



National Electric Power Regulatory Authority
Islamic Republic of Pakistan

Registrar

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No. NEPRA/TRF-14/KESC-2002/761-64
February 6, 2007

Subject:- **Tariff Adjustment of KESC due to Variation in Fuel Price and Cost of Power Purchased during the quarter October to December 2006**
Intimation of Determination of Tariff pursuant to Section 31(4) of the Regulation of Generation, Transmission and Distribution of Electric Power Act (XL of 1997)


Please find enclosed the determination of the Authority along with Annexures I & II (04 pages) applying the Tariff Adjustment Mechanism specified in Case No. NEPRA/TRF-14/KESC-2002 for KESC with respect to the quarter October to December, 2006.

2. Since no variation in current tariff rates has been determined, no notification is required.

3. It is to point out that the tariff adjustment intimated vide letter No. NEPRA/TRF-14/KESC-2002/7241-44 dated 03.11.2006 has not yet been notified. The matter may be expedited.

DA/As above.

The Secretary
Cabinet Division,
Government of Pakistan
Cabinet Secretariat
Islamabad.


06.02.07.
(Mahjoob Ahmad Mirza)

CC:

1. Secretary, Ministry of Water & Power, Islamabad.
2. Secretary, Ministry of Finance, Islamabad.
3. Secretary, Privatization Commission, Islamabad.

**DETERMINATION OF THE AUTHORITY ON TARIFF ADJUSTMENT OF
KESC FOR VARIATION IN FUEL PRICE AND COST OF POWER PURCHASE
FOR THE QUARTER OCTOBER TO DECEMBER 2006**

Pursuant to the determination made on September 10, 2002 in Case no. NEPRA/TRF-14/KESC-2002, as notified by the Federal Government vide SRO 716(I)/2002 dated 12th October 2002, the tariff of KESC is subject to adjustment: (a) every three (3) months to compensate for variation in the fuel price and cost of power purchased and (b) every year (in July) for indexation due to CPI (inflation).

2. KESC pursuant to the above mentioned tariff determination has submitted tariff adjustment request vide its communication No. CMF/NEPRA/071/170 dated January 25, 2007. According to the information submitted by KESC, the variation in fuel cost due to fuel price variation and generation mix comes to Rs. (858) million or Ps. (8.58)/kWh, whereas variation in cost of purchase of power works out as (1300) million or paisa (13.0)/kWh. The combined effect has thus been calculated as Rs. (2158) Million or paisa (21.57)/kWh. KESC has requested that adjustment in tariff should be made after accounting for leftover amount of the previous quarters. The leftover amount at the end of quarter Jul-Sep 2006, on account of Fuel Price Variation was 1768 million while there was no leftover amount on account of Power Purchase Cost. After accounting for the leftover balance of Rs. 1768 million the required adjustment on account of Fuel Price Variation works out Ps. 9.10/kWh and Ps (13.0)/kWh on account of Power Purchase Cost Variation. The combined effect thus works out as decrease in tariff by Ps.(3.90)/kWh.

3. According to the prescribed mechanism, the maximum adjustment that can be allowed in a quarter due to variation in fuel price is 2.5% and due to variation in power purchase price is 1.5% of average sale rate. Therefore, the allowable adjustment on account of variation in fuel price works out as increase in tariff by Ps.9.10/kWh and on account of power purchase cost as decrease in tariff by Ps. (9.57)/kWh. The combined (net) effect thus works out as decrease in KESC's consumer end tariff by Ps. (0.47)/kWh. The calculations are attached as per Annexure-I&II. The negative leftover balance of Rs. (390) million on account of Power Purchase cost after making necessary adjustment for the current quarter (Oct-Dec 06) shall however be adjusted in the next quarter.

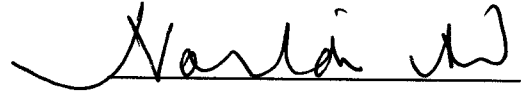
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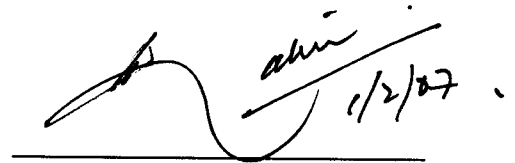
4. As the required decrease in KESC's tariff is not significant i.e less than paisa one per kWh, the Authority has decided not to alter the existing tariff for this quarter and pass on the required adjustment to the next quarter.

Authority

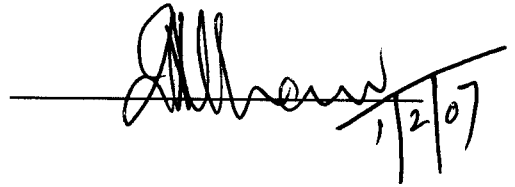
Nasiruddin Ahmed
Member



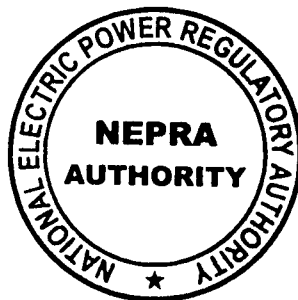
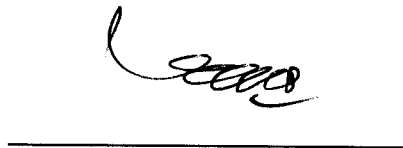
Abdul Rahim Khan
Member



Zafar Ali Khan
Member



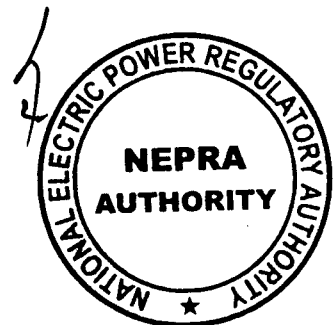
Lt. Gen® Saeed uz Zafar
Chairman



Karachi Electric Supply Corporation Ltd.
Adjustment in tariff due to variation in fuel price
Quarter ending December 2006

Description	Generation GWh				
	2nd. Quarter			Next 3 Quarters	Total Oct 06 Sep 07
	Oct-06	Nov-06	Dec-06		
Generation on Furnace Oil at Bus Bar					
Korangi Thermal Power Station	11	1	-	455	467
Bin Qasim	120	110	40	1,263	1,533
Total Generation on F.O.	130	111	40	1,718	1,999
Generation on Gas at Bus Bar					
Korangi Thermal Power Station	82	48	30	353	513
Korangi/SITE Gas Turbine Power Station	74	59	34	635	801
Bin Qasim Power Station	425	392	330	4,245	5,391
Total Generation on Gas	580	499	393	5,233	6,706
Generation on LD/HSD Oil	-	0	0	0	0
Total Generation	710	610	433	6,951	8,705
Fuel Prices					
Furnace Oil (Without GST) Rs./M.Ton					
Previous Price	20,361	20,361	20,361	20,361	
Revised Price	21,515	18,583	18,552	18,552	
Gas Rs./ MMBTU					
Previous Price	265	265	265	265	
Revised Price	265	265	265	265	
Coverision Factor					
Furnace Oil Kg/kWh					
Korangi Thermal Power Station	0.32	0.32	0.32	0.32	
Bin Qasim	0.25	0.25	0.25	0.25	
Gas BTu/kWh					
Korangi Thermal Power Station	12,900	12,900	12,900	12,900	
Korangi /SITE Gas Turbine Power Station	16,000	16,000	16,000	16,000	
Bin Qasim	10,000	10,000	10,000	10,000	
Variation in Fuel Cost - F.O. Rs. Million					
Korangi Thermal Power Station	4	(1)	-	(263)	(260)
Bin Qasim	34	(48)	(18)	(566)	(598)
Sub-total	38	(49)	(18)	(829)	(858)
Variation in Fuel Cost - Gas Rs. Million					
Korangi Thermal Power Station	-	-	-	-	-
Korangi/SITE Gas Turbine Power Station	-	-	-	-	-
Bin Qasim	-	-	-	-	-
Sub-total	-	-	-	-	-
Total Variation in Fuel Cost Rs. Million	38	(49)	(18)	(829)	(858)
Units expected to be sold GWh	(Oct 2006 - Sep 2007)				10,003
Variation in cost due to fuel price for the quarter (Million Rupees)					(858)
Balance (Spillover) at the end of last quarter (Jul-Sep 06) (Mln. Rs.)					1,768
Total Variation in cost due to fuel price variation (Million Rupees)					910
Required Adjustment in average sale rate Ps./kWh					9.10
Maximum adjustment to be allowed in a quarter as percent of average sale rate					2.5%
Allowable adjustment in average sale rate Ps./kWh					9.10

ATA-KESC-Oct-Dec 2006



Karachi Electric Supply Corporation Ltd.
Adjustment in tariff on account of purchase of power
Quarter ending December 2006

Description	Purchase of Power GWh				
	2nd. Quarter			Next 3 Quarters Jul	Total Oct 06 -Sep 07
	Oct-06	Nov-06	Dec-06		
Source of Purchase					
Tapal	66	55	39	627	787
Gul Ahmad	76	59	49	623	808
WAPDA	483	436	383	1,997	3,299
KANUPP	-	-	13	-	13
PASMIC	3	2	3	33	41
Total Purchase of Power	628	552	487	3,280	4,948
Reference Energy Purchase Price not subject to indexation Ps/kWh					
WAPDA	369.00	369.00	369.00	369.00	
KANUPP	245.58	245.58	245.58	245.58	
PASMIC	242.12	242.12	242.12	242.12	
Revised Energy Purchase Price not subject to indexation Ps/kWh					
WAPDA	369.00	369.00	369.00	369.00	
KANUPP	245.58	245.58	245.58	245.58	
PASMIC	242.12	242.12	242.12	242.12	
Reference Energy Purchase Price subject to fuel price change Ps/kWh					
Tapal	496.20	496.20	496.20	496.20	
Gul Ahmad	511.55	511.55	511.55	511.55	
Revised Energy Purchase Price subject to fuel price change Ps/kWh					
Tapal	449.39	402.66	410.28	410.28	
Gul Ahmad	456.27	410.67	427.61	427.61	
Fuel Prices					
Reference fuel prices					
Tapal	22,396	22,396	22,396	22,396	
Gul Ahmad	22,413	22,413	22,413	22,413	
Revised fuel prices					
Tapal	20,283	18,174	18,518	18,518	
Gul Ahmad	19,991	17,993	18,735	18,735	
Reference Energy Purchase Price other than fuel subject to indexation					
Tapal	18.50	18.50	18.50	18.50	
Gul Ahmad	10.00	10.00	10.00	10.00	
Reference Energy Purchase Price					
Tapal	45.65	45.65	45.65	45.65	
Gul Ahmad	24.68	24.68	24.68	24.68	
Revised Energy Purchase Price					
Tapal	45.98	45.98	45.98	45.98	
Gul Ahmad	24.85	24.85	24.85	24.85	
Indexation Factors for Energy Charges					
Reference Indexation Factors					
Tapal	2.88	2.88	2.88	2.88	
Gul Ahmad	2.88	2.88	2.88	2.88	
Revised Indexation Factors					
Tapal	2.90	2.90	2.90	2.90	
Gul Ahmad	2.90	2.90	2.90	2.90	
Reference Capacity Charges Rs./kW/Month					
Capacity Charges - non-escalable					
Tapal	301	301	301	301	
Gul Ahmad	617	617	617	617	
Capacity Charges -escalable					
Tapal	286	286	286	286	
Gul Ahmad	369	369	369	369	
Indexation Factors for Capacity Charges					
Reference Indexation Factors for escalable - US CPI	136.86	136.86	136.86	136.86	
Revised Indexation Factors for escalable - US CPI	136.86	136.86	136.86	136.86	
Reference Indexation Factors for escalable - Exchange Rate	60.43	60.43	60.43	60.43	
Revised Indexation Factors for non-escalable - Exchange Rate	60.86	60.86	60.86	60.86	
Dependable Capacity MW					
Tapal	125	125	125	125	
Gul Ahmad	128	128	128	128	
Variation in Cost of Purchase of Power Rs.Million					
Energy	(73)	(111)	(75)	(1,059)	(1,317)
Capacity	1	1	1	13	17
Total Variation in Cost of Purchase of Power	(71)	(110)	(73)	(1,046)	(1,300)
Overall units expected to be sold in next 12 months GWh	(Oct 2006 - Sep 2007)				
Variation in cost of power purchase for the quarter (Million Rupees)					(1,300)
Balance (Spillover) at the end of last quarter (Jul-Sep 06) (Mln. Rs.)					-
Total Variation in cost of power purchase (Million Rupees)					(1,300)
Required Adjustment in average sale rate (Ps./kWh)					(13.00)
Maximum adjustment to be allowed in a quarter as percent of average sale rate					1.5%
Allowable adjustment in average sale rate (Ps./kWh)					(9.57)

ATA-RESC-Oct-Dec 2006

