

# Day Break

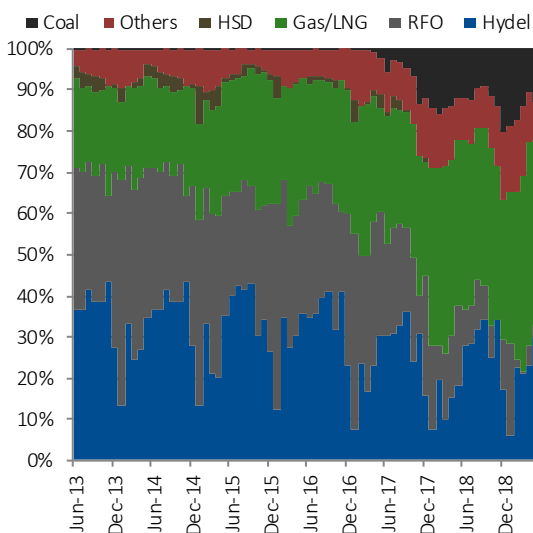
Monday, 24 June 2019

## Sector Update

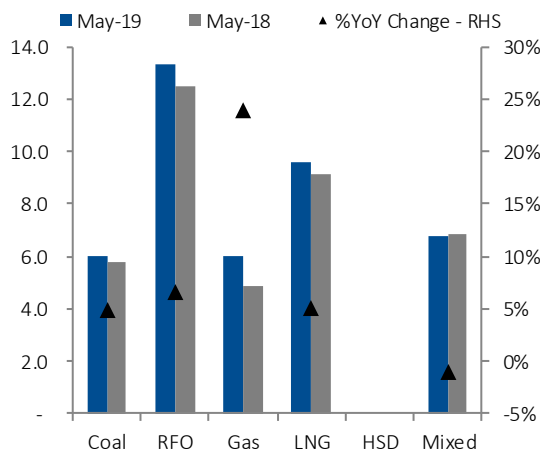
### Monthly Power Generation Mix (May-19) - Gwh

Source	May-19	May-18	YoY	11MFY19	YoY
Hydel	3,747	2,218	69%	28,516	16%
RFO	398	2,338	-83%	8,397	-61%
Gas/LNG	5,681	4,862	17%	44,685	18%
HSD	-	-	0%	31	-96%
Coal	1,629	1,469	11%	14,275	39%
Others	1,148	1,231	-7%	13,648	9%
Total	12,604	12,118	4%	109,551	2%

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



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



Source: NEPRA & IGI Research

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## Power Generation & Distribution

### May-19: Generation lifts by +4%YoY due to increase in demand and higher hydel generation

- As per latest data available on NEPRA's website, overall power generation during the month of Apr-19 increased by +4%YoY to 12,604Gwh. Power production through Hydel/Gas-LNG/Coal clocked in at 3,747/5,681/1,629Gwh up by +69%/+17%/+11%YoY, while generation through RFO decreased by 83%YoY to 398Gwh during May-19,
- Power generation through RFO in May-19 dropped by 83%YoY (down by 1,940Gwh) to 398Gwh, owing to lower generation from GENCO I/III, AES Lalpir, Narowal, Hub Plant, Attock Gen, Pakgen and KAPCO Block I & II (cumulatively down by 1,677Gwh) while generation from smaller IPPs was down by 263Gwh,
- Gas/LNG based power generation increased by +17%YoY (820Gwh) to 5,681Gwh in May-19 on the back of a) higher generation by KAPCO Block I & II (cumulatively up by 370Gwh), b) GENCO II up by 76Gwh and, c) higher generation from Haveli Bahadurshah, Baloki and QATPL (cumulatively adding 748Gwh), despite lower generation from smaller IPPs,

### Power production depicts +4%YoY growth in May-19

As per latest data available on NEPRA's website, overall power generation during the month of Apr-19 increased by +4%YoY to 12,604Gwh. Power production through Hydel/Gas-LNG/Coal clocked in at 3,747/5,681/1,629Gwh up by +69%/+17%/+11%YoY, while generation through RFO decreased by 83%YoY to 398Gwh during May-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 11MFY19 to 109,551 up by +2%YoY primarily led by +2.2%x/+39%/+16%YoY rise in production through LNG/Coal/Hydel contributing 61% of the total power generation while contribution from FO based power generation is down to 8%YoY as compared to 20% in 11MFY18.

Exhibit:

### Power Generation Mix (May-19)

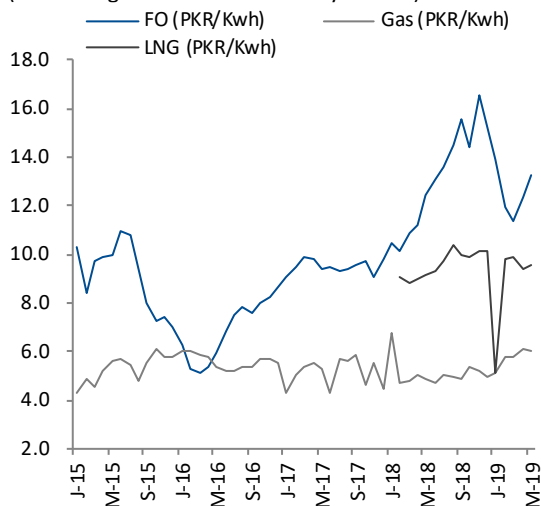
GWH	May-19	May-18	YoY	Apr-19	MoM	11MFY19	11MFY18	YoY
Hydel	3,747	2,218	69%	2,229	68%	28,516	24,670	16%
RFO	398	2,338	-83%	481	-17%	8,397	21,608	-61%
Gas	2,057	1,971	4%	1,790	15%	20,153	27,068	-26%
LNG	3,625	2,890	25%	2,996	21%	24,532	10,943	124%
HSD	-	-	-	-	-	31	784	-96%
Coal	1,629	1,469	11%	1,005	62%	14,275	10,264	39%
Others	1,148	1,231	-7%	1,217	-6%	13,648	12,467	9%
Total	12,604	12,118	4%	9,717	30%	109,551	107,805	2%

Source: IGI Research, NEPRA

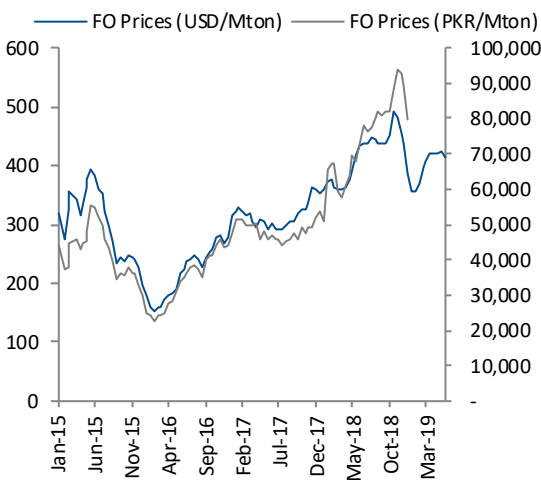
### FO: Generation down by 83%YoY in May-19

Power generation through RFO in May-19 dropped by 83%YoY (down by 1,940Gwh) to 398Gwh, owing to lower generation from GENCO I/III, AES Lalpir, Narowal, Hub Plant, Attock Gen, Pakgen and KAPCO Block I & II (cumulatively down by 1,677Gwh) while generation from smaller IPPs was down by 263Gwh. This brings total generation for 11MFY19 to 8,397Gwh down by 61%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)



**Exhibit: FO Prices (USD/Mton) and Fuel Prices (PKR/Mton)**



**Gas/LNG generation up by +17%YoY in May-19**

Gas/LNG based power generation increased by +17% YoY (820Gwh) to 5,681Gwh in May-19 on the back of a) higher generation by KAPCO Block I & II (cumulatively up by 370Gwh), b) GENCO II up by 76Gwh and, c) higher generation from Haveli Bahadurshah, Baloki and QATPL (cumulatively adding 748Gwh), despite lower generation from smaller IPPs. This brings total generation in 11MFY19 to 44,685Gwh up by +18% YoY led by higher generation from QATPL, Haveli Bahadur Shah, Baloki and smaller IPPs.

**Generation cost on RFO rises to PKR 13.29/Kwh during May-19**

As per NEPRA, power cost on RFO is up by +8% MoM (or up by +7% YoY) to PKR 13.29/Kwh. However, gas price rose to PKR 6.01/Kwh up by +24% YoY (down by 1% MoM) while generation cost through LNG increased to PKR 9.56/Kwh, up by +5% YoY (or up by 2% MoM) due to rise in international Brent oil price. For the month of May-19 to date, international RFO (180cst bunker fuel) prices have averaged USD 412/Mton as compared to USD 421/Mton in the preceding month (average of USD 372/MT in Jun-19 so far). The import price for FO remains unchanged owing to no imports of FO during the last few months. Recent PKR depreciation has led to increase in FO and LNG cost despite decline in international prices.

**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. 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 11MFY19. 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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