

# Day Break

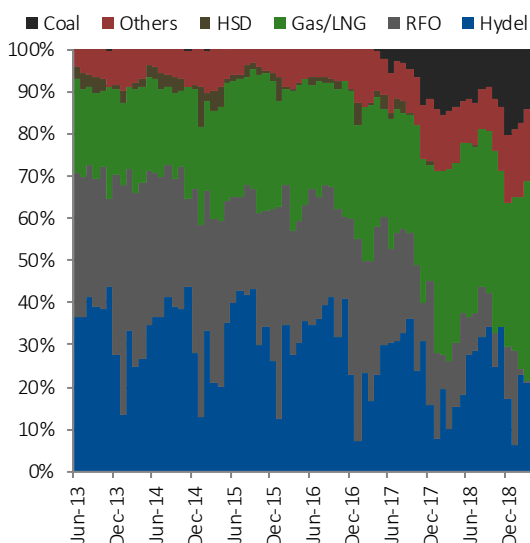
Thursday, 23 May 2019

## Sector Update

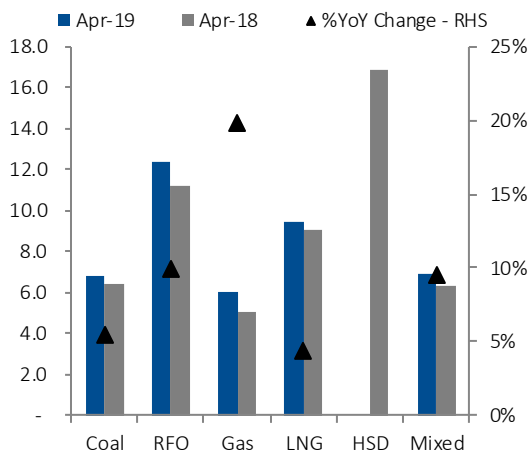
### Monthly Power Generation Mix (Apr-19) - Gwh

Source	Apr-19	Apr-18	YoY	10MFY19	YoY
Hydel	2,229	1,528	46%	24,769	10%
RFO	481	1,551	-69%	7,999	-58%
Gas/LNG	4,785	4,345	10%	39,004	18%
HSD	-	0	-100%	31	-96%
Coal	1,005	1,402	-28%	12,646	44%
Others	1,217	1,310	-7%	12,500	11%
Total	9,717	10,135	-4%	96,948	1%

### Exhibit: Fuel Wise Generation Mix (%)



### Exhibit: Fuel Wise Cost of Generation - Mar-19 (PKR/Kwh)



Source: NEPRA & IGI Research

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## Power Generation & Distribution

### Apr-19: Generation drops by 4%YoY due to lower demand amid economic slowdown and rising costs

- As per latest data available on NEPRA's website, overall power generation during the month of Apr-19 dropped by 4%YoY to 9,717Gwh. Power production through Hydel/Gas-LNG clocked in at 2,229/4,785Gwh up by +46%/+10%YoY, while generation through RFO/Coal decreased by 69%/28%YoY to 481/1,005Gwh during Apr-19,
- Power generation through RFO in Apr-19 dropped by 69%YoY (down by 1,069Gwh) to 481Gwh, owing to lower generation from GENCO III, AES Lalpir, Narowal, Hub Plant, Attock Gen, Liberty and KAPCO Block I & II (cumulatively down by 903Gwh) while generation from smaller IPPs was down by 167Gwh,
- Gas/LNG based power generation plummeted by +10%YoY (440Gwh) to 4,785Gwh in Apr-19 on the back of a) higher generation by GENCO II up by 186Gwh and, b) higher generation from Haveli Bahadurshah, Baloki and QATPL (cumulatively adding 552Gwh), despite lower generation from smaller IPPs,

### Power production depicts 4%YoY decline in Apr-19

As per latest data available on NEPRA's website, overall power generation during the month of Apr-19 dropped by 4%YoY to 9,717Gwh. Power production through Hydel/Gas-LNG clocked in at 2,229/4,785Gwh up by +46%/+10%YoY, while generation through RFO/Coal decreased by 69%/28%YoY to 481/1,005Gwh during Apr-19. This in our view is likely due to down turn in economy along with rising fuel costs leading to lower demand. Moreover, extended winter season also kept a lid on demand. This brings total generation for 10MFY19 to 87,230 up by +1%YoY primarily led by +44%/+18%/+10%YoY rise in production through Coal/Gas-LNG/Hydel contributing 79% of the total power generation while contribution from FO based power generation is down to 8%YoY as compared to 20% in 9MFY19.

Exhibit:

### Power Generation Mix (Apr-19)

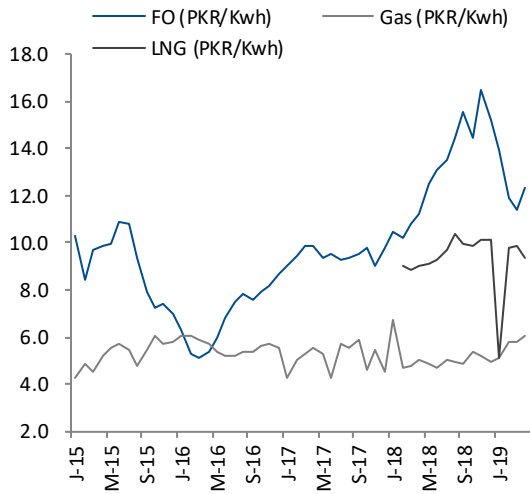
GWH	Apr-19	Apr-18	YoY	Mar-19	MoM	10MFY18	10MFY17	YoY
Hydel	2,229	1,528	46%	1,601	39%	24,769	22,452	10%
RFO	481	1,551	-69%	40	1094%	7,999	19,270	-58%
Gas/LNG	4,785	4,345	10%	3,617	32%	39,004	33,150	18%
HSD	-	0	n/m	-	n/a	31	784	-96%
Coal	1,005	1,402	-28%	1,069	-6%	12,646	8,795	44%
Others	1,217	1,310	-7%	1,295	-6%	12,500	11,236	11%
Total	9,717	10,135	-4%	7,621	28%	96,948	95,687	1%

Source: IGI Research, NEPRA

### FO: Generation down by 69%YoY in Apr-19

Power generation through RFO in Apr-19 dropped by 69%YoY (down by 1,069Gwh) to 481Gwh, owing to lower generation from GENCO III, AES Lalpir, Narowal, Hub Plant, Attock Gen, Liberty and KAPCO Block I & II (cumulatively down by 903Gwh) while generation from smaller IPPs was down by 167Gwh. This brings total generation for 10MFY19 to 7,999Gwh down by 58%YoY owing to lower generation from Hub Plant, KAPCO Block I & II and GENCO I & III along with lower generation from smaller inefficient IPPs such as Lalpir and Pakgen.

**Exhibit: Cost of generation on FO and Gas**  
(According to Data released by NEPRA)



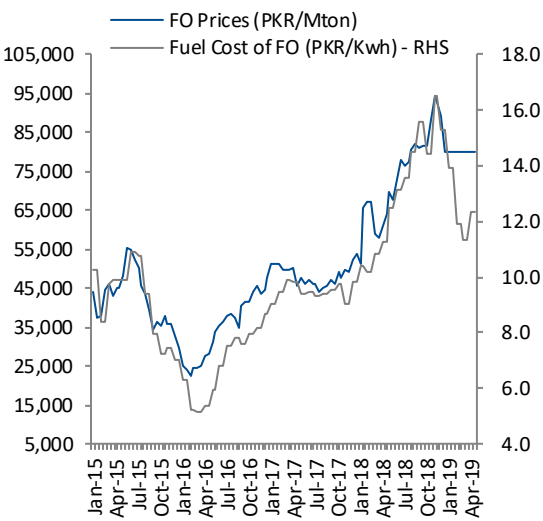
**Gas/LNG generation up by +10%YoY in Apr-19**

Gas/LNG based power generation plummeted by +10%YoY (440Gwh) to 4,785Gwh in Apr-19 on the back of a) higher generation by GENCO II up by 186Gwh and, b) higher generation from Haveli Bahadurshah, Baloki and QATPL (cumulatively adding 552Gwh), despite lower generation from smaller IPPs. This brings total generation in 10MFY19 to 39,004Gwh up by +18%YoY led by higher generation from QATPL, Haveli Bahadur Shah, Baloki and smaller IPPs.

**Generation cost on RFO rises to PKR 12.34/Kwh during Apr-19**

As per NEPRA, power cost on RFO is down by 5%MoM (or up by +5%YoY) to PKR 11.36/Kwh. However, gas price rose to PKR 6.07/Kwh up by +20%YoY (up by +5%MoM) due to increase in gas tariff for IPPs while generation cost through LNG increased to PKR 9.40/Kwh, up by +4%YoY (or down by 5%MoM) due to rise in international Brent oil price. For the month of Apr-19 to date, international RFO (180cst bunker fuel) prices have averaged USD 421/MTon as compared to USD 420/Mton in the preceding month (average of USD 415/MT in May-19 so far). The import price for FO remains unchanged owing to no imports of FO during the last few months. PKR has remained stable well since end of Dec-18, however recent depreciation may escalate FO prices. Moreover, International FO prices are expected to pick up amid rise in demand during summer season and increase in demand from Pakistan as well.

**Exhibit: FO Prices (PKR/Mton) and Fuel Cost of FO - PKR/Kwh**  
(According to Data released by NEPRA)



**Outlook**

We expect generation on gas to increase due to higher LNG import going forward. RFO based generation is expected to slow down as new LNG/coal plants commence operation and restoration of water levels for higher generation through Hydel. However, in the long term we foresee FO based power generation to slowly phase out as new LNG and Coal based power plants commence operations by FY21. ENGRO's Thar plant Unit I has already commenced operations while HUBC CPHGC plant is likely to start generation by Aug-19. In the medium term we anticipate coal based generation to reach up to 18% from current 13% in 10MFY19. Although, rise in coal and LNG prices could increase the cost of generation in the coming years but renewable energy projects (including wind and solar) would significantly reduce cost.

Source: NEPRA & IGI Research

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