



# National Electric Power Regulatory Authority

Islamic Republic of Pakistan

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E-mail: registrar@nepra.org.pk

Registrar

No. NEPRA/TRF-133/KESC-2009/4251-4254

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 September 2010 [Case No. NEPRA/TRF-133/KESC-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.

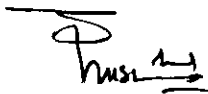
2. The Decision is being intimated to the Federal Government for the purpose of notification of the approved tariff in the official gazette pursuant to Section 31(4) of the Regulation of Generation, Transmission and Distribution of Electric Power Act (XL of 1997) and Rule 16(11) of the National Electric 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 7-8 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.

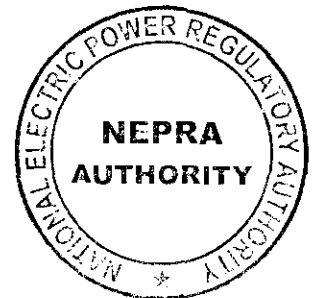
Enclosure: As above

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 )



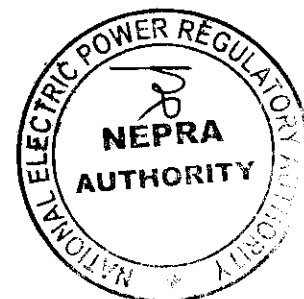
**DECISION OF THE AUTHORITY IN THE MATTER OF MONTHLY  
ADJUSTMENT OF KESCL FOR FUEL AND POWER PURCHASE COST  
VARIATION DUE TO CHANGES IN THE FUEL PRICES FOR THE MONTH  
OF SEPTEMBER, 2010.**


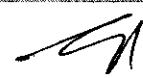

Pursuant to the amendment made in Section 31(4) of the Regulation of Generation, Transmission and Distribution of Electric Power Act 1997, National Electric Power Regulatory Authority (NEPRA or the Authority) is required to review the fuel charges on monthly basis in the approved tariff on account of 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) for the 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 September 2010 vide letter No. CMF/NEPRA/071/351 dated October 14, 2010. In that data, the cost of power purchase from NTDC/CPPA was accounted for on a provisional basis while taking into account the rates for August 2010, as the invoice of NTDC/CPPA for September 2010 was not received by KESCL till then. KESCL, in accordance with the directions of the Authority, had also certified through its request that the cost of fuel and power purchase claimed by it did not include any amount of late payment surcharge/mark-up/interest.

3. Based on the actual rates of NTDC/CPPA, KESCL resubmitted its request of monthly adjustment in its tariff for the month of September 2010 due to change in fuel price vide letter No. CMF/NEPRA/071/362 dated October 22, 2010. In the latest request, the fuel component of the cost of power purchase from NTDC/CPPA was increased to Rs. 1,775.6 million from its previous figure of Rs. 1,638.003 million. KESCL request was advertised on November 03, 2010 in the National Dailies. Notices to all the stakeholders were also sent inviting thereby their comments/objections before or at the time of the hearing.

Tariff Adjustments Summary	September -10 Requested
<b>Variation in Fuel Price</b>	
Own Generation (Million Rs)	468.643
External/PPP (Million Rs)	-669.582
<b>Total (Rs. in Million)</b>	<b>-200.939</b>
Total Units Sent Out (GWh)	1352.427
<b>Total Variation Ps/kWh</b>	<b>-14.858</b>



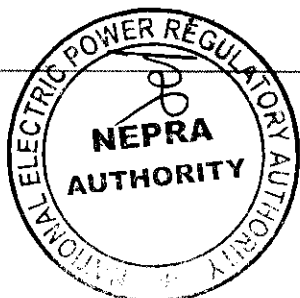
4. In response to the advertisement, no comments relevant to the agenda of the hearing were received by the Authority. In order to consider the proposed adjustments the Authority held a public hearing at NEPRA Main Office, Islamabad on November 10, 2010.

5. The generation data, rates etc. of KESCL (both from self generation and power purchased from external sources) for the month of September 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 had 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 September 2010, charged Rs. 4.08/kWh as against the Authority's approved energy transfer rate of Rs. 3.98/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 XWDISCOMS for the purpose of sale of power and shall charge on the basis of similar mechanism as approved for XWDISCOMS.

6. In view of decision of the Authority referred hereinabove, the Authority has decided to apply the same energy transfer rate to KESCL as approved by the Authority for DISCOS for the month of September 2010 and directed NTDC to revised its invoice for the month of September 2010 accordingly. Consequently, the fuel cost variation of KESCL's own power generation and power purchases from external sources for the month of September 2010 works out to be minus Rs.247.77 million (Ps. 18.32/kWh), as per the details tabulated hereunder:

Tariff Adjustments Summary	September -10 Requested	September -10 Allowed
<b>Variation in Fuel Price</b>		
Own Generation (Million Rs)	468.643	468.643
External/PPP (Million Rs)	-669.582	-716.41
<b>Total (Rs In Million)</b>	<b>-200.939</b>	<b>-247.77</b>
Total Units Sent Out (GWh)	1352.427	1352.427
<b>Total Variation Ps/kWh</b>	<b>-14.858</b>	<b>-18.32</b>

7. 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 September 2010, the Authority has therefore decided to pass on minus Ps.18.32/kWh to be charged by KESCL from the consumers as Fuel Surcharge Adjustment. The paisa per kWh, rounded off after taking into 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 January-2011 from each consumer shall be according to the following schedule:




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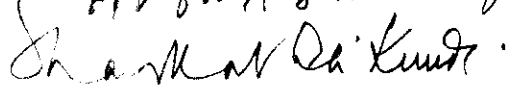
Fuel surcharge Adjustment (FSA)	Ps/kWh	Monthly Consumer bill
September 2010	(19.00)	January 2011


8-1 The adjustment as referred to in para 7 above;

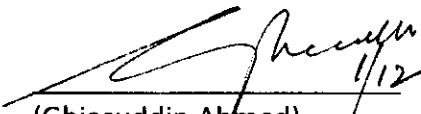
- i. shall be applicable to all the consumer categories except lifeline consumers and agriculture consumers (D1 & D2 categories) of KESCL; and
- ii. shall be shown separately in the consumers bill on the basis of consumption for the month of September, 2010.

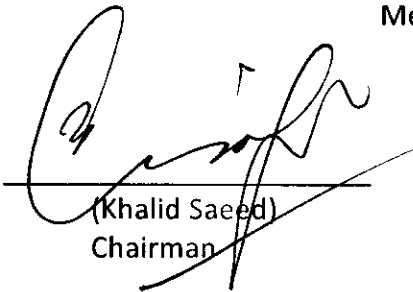
Authority:

  
 (Zafar Ali Khan)  
 Member  
 12/11/10


The as defined noted dated 30.11.2010 for the monthly adjustment FIV for August 2010 refers.  
  
 (Shaukat Ali Kundi)  
 Member  
 30.11.2010

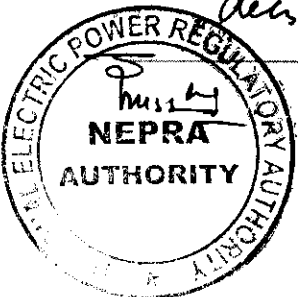
  
 (Maqbool Ahmad Khawaja)  
 Member

  
 (Ghiasuddin Ahmed)  
 Member/Vice Chairman

  
 (Khalid Saeed)  
 Chairman

(\*) In spite of instructions / directives, KESC is still not generating as per available capacity. Load shedding in KESC can not be eliminated with present practice. 7 gas units have already been closed without <sup>prior</sup> approval of NEPRA. Heat rate test still not performed on new units. Due to all these factors consumers of KESC are suffering. I therefore dissent from decision of Authority.

  
 MAQBOOL AHMAD KHAWAJA  
 M(J)



**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  
Member (Consumer Affairs)

