# Day Break

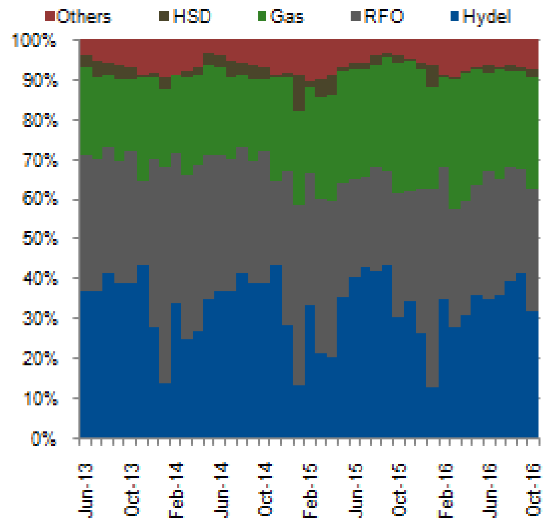
Monday, 19 December 2016

## Sector Update

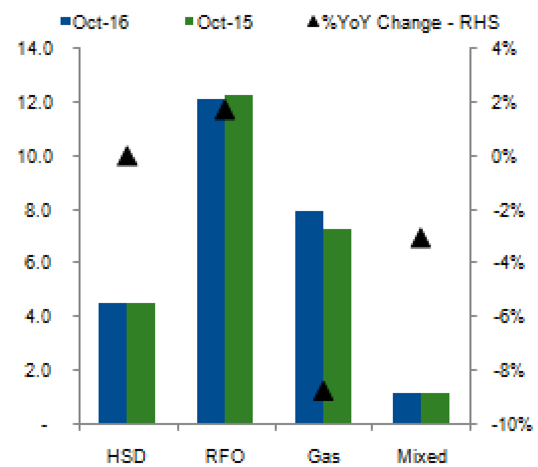
**Monthly Power Generation Mix (Oct-16) - Gwh**

| Source | Oct-16 | Oct-15 | YoY | Sep-16 | MoM |
|---|---|---|---|---|---|
| Hydel | 2,762 | 2,496 | 11% | 4,210 | -34% |
| RFO | 2,630 | 2,573 | 2% | 2,651 | -1% |
| Gas | 2,472 | 2,722 | -9% | 2,531 | -2% |
| HSD | 173 | 173 | 0% | 102 | 70% |
| Others | 642 | 334 | 92% | 727 | -12% |
| Total | 8,678 | 8,297 | 5% | 10,220 | -15% |

**Fuel Wise Generation Mix (%)**




**Fuel Wise Cost of Generation - Oct-16 (PKR/Kwh)**




Source: NEPRA & IGI Research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# Power Generation & Distribution

## Generation up by +5%YoY in Oct-16

- As per latest data available on NEPRA's website, overall power generation during the month of Oct-16 surged by +5%YoY to 8,678Gwh.
- Power generation through RFO augmented by +2%YoY to 2,630Gwh, while Gas based power generation declined by 9%YoY to 2,472Gwh in Oct-16 on the back of lower production from KAPCO Block-II/ Block-III owing to shift to LNG from Natural gas.
- We expect generation on gas to increase due to higher LNG import going forward. RFO based generation is expected to pick up slightly from Nov-16. However, we believe growth in RFO based generation to remain muted on the back of availability of LNG at cheaper cost than RFO and rebound in FO prices.

**Power production depicts +5%YoY growth in Oct-16**

As per latest data available on NEPRA's website, overall power generation during the month of Oct-16 surged by +5%YoY to 8,678Gwh. Power production through RFO/Hydel clocked in at 2,630/2,762Gwh going up by +2%/+11%YoY, while generation through gas declined by 9%YoY to 2,472Gwh during Oct-16. For FY17TD, generation is up by +4%YoY to 40,684Gwh primarily led by +15%YoY rise in production through RFO contributing 28% of the total power generation while contribution from gas based power generation is down to 26% as compared to 28% in FY16TD.

**FO: Generation up by +2%YoY in Oct-16**

Power generation through RFO in Oct-16 augmented by +2%YoY to 2,630Gwh, owing to a) +78%YoY higher generation from Kapco Block-II, b) Pakgen power resuming operation post replacement of transformer, and c) Generation by Hubco Narowal up by +19%YoY.

**Gas: Lower generation by KAPCO pushes generation down by 9%YoY**

Gas based power generation declined by 9%YoY to 2,472Gwh in Oct-16 on the back of lower production from Kapco Block-II/ Block-III. We believe, this is due to the shifting from natural gas to LNG and Block-I generating only on RFO.

**Generation cost on RFO further mounts to PKR 7.96/Kwh during Oct-16**

As per NEPRA, power cost on RFO is up by +10%MoM to PKR 7.96/Kwh as compared to PKR 5.67/Kwh for gas, as international FO prices have been on the rising trajectory since Feb-16, while gas prices remained relatively constant. For the month of Nov-16, international RFO (180cst bunker fuel) prices have averaged out at USD 270/MTon as compared to USD 279/MTon in preceding month.

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

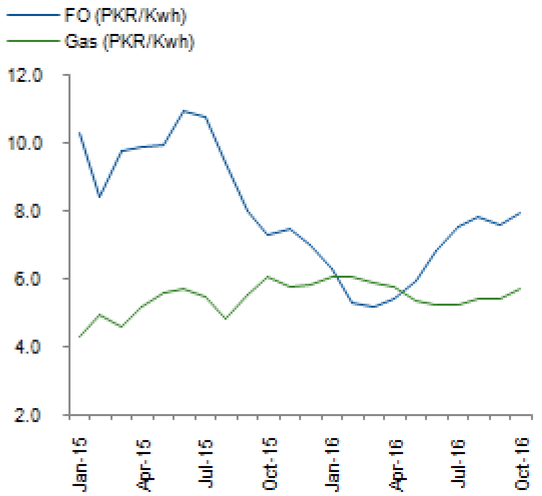
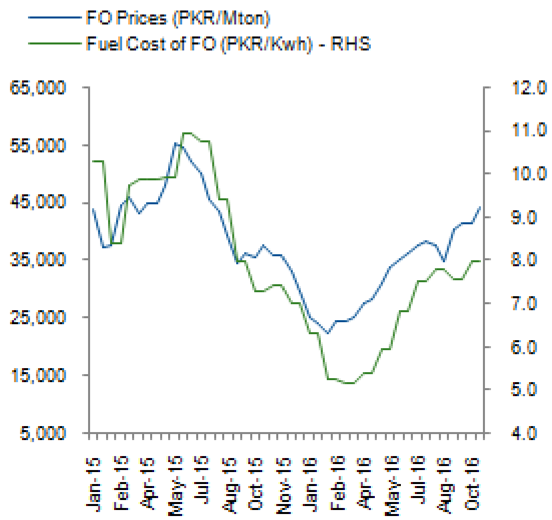



**Exhibit:** FO Prices (PKR/Mton) and Fuel Cost of FO-PKR/Kwh (According to Data released by NEPRA)




*Source: NEPRA & IGI Research*

## Outlook

We expect generation on gas to increase due to higher LNG import going forward. RFO based generation is expected to pick up slightly from Nov-16 onwards as Hydel based generation slows down. However, we believe growth in RFO based generation to remain muted on the back of availability of LNG at cheaper cost than RFO and rebound in FO prices. Hydel based power generation is anticipated to slow down from Nov-16 post monsoon season.

**Exhibit:** Power Generation Mix (Oct-16)

| GWH | Oct-16 | Oct-15 | YoY | Sep-16 | MoM | FY17TD | FY16TD | YoY |
|---|---|---|---|---|---|---|---|---|
| Hydel | 2,762 | 2,496 | 11% | 4,210 | -34% | 15,169 | 15,546 | -2% |
| RFO | 2,630 | 2,573 | 2% | 2,651 | -1% | 11,523 | 10,028 | 15% |
| Gas | 2,472 | 2,722 | -9% | 2,531 | -2% | 10,693 | 11,075 | -3% |
| HSD | 173 | 173 | 0% | 102 | 70% | 482 | 684 | -30% |
| Others | 642 | 334 | 92% | 727 | -12% | 2,817 | 1,730 | 63% |
| Total | 8,678 | 8,297 | 5% | 10,220 | -15% | 40,684 | 39,063 | 4% |

*Source: IGI Research, NEPRA*

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