Salman Ali Shaikh,
Chairman,
Securities and Exchange Commission of Pakistan,
National Insurance Corporation Building, Jinnah Avenue,
Islamabad-44000,

Fax No. (92-51) 9205692, 9204915

Sub: SECP to investigate KESC affairs

Ref: SEP Letter No EMD/233/401/02-33 dated 5 August 2009

Dear Sir,


Further to Transparency International Pakistan letter dated 15th August 2009, KESC poor performance and failure to pay IPP, one news appearing in Business Recorder of 25th August 2009, and two news published in Dawn of 26th August 2009 are enclosed, which reveals that KESC has not paid Rs 3.25 Billion to IPP M/s Gul Ahmed Energy Limited (GAEL), and the IPP has stopped supply of at least 125MW electricity to KESC. The news reports says that "Pepco's experts found that the "under-frequency relays installed for automatic load-shedding through switching of 11kV feeders in the wake of loss of generation are either set at high threshold or are defective, and that "sustained enormous financial losses, besides customers' annoyance, on account of unwarranted breakdowns in supply and damage of grid stations/transformers, transmission lines, underground cables and PMTs, all merely due to poor maintenance and lack of knowledge". The report also says "Sources said that one of the six power generation units at the Bin Qasim Power Plant did not function. The power utility's management curtailed generation to cut furnace oil costs, causing a gap between demand and supply".

This is a serious charge, as it is public knowledge that Rental Power being sought by KESC will be costlier than the power supplied by IPP, whereas the Rental Power Plants are being paid one year electricity cost in advance.

If these news are correct, they are against the prudent business practices, which KESC is bound to follow under the Laws of Pakistan.

We request SECP to take up this news with KESC and kindly copy the letter sent to KESC to TI Pakistan also.

With regards,


Syed Adil Gilani,
Chairman,
Transparency International Pakistan

Copy forwarded for the information of;

1. Chairman, PAC, Islamabad
2. Minister of Water & Power, Islamabad
3. Minister of Privatisation, Islamabad, with reminder that TIP is still not provided the copies of Concession Agreement 2005 and Amended Agreement 2009.
4. CEO, KESC, Karachi.

KARACHI: KESC pays little heed to critical report

By Shamim-ur-Rahman
Wednesday, 26 Aug, 2009 | 02:06 AM PST

Font size  Print  Email  Share 

KARACHI, Aug 25: A team of experts from Pepco who investigated the collapse of the KESC's system during a thunderstorm on June 17 have said that the system was "on the brink of complete collapse" and that it was "unmanageable under the prevailing circumstances, as the personnel responsible for the O&M lack proper knowledge and commitment".

In a report submitted to the government, the team maintained that if the situation was allowed to continue as is, the situation "may worsen with every passing day".

The report was released before the second collapse of the KESC's system during a heavy monsoon downpour a month later.

Although the KESC explained its position through newspaper advertisements, most of the technical and management issues identified by the team of experts after the June 17 breakdown were not addressed.

The utility now has until September 15 to revamp its system and to make it sustainable in four model towns in the city in order to remain in business.

The Pepco experts' report provided the basis for a government-ordered inquiry into the KESC's operations after the monsoon rain blackout.

It was observed in the report that temporary faults are not attended to in time, with the result that the faults are aggravated further and minor issues sometimes end up causing major breakdowns.

The team found that "there is no system contingency available to cater for losses of supply either from NTDC or outage of any of their own heavily loaded generating units. The outcome is obvious [...] total system collapse".

While the KESC has held the weather primarily responsible for the collapse of its systems, Pepco's experts found that the "under-frequency relays installed for automatic load-shedding through switching of 11kV feeders in the wake of loss of generation are either set at high threshold or are defective".

It was also reported by the team that there existed "no SOP for routine and surprise visits to the grid stations and other important grid installations by senior officers, and that is

Non-payment of Rs 3.25 billion debt: IPP stops supply of 125 megawatts power to KESC

GHULAM ABBAS

KARACHI (August 25 2009): An Independent Power Producer (IPP) on Monday again stopped supply of at least 125 megawatts (MW) electricity to Karachi Electric Supply Company (KESC) due to non-payment of at least Rs 3.25 billion debt. According to sources, M/s Gul Ahmed Energy Limited (GAEL) stopped supply of at least 125MW electricity to the privately-run utility, as the bad-debt-hit power producer claims to run short of funds for purchasing fuel, furnace oil, to keep its power generators functional.

This was the second time within a month that the IPP has stopped supply to the power utility for non-payment of dues. Previously, the supply from the producer was resumed only after the power utility started payment of the debt. They said that the power producer had allowed the company to pay at least required for purchasing furnace oil to run the plant. But the company also stopped the little payment for the last few days due to which the producers stopped electricity supply to the power utility on Monday, they added.

The sources claimed that a cheque recently given by the company to the IPP for payment of the dues was also bounced. They said the IPP has made it clear that until the debt were not paid to the IPP for purchase of furnace oil to run the plant, uninterrupted power supply from the source was not possible. The short payment of debts to IPPs, GAEL and Tapal Energy Limited, has swelled their outstanding dues against the company to seven billion rupees, they added.

They said after the new management had taken over the KESC IPPs were facing persistent problem of debt payment. They maintained that payment problem to such extent had never been faced by the IPPs for the last 12 years after the Power Purchase Agreement (PPA) was signed between them and KESC.






After the reduction of 125 MW in the company's system following the suspension of supply from GAEL, the company was facing a short fall of over 300 MW on Monday. The citizens, despite governments' announcement of not carrying out load shedding during Iftar and Sehr timings, were facing hours long power outages for three to four times in Ramazan. According to sources, different areas of the city like Gaddap, Lyari, Korangi, Malir, Jamshed Road, Liaqatabad, North Nazimabad and SITE were facing load shedding of at least one-hour spell for four times a day.

Meanwhile, a statement issued here said that provincial ministers Zubair Ahmed Khan and Nadia Gabol had taken serious notice of the power situation in the city. It said the minister had asked KESC management to immediately stop load shedding in the holy month of Ramazan. When the official spokesman of the power utility was contacted about the suspension of power supply from the IPP, he expressed his ignorance about it.

KARACHI: Power outages hit many localities

By Our Reporter

Wednesday, 26 Aug, 2009 | 02:12 AM PST

KARACHI, Aug 25: Many parts of the city experienced rounds of prolonged outages on Tuesday, while the Karachi Electric Supply Company denied carrying out load-shedding.

Sources said that one of the six power generation units at the Bin Qasim Power Plant did not function. The power utility's management curtailed generation to cut furnace oil costs, causing a gap between demand and supply, the sources added.

They said that an independent power producer, Gul Ahmad, had stopped generation due to its unsettled dispute over outstanding bills against the KESC. It seemed that the power utility had not honoured its commitment, they added.

The problem was aggravated by a brief drizzle in the early hours of Tuesday. The fragile transmission and distribution system of the power utility failed to properly function during the rain, depriving many areas of electricity around Sehri.

Residents of KDA Scheme No 1 spent six hours without electricity during the night, while they again experienced power outages in the afternoon for around three hours.

The Cantt Bazaar area of Malir Cantonment suffered several intermittent spells of power failures after Sehri.

Residents of Shah Faisal Colony, North Karachi, Gulistan-i-Jauhar, Federal B Area, Clifton and Defence also complained of recurring power breakdowns.

People from DHA Phase I told Dawn that they were suffering a prolonged power outage while the power utility had not fixed a cable fault so far. They added that everyday the area remained without electricity for several hours.

A spokesperson for the KESC said that there had been no load-shedding in any part of the city. The power utility efficiently met the overall demand of 2,003 megawatts, the spokesperson said, adding that Wapda supplied 610MW to the KESC during the day.

The KESC spokesperson was of the view that some areas were without electricity due to isolated faults.

However, the sources said that the power utility carried out load-shedding on the pretext of load management closure of overloaded feeders.