

# News Coverage for Website

## CCP News

### The News

#### Competitive wholesale electricity market in a year

In a paradigm shift, the government has planned to develop a competitive wholesale private electricity market in one year and a retail-level sale market in two years, and the top officials are working hard in this regard, senior officials of the Energy Ministry told The News.

The Cabinet Committee on Energy (CCoE), to this effect, approved the ISMO (Independent System and Market Operator) on January 14, 2021 which was later ratified by the federal cabinet on January 19, 2021.

The ISMO creation has been approved as an institutional arrangement for the competitive wholesale electricity market as part of the Competitive Trading Bilateral Contract Market (CTBCM) design features.

Under this competitive regime, there would be a system of multi-sellers and multi-buyers of electric power. However, the buyers will pay the transmission and distribution use of system charges also for the electricity they will trade bilaterally.

Currently, the power sector investments are dominated by the government that also owns the power plants and sells electricity to the end consumers under a monopoly structure through its Discos having control on the network and supply business. Currently, the consumers have no choice but to purchase electricity from the government-owned Discos. So under the new competitive market implementation, bulk electric power consumers will be able to buy electricity from any private supplier, traders and generation companies at the electric power rates bilaterally agreed by parties with no Nepra determination involved and after including the wheeling charges as determined by Nepra for the use of transmission and distribution.

“The incumbent prime minister through its directive No 17 in the meetings dated 15,18 and 25 May 2024 approved the restructuring of the Central Power Purchase Agency (CPPA) and National Transmission Despatch System (NTDC).”

The top officials said in the current month of November, 2024, ISMO will be incorporated by SECP under the Companies Act, 2017. The process to complete the board of directors of ISMO will be completed by January 2025. The board of directors would appoint CEO from the private sector.

As per the summary approved by CCoE, and the federal cabinet, the ISMO would be a technical and commercial pillar of the electricity wholesale market with interdependent functions. This entity will lead and perform the integrated power planning of the power sector.

Secretary Ministry of Energy (Power Division), Joint Secretary/Additional Secretary, Ministry of Finance, CEO of ISMO (to be appointed by the Board), CEO of a DISCO; MD/CEO of National Grid Company (NGC) would be the directors of ISMO. However, six independent directors with the requisite range of skills, competence, knowledge, experience, and approach would also be made the part of the board.

The expertise shall include system operations, power system planning, energy economics/electricity markets/capital markets, accounting/corporate finance/business management, ICT/technology and risk management and legal and regulatory affairs.

The members of the board would be appointed by the Board Nomination Committee as per SOE Act. One of the six independent directors will be the Chairman of the ISMO Board as per the SOE Act.

Under the relevant provision of the Companies Act, 2017, the name of first chief executive shall be determined by the subscribers of the memorandum and the first chief executive shall, unless he earlier resigns or otherwise ceases to hold office up to the first annual general meeting of the company. So, the CEO would be appointed by the Board as per the provision of Companies Act, 2017 and SOE Act, 2023.

The registered office of the ISMO would be situated in the Islamabad Capital Territory. The smooth transition of human resources from the parent organizations to the ISMO shall be ensured by providing a transition of at least three years to all employees on similar lines as was provided to employees of the NTDC during transition to CPPA-G, with the modalities to be approved by the Board of ISMO Pakistan.

<https://www.thenews.com.pk/print/1250127-competitive-wholesale-electricity-market-in-a-year>

# Profit by Pakistan Today

## CCP recommends privatization, public-private partnerships for power distribution companies

The Competition Commission of Pakistan (CCP) has recommended the privatization or establishment of public-private partnerships (PPPs) for existing power distribution companies (DISCOs) to address critical inefficiencies and enhance competition in the power sector.

The recommendations were outlined in CCP's recent report, "State of Competition in Key Markets in Pakistan: Power Sector," which highlights persistent issues faced by DISCOs, including high distribution losses, low bill recovery rates, electricity theft, and revenue leakages.

The CCP report points to global trends, where countries have privatized state-run utilities to leverage market dynamics and reduce government dependency. Key drivers behind this shift include the underperformance of state-owned utilities, the need to eliminate subsidies, a shortage of state funds for essential investments, and the opportunity to generate government revenue through asset sales.

According to CCP, these issues have been an ongoing concern for successive governments, hampering the sector's performance and reliability. With recent amendments to the NEPRA Act removing the exclusivity clause, CCP sees an opportunity for reform, suggesting full privatization or PPP models to reduce distribution losses and improve market operations.

The report also proposes breaking down large DISCOs into smaller, localized units to foster competition, enhance efficiency, and attract more players to the distribution sector.

The report further highlights ongoing challenges in Pakistan's power sector, including high rates of electricity theft, non-payment of bills, institutional inertia, and a reluctance to adopt modern technology. CCP notes that these factors contribute to poor service quality, customer dissatisfaction, and discourage both domestic and foreign investment.

CCP's analysis indicates that regulatory barriers, structural constraints, and anti-competitive practices restrict new entrants, protecting incumbents and limiting competition in the sector. The report emphasizes the need for structural reforms to create a more competitive and efficient power market in Pakistan.

<https://profit.pakistantoday.com.pk/2024/11/11/ccp-recommends-privatization-public-private-partnerships-for-power-distribution-companies/#:~:text=The%20Competition%20Commission%20of%20Pakistan,competition%20in%20the%20power%20sector.>