



National Electric Power Regulatory Authority

Islamic Republic of Pakistan

2nd Floor, OPF Building, G-5/2, Islamabad

Ph: 9206500, 9207200, Fax : 9210215

E-mail: registrar@nepra.org.pk

Registrar

No. NEPRA/TRF-133/KESC-2009/4240-4243

December 3, 2010

Subject:- **Decision of the Authority in the matter of Monthly Adjustment of Karachi Electric Supply Co. Ltd. for Fuel and Power Purchase Cost Variation Due to Changes in the Fuel Prices for the Month of August 2010 [Case No. NEPRA/TRF-133/KESCL-2009(6)] - Intimation of Decision 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 Decision of the Authority (05 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.

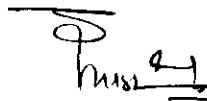
2. The Decision is being intimated to the Federal Government for the purpose of notification of the approved tariff in the official gazette pursuant to Section 31(4) of the Regulation of Generation, Transmission and Distribution of Electric Power Act (XL of 1997) and Rule 16(11) of the National Electric Power Regulatory Authority Tariff (Standards and Procedure) Rules, 1998.
3. Pursuant to the orders of Honorable High Court of Sindh, Karachi, passed in Writ Petition No. 1380 of 2009 titled the Law Foundation and 16 others Vs NEPRA and 9 others on 25.06.2010, the Fuel Adjustment Charges (FAC) of KESC shall not be passed on to the consumers till final orders are passed in the Petition. Copy of orders of Sindh High Court is enclosed for reference.
4. Please note that paras 8-9 of the Authority's Decision are required to be notified in the official Gazette. However, prior to the notification of the subject decision, Ministry of Water & Power may like to consult Law, Justice and Parliamentary Affairs Division for legal opinion in the light of order of the Sindh High Court as referred in para 3 above.

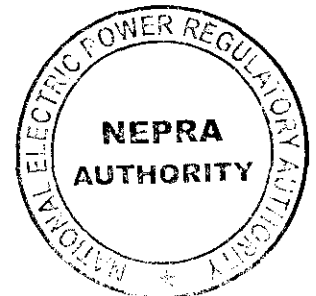
Enclosure: As above

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.

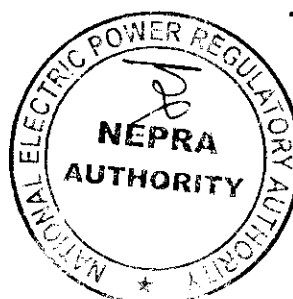

(Syed Safer Hussain)



**DECISION OF THE AUTHORITY IN THE MATTER OF MONTHLY
ADJUSTMENT OF KESCL FOR FUEL AND POWER PURCHASE COST
VARIATION DUE TO CHANGES IN THE FUEL PRICES FOR THE MONTH
OF AUGUST, 2010.**

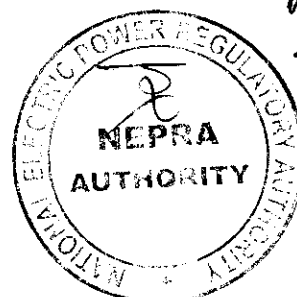
Pursuant to the amendment made in Section 31(4) of the Regulation of Generation, Transmission and Distribution of Electric Power Act 1997, NEPRA is required to review the fuel charges on monthly basis in the approved tariff on account of any variation. Further the monthly adjustments on account of fuel cost variations is to be done in accordance with the monthly adjustment mechanism for Karachi Electric Supply Company Limited (KESCL) fuel cost and the power purchase cost determined by the Authority in case No. NEPRA/TRF-133/KESCL-2009(6) dated December 23, 2009, duly notified by Government of Pakistan vide S.R.O No. 11(I)/2010 dated January 01, 2010. As per said mechanism KESCL was allowed the monthly adjustment in the fuel cost component for its own generation as well as power purchase cost from external sources without taking in to account the effect of T&D losses. The aforesaid variation in cost is to be passed on to the consumers in their monthly bills as Fuel Surcharge Adjustment (FSA).

2. KESCL submitted its request with regards to adjustment of fuel cost and power purchase cost variation for the month of August 2010 vide letter No. CMF/NEPRA/071/306 dated September 14, 2010. In that data, the cost of power purchase from NTDC/CPA was accounted for on a provisional basis while taking into account the rates for July 2010, as the invoice of NTDC/CPA for August 2010 was not received by KESCL till then. However, there was a minor error in the generation figures of Korangi Town Gas Turbine, a power plant of KESCL, which was rectified by KESCL in its revised request vide letter No. CMF/NEPRA/071/315 dated September 20, 2010. KESCL had also certified through its first request that the cost of fuel and power purchase claimed by it did not include any amount of late payment surcharge/mark-up/interest as per the directions of the Authority.
3. Based on the actual rates of NTDC/CPA, KESCL resubmitted its request of monthly adjustment in its tariff for the month of August 2010 due to change in fuel price vide letter No. CMF/NEPRA/071/330 dated September 27, 2010 (received on September 30, 2010). In the latest request, the fuel component of the cost of power purchase from NTDC/CPA was reduced to Rs. 1,627.4 million from its previous figure of Rs. 1,992.8 million. The summary of the requested adjustment as provided in the latest letter (that was also advertised on October 05, 2010) by taking the actual rates of NTDC/CPA is tabulated below:



Tariff Adjustments Summary	August -10 Requested
Variation in Fuel Price	
Own Generation (Million Rs)	563.653
External/PPP (Million Rs)	-759.823
Total (Rs In Million)	-196.170
Total Units Sent Out (GWh)	1437.975
Total Variation Ps/kWh	-13.642

4. In order to consider the proposed adjustments the Authority held a public hearing at NEPRA Main Office, Islamabad on October 13, 2010. For the said monthly adjustment, no intervention request was received by the Authority. With regards to minor revision of generation data submitted by KESCL for Korangi Town Gas Turbine, the Authority directed KESCL to make sure not to repeat any such error in future. The Authority further directed that all the data submitted should be counter checked by KESCL before submission to the Authority as these kind of errors damage the credibility of KESCL as a responsible corporate entity before all the stakeholders.
5. The Authority noticed that there was a decrease of around 29% in the invoiced rate of NTDC/CPA against the month of June 2010. Further, the power purchase from NTDC/CPA for the month of August accounted for around 63% of the total power purchase by KESCL. Therefore, the decrease in rate combined with heavy reliance on NTDC/CPA brought major change on account of variation in power purchase price from external sources.
6. The generation data, rates etc. of KESCL (both from self and external sources) for the month of August 2010 was scrutinized with respective invoices and other underlying documents. After detailed scrutiny of both self and external generation data, the Authority observed that NTDC/CPA has charged a different rate to KESCL by not revising its invoice in accordance with the energy transfer rate approved by the Authority for monthly fuel adjustments of DISCOS. The Authority noticed that NTDC/CPA, for the month of August 2010, charged Rs. 3.77/kWh against the Authority's approved energy transfer rate of Rs. 3.68/kWh in the monthly fuel price adjustment for DISCOS. The Authority in its decision dated September 29 2008 had directed that NTDC/CPA shall treat KESCL at par with XWDISCOM for the purpose of sale of power and shall charge on the basis of similar mechanism as approved for XWDISCOM.



7 In view of decision of the Authority referred hereinabove, the Authority has decided to apply the energy transfer rate to KESCL as approved for DISCOS by the Authority for the month of August 2010. Consequently, the fuel cost variation of KESCL's own power generation and power purchases from external sources for the month of August 2010 works out to be minus Rs.242.49 million (Ps 16.86/kWh), details thereof are tabulated hereunder:

Tariff Adjustments Summary	August -10 Requested	August -10 Allowed
Variation in Fuel Price		
Own Generation (Million Rs)	563.65	563.65
External/PPP (Million Rs)	-759.82	-806.14
Total (Rs In Million)	-196.17	-242.49
Total Unit Sent Out (GWh)	1437.97	1437.97
Total Variation Ps/kWh	-13.642	-16.86

8. In order to allow KESCL for variation in fuel cost component of its own generation as well power purchased from external sources for the month of August 2010, the Authority has therefore decided to pass on minus Ps.16.86/kWh to be charged by KESCL from the consumers as Fuel Surcharge Adjustment. The paisa per kWh, rounded off after taking in to account its effect on consumption of life line consumers and agriculture consumers (D1&D2 Categories), to be charged by KESCL in the prospective billing month of December-10 from each consumer shall be according to the following schedule:

Fuel surcharge Adjustment (FSA)	Ps/kWh	Monthly Consumer bill
August 2010	(17.00)	December 2010



↓
The adjustment as referred to in para 8 above;

- i. shall be applicable to all the consumer categories except lifeline consumers and agriculture consumers (D1 & D2 categories) of KESCL
- ii. shall be shown separately in the consumers bill on the basis of consumption for the month of August, 2010

Authority: Zafar Ali Khan
(Zafar Ali Khan)
Member
11/11/10

Additional note enclosed
Shaukat Ali Kundi
(Shaukat Ali Kundi)
Member
30.11.2010

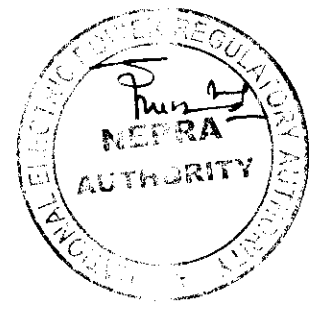
(*)
Maqbool Ahmad Khawaja
(Maqbool Ahmad Khawaja)
Member

Ghiasuddin Ahmed
(Ghiasuddin Ahmed)
Member/Vice Chairman
11/12

Khalid Saeed
(Khalid Saeed)
Chairman

KESE is not generating as per available capacity & mostly generating by thermal generation. NIDE and JPP's whereas KESE is generating F.C. even on those units which are old & less efficient. Inspite of clear directions by Authority, KESE is not complying as such, I do not agree to decision 2 Authority. Heat rate test still have not been performed.

11/11/10
M(5)



ADDITIONAL NOTE OF MR. SHAUKAT ALI KUNDI, MEMBER (CONSUMER AFFAIRS), IN THE MATTER OF RM 10-486 HELD ON OCTOBER 13, 2010 REGARDING MONTHLY ADJUSTMENT OF FUEL PRICE VARIATION IN KESCL'S TARIFF FOR THE MONTH OF AUGUST, 2010

1. KESC is consistently failing to comply with the terms of license and not utilizing its generation capacity in full resulting in heavy load shedding in Karachi. Load shedding is against the interest of the Consumer of the utility as it perturbs the social life of the common man besides upsetting the economic activity in the country.

2. Despite the Authority's instructions; underutilization of KESC Power Plants due to non-use of RFO and non performance of heat rate test in respect of the newly inducted Power Plants is also a serious matter that needs to be looked-into and considered by the Authority, for an appropriate action.

Shaukat Ali Kundi
(Shaukat Ali Kundi) 30.11.2010
Member (Consumer Affairs)

