



National Electric Power Regulatory Authority
Islamic Republic of Pakistan

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Registrar

No. NEPRA/TRF-133/KESC-2009/5017-5020
June 30, 2010

Subject:- **Determination of the Authority in the matter of Karachi Electric Supply Co. Ltd. Quarterly Adjustment in Tariff on account of Fuel Price and Power Purchase Cost Variation for the period July 2009 - March 2010 [Case No. NEPRA/TRF-133/KESCL-2009(6)]**

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)

Dear Sir,

Please find enclosed the determination of the Authority along with Annexure-I (07 pages) applying the Tariff Adjustment Mechanism specified in Case No. NEPRA/TRF-133/KESC-2009(6) notified vide SRO 11(I)/2010 dated January 01, 2010.

2. The determination is being intimated to the Federal Government for the purpose of notification of the approved tariff in the official gazette pursuant to Section 31(4) of the Regulation of Generation, Transmission and Distribution of Electric Power Act (XL of 1997) and Rule 16(11) of the National Electric Power Regulatory Authority Tariff (Standards and Procedure) Rules, 1998.

3. Please note that revised schedule of tariff attached to the determination as Annex-I is required to be notified in the official Gazette.

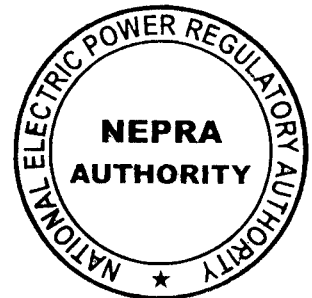
Enclosure: As above

Secretary,
Ministry of Water & Power,
'A' Block, Pak Secretariat,
Islamabad

CC:

1. Secretary, Cabinet Division, Cabinet Secretariat, Islamabad.
2. Secretary, Ministry of Finance, Islamabad.
3. Secretary, Privatization Commission, Islamabad.


(Syed Safer Hussain)



**DETERMINATION OF THE AUTHORITY IN THE MATTER OF KARACHI
ELECTRIC SUPPLY COMPANY LIMITED (KESCL) QUARTERLY
ADJUSTMENT IN TARIFF ON ACCOUNT OF FUEL PRICE AND POWER
PURCHASE COST VARIATION FOR THE PERIOD JULY 2009 TO MARCH
2010.**

(Case No. NEPRA/TRF-133/KESCL-2009(6))

Pursuant to amendment made in Section 31(4) and the insertion of proviso incorporated thereafter of the Regulation of Generation, Transmission and Distribution of Electric Power Act 1997 through the Regulation of Generation, Transmission and Distribution of Electric Power (Amendment) Ordinance, 1999 and in accordance with the determination of the Authority in case No. NEPRA/TRF-133/KESCL-2009(6) notified vide S.R.O. No. 11(I)/2010 dated January 01, 2010, Karachi Electric Supply Company Limited (KESCL) has been allowed for adjustment of its fuel cost and power purchase cost variation due to fuel price variation on monthly as well as quarterly basis respectively in the following manner;

Monthly Adjustment

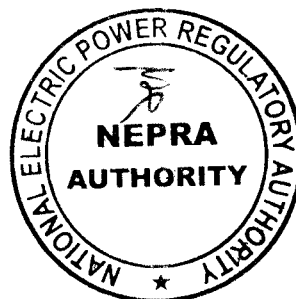
2. On monthly basis any variation in the fuel cost component of KESCL own generation and the fuel cost component of power purchased by KESCL from IPP and other external sources is adjusted without taking into account T&D losses (i.e. on units sent out basis) and passed the same to the consumers directly in their monthly bills for recovery by KESCL.

Quarterly Adjustment

3. The monthly variation in the cost of power purchased by KESCL from IPPs and other external sources other than the fuel cost component i.e. the O&M cost and the Fixed capacity charge is adjusted on quarterly basis. Quarterly adjustment also includes the impact of T&D losses on the fuel cost component of KESCL own generation as well as fuel cost component of power purchased from IPPs and other external sources, which is not adjusted in the monthly adjustment of KESCL. The total impact of variation in the cost for the quarter is passed on to the consumer end tariff of KESCL.

4. As per the aforesaid determination of the Authority, the monthly as well as quarterly adjustment of fuel cost and power purchase cost variation is effective from July 01, 2009. Further, pursuant to the notification by the Government of Pakistan vide S.R.O. 1010(1)/2009 dated November 26, 2009, KESCL has already been allowed for quarterly adjustment in tariff under the previous quarterly mechanism for adjustment of fuel price and power purchase cost due to fuel price variation till June 30, 2009.

5. KESCL, in accordance with the prescribed mechanism for adjustment of fuel cost and power purchase cost variation, submitted its initial request vide its letter No. No.CMF/NEPRA/071/40 dated February 20, 2010, for monthly adjustment as well as quarterly adjustment of its fuel cost and power purchase cost variation for the period July



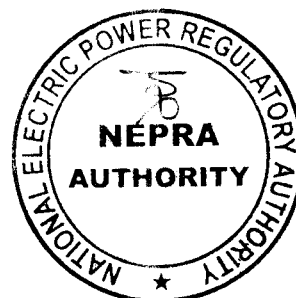
2009 to January 2010. The initial scrutiny of information provided by KESCL revealed various inconsistencies with respect to the approved fuel price and power purchase cost adjustment mechanism for which KESCL was advised to rectify those errors. KESCL vide its letter No.CMF/NEPRA/071 dated March 08, 2010, submitted revised data whereby it requested for an cumulative increase of Rs. 4029 million (Ps. 244.32/kWh) on account of fuel cost and power purchase cost variation for the period July 2009 to January 2010.

6. The date of hearing for the aforesaid purpose was fixed as April 21, 2010 at Karachi and notices were duly published in two leading national newspapers on April 03, 2010, inviting written/oral objections from the affected/interested persons/parties.

7. In spite of publication of the aforesaid notices of public hearing in the newspapers dated April 03, 2010, no objections/comments were filed by any person. During the course of hearing Dr. Ahmed Kamal who was representing Helpline Trust and Mr. Arif Bilvani as consumer of KESCL raised their objections over KESCL high T&D losses, and deteriorating generation mix by not operating its own comparatively cheaper power plants at full capacity. The Petitioner while responding to these objections clarified that KESCL operates its all power plants according to the economic merit order and availability of gas. The Petitioner further replied that it has to purchase power from IPPs and other rental power plants to meet with energy requirements of its consumers and avoid load shedding to the extent possible within its meager sources. With regard to high T&D losses, KESCL replied that it is allowed quarterly adjustment on the basis of yearly T&D losses already approved by the Authority, which for FY 2010 have been set at 25%. KESCL stated that its actual T&D losses are at around 35% and it has to bear the extra cost for the difference in T&D losses.

8. KESCL vide its letter No.CMF/NEPRA/071/23 dated April 28, 2010 submitted that based on its data for the period July 2009 to March 2010, the overall additional impact of its fuel cost and power purchase cost over June 2009 fuel prices amounted to Rs. 6802 million. Out of this total variation, Rs. 1629 million pertained to the fuel cost component of KESCL own generation and Rs. 5173 million on account of total cost of power purchased from IPPs and other external sources for the period July 2009 to March 2010. KESCL in support of its claim provided copies of invoices for the power purchased from IPPs and other external sources.

9. The data provided by KESCL was duly verified by NEPRA from the head office of KESCL as well as through invoices for the actual amount paid to the IPPs and other sources for the entire period of nine months i.e. July 2009 to March 2010. Accordingly the overall variation in the fuel cost of KESCL own generation and the power purchased from the external sources, for the period July 2009 to March 2010, has been duly worked and the result came up to the tune of Rs. 6389 million. The difference of Rs.413 million in the overall impact as worked out by KESCL of Rs. 6802 million was however, due to incorrect price of gas for the month of June 2009 which KESCL in its working had taken as Rs 337.875/MMBTU against the actual gas price for the month of June 2009 Rs. 349.56/MMBTU.



10. Notwithstanding the fact that KESCL's quarterly determination/adjustment is to be made for each quarter under the prescribed mechanism, the Authority considers that a separate determination for each of the past three quarters starting from July 2009 to March 2010, would not be feasible under the present circumstances. The Authority, therefore, decides to make a single determination for adjustment of KESCL tariff covering the entire period starting from July 2009 to March 2010.

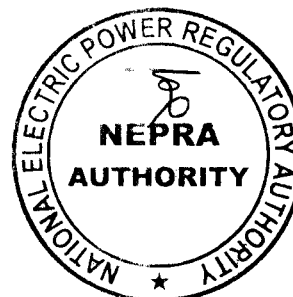
11. KESCL's existing tariff is based on fuel prices of June 2009. KESCL has not been allowed any adjustment in its tariff since June 2009. Therefore, it is required that KESCL's tariff be adjusted to the level of March 2010 as reference for subsequent quarterly adjustments, while incorporating the variation in fuel and power purchase cost for the month of March 2010 over the previous reference month of June 2009.

12. The required adjustment in KESCL tariff due to variation in the fuel and power purchase cost for the month of March 2010 over the previous reference month of June 2009 works out to be Rs 2066.16 million or Ps 216.73/kWh as per the following details.

Component	March 2010 (Rs. Million)
Fuel Cost variation over June 2009 – KESCL own generation	721.60
Power Purchase cost variation over June 2009 - IPPs & other external sources	1344.55
Total	2066.15
Units sold for March 2010 (GWh)	953.342
Required Adjustment in Tariff (Ps/kWh)	216.73

13. Further, as per the mechanism, the monthly variation in the O&M cost and capacity charge for the power purchased from IPPs and other external sources is adjusted on quarterly basis. Also any un-recovered cost of fuel, due to non-adjustment of T&D losses in the monthly fuel price adjustment already allowed by the Authority for recovery by KESCL through monthly bills of consumers, is required to be adjusted in KESCL tariff for the next quarter. The combined effect on account of the aforementioned adjustments works out to be Rs. 2040 million as per details given hereunder;

Un-recovered Cost for the period July 2009 to March 2010.	Amount (Rs. Million)
Variation in O&M cost of IPPs & other sources	124.57
Variation in Capacity charges of IPPs and other sources	466.91
Un-recovered fuel cost due to non-adjustment of T&D losses in the monthly fuel cost adjustment	1448.51
Total	2039.98
Estimated units to be sold in the next quarter (April-June 2010) GWh	3346
Required adjustment in KESCL tariff (Ps/kWh)	60.90

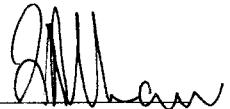



14. The un-recovered cost of Rs. 2039.98 million and thus the corresponding increase in tariff by Ps 60.90/kWh shall be applicable for the next quarter only i.e. April- June 2010 and therefore, cease automatically at the end of this quarter. However, any amount still un-recovered on this account due to any variation in the actual number of units sold from the above estimated unit sales for the quarter April- June 2010 shall be carried forward for adjustment in the further next quarterly adjustment.


15. The cumulative required adjustment in tariff of KESCL on account of fuel cost and power purchased cost for the period July 2009 to March 2010, on the above basis amounts to Ps. 277.63/kWh (Ps 216.73+Ps 60.90).

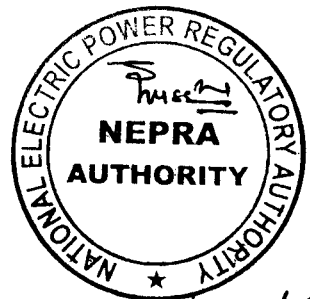
16. In order to allow KESCL to recover additional impact of fuel and power purchase cost for the period July 2009 to March 2010, the Authority decides to increase KESCL tariff by Ps. 279.0/kWh to be uniformly applicable to all categories of consumers except the lifeline consumers consuming upto 50 units per month. The revised schedule of tariff to be applicable from April 01 2010 to June 30, 2010 is attached herewith as Annexure-I.


Authority:


(Zafar Ali Khan)
Member
23/6/10


(Maqbool Ahmad Khawaja)
Member



(Ghiasuddin Ahmed)
Acting Chairman
29/6



 As per decision of Authority, monthly adjustment for period 7/09 to 3/10 was allowed without taking effect of T&D losses i.e. 75% of Rs 5797 million. (Total calculated amount). This decision was dissented by me.

The present Quarterly adjustment in effect of T&D losses i.e. 25% of Rs 5797 million plus cost of variation of 0.4% & Capacity charge of IPPs & PHEs. As such, I also dissent from this decision. I am still of opinion that mechanism provided in Determination 2008 need to be revisited.

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MAQBOOL AHMAD
KHAWAJA
MEMBER (S)

**SCHEDULE OF ELECTRICITY TARIFF
FOR KARACHI ELECTRIC SUPPLY COMPANY LIMITED (KESCL)**

A-1 GENERAL SUPPLY TARIFF - RESIDENTIAL

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	
			Peak	Off-Peak
a)	For Sanctioned load less than 5 kW			
i	Up to 50 Units	-		2.00
	For Consumption exceeding 50 Units			
ii	1- 100 Units	-		10.49
iii	101- 300 Units	-		11.99
iv	301- 700 Units	-		14.19
v	Above 700 Units	-		15.79
b)	For Sanctioned load 5 kW & above			
	Time Of Use	-	16.79	10.79

Under tariff A-1, there shall be minimum monthly customer charge at the following rates even if no energy is consumed.

a) Single Phase Connections:

Rs. 75/- per consumer per month

b) Three Phase Connections:

Rs. 150/- per consumer per month

A-2 GENERAL SUPPLY TARIFF - COMMERCIAL

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	
			Peak	Off-Peak
a)	For Sanctioned load less than 5 kW			16.29
b)	For Sanctioned load 5 kW & above	400.00		13.49
			Peak	Off-Peak
c)	Time Of Use	400.00	17.79	12.29

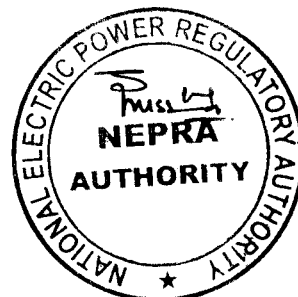
Under tariff A-2, there shall be minimum monthly charges at the following rates even if no energy is consumed.

a) Single Phase Connections;

Rs. 175/- per consumer per month

b) Three Phase Connections:

Rs. 350/- per consumer per month



B. INDUSTRIAL SUPPLY TARIFFS

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	
			Peak	Off-Peak
B1	Less than 5 kW (at 400/230 Volts)	-		12.79
B2(a)	5-500 kW (at 400 Volts)	400.00		11.39
B3(a)	For all loads upto 5000 KW (at 11,33 kV)	380.00		10.99
B4(a)	For all loads upto 5000 KW (at 66,132 kV)	360.00		10.59
	Time Of Use			
B2(b)	5-500 kW (at 400 Volts)	400.00	16.79	10.54
B3(b)	For All Loads up to 5000 kW (at 11,33 kV)	380.00	16.29	10.04
B4(b)	For All Loads (at 66,132 kV & above)	360.00	15.79	9.79
B5	For All Loads (at 220 kV & above)	340.00	15.29	9.54

For B1 consumers there shall be a fixed minimum charge of Rs. 350 per month.

For B2 consumers there shall be a fixed minimum charge of Rs. 2,000 per month.

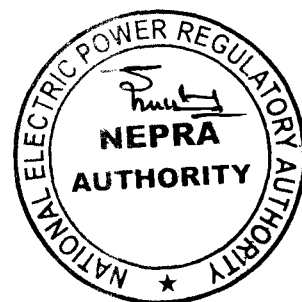
For B3 consumers there shall be a fixed minimum charge of Rs. 50,000 per month.

For B4 consumers there shall be a fixed minimum charge of Rs. 500,000 per month.

For B5 consumers there shall be a fixed minimum charge of Rs. 1000,000 per month.

C - SINGLE-POINT SUPPLY FOR PURCHASE IN BULK BY A DISTRIBUTION LICENSEE AND MIXED LOAD CONSUMERS NOT FALLING IN ANY OTHER CONSUMER CLASS

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	
			Peak	Off-Peak
C -1	For supply at 400/230 Volts			
a)	Sanctioned load less than 5 kW	-		12.79
b)	Sanctioned load 5 kW & up to 500 kW	400.00		11.94
C -2(a)	For supply at 11,33 kV up to and including 5000 kW	380.00		11.94
C -3(a)	For supply at 132 and above, up to and including 5000 kW	360.00		11.79
	Time Of Use			
C -1(c)	For supply at 400/230 Volts 5 kW & up to 500 kW	400.00	16.79	10.79
C -2(b)	For supply at 11,33 kV up to and including 5000 kW	380.00	16.29	9.99
C -3(b)	For supply at 132 kV up to and including 5000 kW	360.00	15.79	9.79



D - AGRICULTURE TARIFF

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	
			Peak	Off-Peak
D-1	For all Loads	200.00		9.17
	Time of Use			
D-2	For all Loads	200.00	15.29	7.29

Note:- The consumers having sanctioned load less than 5 kW can opt for TOU metering.

E - TEMPORARY SUPPLY TARIFFS

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	
E-1(i)	Residential Supply	-		16.19
E-1(ii)	Commercial Supply	-		19.09
E-2 (i)	Industrial Supply	-		15.79
E-2 (ii)	Bulk Supply			
	(a) at 400 Volts	-		16.19
	(b) at 11 kV			15.79

For the categories of E-1(i&ii) and E-2 (I&ii) above, the minimum bill of the consumers shall be Rs. 50/- per day subject to a minimum of Rs.500/- for the entire period of supply, even if no energy is consumed.

F - SEASONAL INDUSTRIAL SUPPLY TARIFF

125% of relevant industrial tariff

Note:

Tariff-F consumers will have the option to convert to Regular Tariff and vice versa. This option can be exercised at the time of a new connection or at the beginning of the season. Once exercised, the option remains in force for at least one year.

G- PUBLIC LIGHTING

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	
	Street Lighting	-		15.79

Under Tariff G, there shall be a minimum monthly charge of Rs.500/- per month per kW of lamp capacity installed.

H - RESIDENTIAL COLONIES ATTACHED TO INDUSTRIAL PREMISES

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	
	Residential Colonies attached to industrial premises	-		13.79

