



National Electric Power Regulatory Authority

Islamic Republic of Pakistan

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Registrar

No. NEPRA/TRF-133/KESC-2009/3911-3914

November 15, 2010

Subject:- **Determination of the Authority in the matter of Karachi Electric Supply Co. Ltd. Quarterly Adjustment in Tariff on account of Fuel Price, Power Purchase Price, Yearly Indexation of O&M etc. for the period April-2010 to June 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 schedule of electricity tariff, Annexure-I (08 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. 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 Surcharge (FAS) shall not be passed on to the consumers till final orders are passed in the Petition.

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

5. It may be noted that **in addition to O&M and Capacity Charge Variation, the subject determination also includes the impact of variation in fuel price for the quarter under review. Therefore, prior to notification of the subject determination, Law, Justice and Parliamentary Affairs Division may be consulted for legal opinion in the light of order of the Sindh High Court, as referred in para 3 above.**

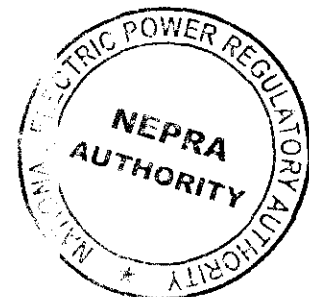
Enclosure: As above


(Syed Safer Hussain)

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.



**DETERMINATION OF THE AUTHORITY IN THE MATTER OF KARACHI ELECTRIC
SUPPLY COMPANY LIMITED (KESCL) QUARTERLY ADJUSTMENT IN TARIFF ON
ACCOUNT OF FUEL PRICE, POWER PURCHASE PRICE, YEARLY INDEXATION OF O&M
ETC. FOR THE PERIOD APRIL 2010 TO JUNE 2010.
(Case No. NEPRA/TRF-133/KESCL-2009(6))**

Pursuant to Section 31(4) of the Act 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(1)/2010 dated January 01, 2010, Karachi Electric Supply Company Limited (KESCL) has been allowed certain adjustments in its tariff 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 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 in 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. KESCL, in accordance with the prescribed mechanism for adjustment of fuel cost and power purchase cost variation, submitted quarterly adjustment request vide its letter No.CMF/NEPRA/071/242 dated July23, 2010, for the period April to June, 2010. Subsequently, KESCL vide letter No. CMF/NEPRA/071/252 dated August 2, 2010 also requested for the yearly indexation of KESCL's own generation O&M cost component.
5. The date of hearing for the aforesaid purpose was fixed as September 02, 2010 at Karachi and notices were duly published in leading national newspapers on August 26, 2010, inviting written/oral objections from the affected/interested persons/parties. 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 except for one intervention request filed by Mr. Muhammad Naseem Khan on August 30, 2010 but it was not on the formats prescribed by the Authority and the grounds for intervention were ambiguous. The intervener, further, neither submitted any comments nor did it participate in the public hearing of the petitioner held on September 02, 2010 in Karachi.

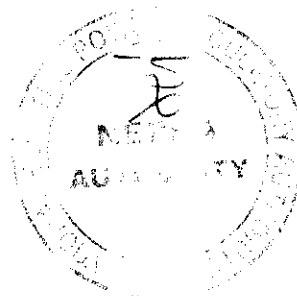


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6. During the hearing, the Authority observed that KESCL didn't deduct in its submission Ps 60.90/kWh relating to un-recovered cost for the period July 09 to March 10 in pursuance to para 14 of the Authority decision dated June 30, 2010. Further, KESCL didn't claim yearly indexation in its O&M as admissible in the approved mechanism for the year 2009-10 applicable w.e.f July 01, 2010. The summary of the requested adjustments as rectified afterwards in the hearing is tabulated below:

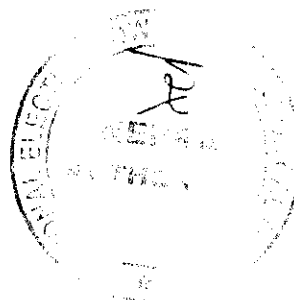
DESCRIPTION	Proposed Adjustment Ps/kWh
Quarterly revision of SOT on account of fuel and power purchase cost variation for the period April 2010 to June 2010	(2.19)
Unrecovered Cost for the period April 2010 to June 2010-applicable only to July-September 2010 quarter	8.56
Annual Indexation(CPI) in O&M Cost	12.00
Unrecovered Cost for the period Jul 2009 to Mar 2010-applicable only to April 2010 to June 2010 quarter	(60.90)
Total	(42.53)

7. During the course of hearing Dr. Ahmed Kamal who was representing Helpline Trust, Mr. Arif Bilvani and Mr. Nisar Shekhani as consumers of KESCL submitted that KESCL isn't updating its website on a timely basis regarding the status of its capital expenditure on new as well as refurbished power plants in violation of the Authority's direction. The commentators also opposed KESCL's over reliance on power purchases from external sources including NTDC. Commentators contended that there is enough capacity available at KESCL's own generation system and hence reliance on NTDC system is unjustified. KESCL representatives replied that this reliance is due to the uncertainty in the quantity of gas being supplied to KESCL and for that reason under GoP directions, RFO has been sold by PSO to KESCL on subsidized rates to cater for both non availability of gas and over reliance on NTDC system. Further, KESCL maintained that all the details of the subsidized rates for the respective months were provided to NEPRA and were consequently passed on to the consumers. The commentators also pointed out that KESCL hasn't conducted Heat Rate Tests of its own generation power units as per direction of the Authority. KESCL replied that heat rate test of upcoming power plant will be carried out when such plants are commissioned.
8. The Authority, while considering the aforementioned comments directed KESCL to update its website with all data including EPC cost, efficiency, financing arrangements etc. of the upcoming power plants either entering in the KESCL's system as new or as replacement of existing units for the purpose of transparency and information to general public. The Authority also directed KESCL to ensure that for new power plants Heat Rate Test should be conducted by reputable Independent Engineers.
9. The data provided by KESCL was duly verified by NEPRA's professionals in the head office of KESCL through invoices of IPPs and other sources for the period April to



June 2010 and was presented before the Authority. The Authority however observed that KESCL has claimed in its quarterly request a cost of Rs 141.6 million on account of Custom duties and mobilization advance of Aggreko power plant and Rs 107.12 million relating to Worker Welfare Funds (WWF) and Workers Profit Participation Funds (WPPF) of Tapal and Gul Ahmed IPPs. On this issue, KESCL had submitted that these are the costs associated with the actual power purchase from external sources for particular period which are actually paid and are required to be adjusted in the current quarterly adjustment.

10. While deliberating these costs, the Authority noted that the KESCL's latest determination given by the Authority in December 2009 is continuation of the spirit of the determination given in 2002 in which a Multi Year Tariff (MYT) with a fixed base rate was approved. Accordingly, an average sale rate was given and variation in certain cost components, that is fuel cost, O&M cost and capacity charges were allowed to be passed on to the consumers. The cost of WWF, WPPF amounting to Rs 107 million have neither been claimed by KESCL in the past since 2002 through its quarterly tariff adjustment request nor the Authority allowed the same under the approved monthly fuel and power purchase cost adjustment mechanism for KESCL. Moreover such costs as per the respective PPAs are required to be passed on through supplementary tariff for which there is no provision under the current determination. With regards to the cost associated with Custom Duty and Mobilization advance of Aggreko, the Authority observed that these costs are neither the part of O&M nor of capacity payment charge of Aggreko tariff. These are one time cost of the capital and cannot be allowed in KESCL tariff. In view thereof, the authority has decided to disallow all these additional costs totaling Rs. 249 million.
11. KESCL also requested Rs 25.034 million on account of KANUPP fixed charge component. As per the PPA between KESCL and KANUPP, fixed cost component of KANUPP is linked with the yearly per unit average generation fixed cost of KESCL power plants, whether old or new power plants, as evaluated by the independent chartered accountants firm. The audit report for the fiscal year 2008-2009 was issued in May 21, 2010. According to the auditor's opinion, there was an increase of Ps. 5.33/kWh in fixed cost rate of KESCL from the previous rate of Ps.31.90/kWh which is applicable on the units delivered in the fiscal year 2009-10. KESCL has accordingly calculated this amount as Rs 25.034 million = {469.68 GWh (Jul09-Apr10) * Ps 5.33/kWh/100}.
12. Although, the essential documents for this particular cost have been furnished, and verified by NEPRA professionals, however, the Authority observed that the cost of Rs 25.034 million has accumulated due to delay in carrying out the audit. The revised rate of Ps 37.23/kWh (5.33+31.90) as per the audit was supposed to be applicable from July 09 onwards till the end of FY 09-10. The audit was carried out in May 2010 and that significant delay has caused this amount to get accumulated for which KESCL has requested for reimbursement of the same. This delay could have been avoided by KESCL management by conducting such audit on timely basis. After deliberating on the issue in detail, the Authority decided to allow this

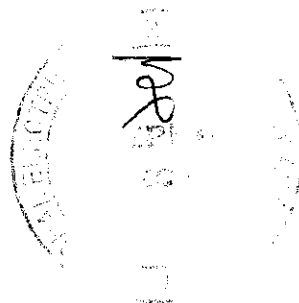


particular cost as requested and direct KESCL to ensure that audit for calculating fixed charges of Kanupp, as per the relevant provision of the PPA, should be carried out within four months after the end of financial year to avoid any such accumulation in future. KESCL is also warned that this cost, if accumulated again, due to delay in carrying out audit will not be allowed in future.

13. KESCL's existing tariff is based on fuel prices of March 2010. KESCL has not been allowed any adjustment in its tariff since March 2010. Therefore, it is required that KESCL's tariff be adjusted to the level of June 2010 as reference for subsequent quarterly adjustments, while incorporating the variation in fuel and power purchase cost for the month of June 2010 over the previous reference month of March 2010.
14. The required adjustment in KESCL tariff due to variation in the fuel and power purchase cost including O&M, and capacity charges for the month of June 2010 over the previous reference month of March 2010 works out to be minus Rs 373.63 million or Ps 34.47/kWh as per the following details;

Component	June 2010 Approved
Fuel Cost variation over March 2010 - KESCL own generation (Million Rs.)	(388.67)
Power Purchase cost variation over March 2010 - IPPs & other external sources (Million Rs.)	15.04
Total	(373.63)
Units sold for June 2010 (GWh)	1083.83
Required Adjustment in Tariff (Ps/kWh)	(34.47)

15. 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, accumulated and not recovered through consumer bills for three months i.e. Apr-June 10, are required to be adjusted on quarterly basis. Also any un-recovered cost of fuel, due to impact 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 recovery in the next quarter.
16. The Authority in the previous quarterly tariff adjustment of KESCL for the quarter ending March 2010 had allowed Ps.60.90/kWh for recovery by KESCL of the outstanding amount of Rs.2040 million in the current quarter, i-e April-June 2010. As per the information provided by KESCL, it has recovered Rs. 1964 million leaving a balance of Rs. 76.05 million which is required to be adjusted in the current quarter. The combined effect on account of the aforementioned adjustments works out to be Rs. 27.85 million as per details given hereunder;



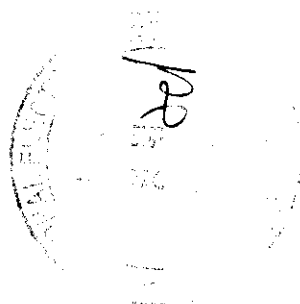
Un-recovered Cost for the period Apr 2010 to Jun 2010.		Rs in Million
Variation in O&M cost of IPPs & other sources		214.48
Variation in Capacity charges of IPPs and other sources		(66.46)
Un-recovered fuel cost due to non-adjustment of T&D losses in the monthly fuel cost adjustment		(221.26)
Adjustment of increase in Fixed cost of KANUPP		25.03
Un-recovered Cost/Shortfall Jul 09 to Mar 10		76.05
Total		27.85
Estimated units to be sold @ 23% T&D Losses in the next quarter (Jul-Sep 2010) GWh		3408.81
Required Adjustment in KESCL's Tariff (Ps/kWh)		0.82

17. The un-recovered cost of Rs. 27.85 million and thus the resulting increase in tariff by Ps 0.82/kWh shall be applicable for the next quarter only i.e. Jul- Sep 2010 and therefore, cease automatically at the end of that 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 Jul- Sep 2010 shall be carried forward for adjustment in the next quarterly adjustment (July-Sep 2010).
18. In addition to the above, KESCL has also requested for adjustment in its tariff by Paisa 12.01/kWh on account of yearly indexation of O&M cost component effective from July 2010 in accordance with the adjustment mechanism already notified by GoP. The approved X factor is required to be applied to each component, i.e. Generation, Transmission and Distribution, of its O&M cost as specified in the approved mechanism. KESCL in its request did not include the X factor while calculating its O&M Cost Component and erroneously applied Consumer Price Index (CPI) of March 2010 against the required CPI of May 2010. These errors were subsequently rectified by KESCL in the presentation during hearing. The X factor for each component is indicated hereunder:

Portion of Tariff to which CPI is applicable	X Factor
Generation O&M	2
Transmission O&M	2
Distribution O&M	3


19. The CPI for March 2009 was 194.53, whereas CPI for the month of May 2010 was 223.58. Accordingly, the following O&M cost component is adjusted as per the approved mechanism

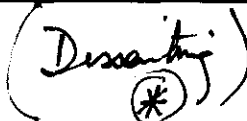
Variable O&M	Existing Ps/kWh	X Factor	Revised Ps./kWh	Approved Increase Ps./kWh
Generation	18.24	2	20.60	2.36
Transmission	7.30	2	8.24	0.94
Distribution	72.94	3	81.64	8.70
Total	98.48		110.49	12.01




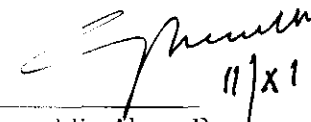
20. The Authority, vide para 14 of the Quarterly adjustment dated June 30, 2010 pertaining to July 2009 to March 2010, allowed Ps 60.90/kWh in KESCL's Tariff for recovery of outstanding amount of Rs 2040 million by it during the quarter Apr-Jun 2010. As per the direction in the same decision such cost is required to be deducted in the KESCL's current quarterly adjustment.
21. In view of the above, the overall cumulative decrease in the KESCL's tariff on account of fuel price, power purchase cost and O&M cost indexation for the quarter Apr-June 2010 as discussed in the foregoing paragraphs works out to be Paise 82.55/kWh (-34.47+0.82+12.01-60.90).
22. In order to allow adjustment in the KESCL's tariff for variation in the fuel cost KESCL's own generation, the power purchase cost, O&M cost indexation etc. for the current quarter i.e. April-June 2010, it is recommended that a uniform decrease in consumer-end tariff for all consumer categories by paise 84 per kWh except for the life-line consumers consuming up to 50 units per month and for agriculture consumers (D1 and D2 category) may be allowed to KESCL for the quarter Apr- Jun 2010. The revised schedule of tariff to be applicable from July 01 2010 to September 30, 2010 is attached herewith as Annexure-I

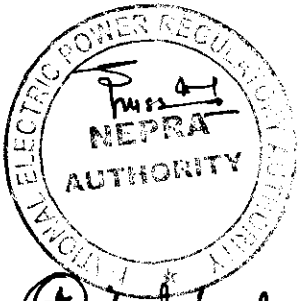
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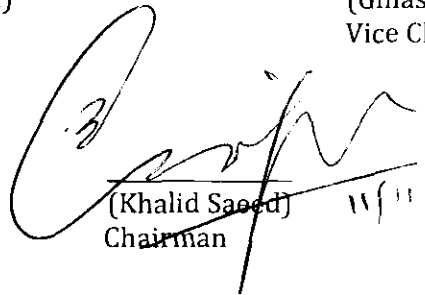

 (Zafar Ali Khan) 11/10/10
 Member


 (Shaukat Ali Kundi)
 Member


 (Maqbool Ahmed Khawaja)
 Member



 (Ghiasuddin Ahmed)
 Vice Chairman




 (Khalid Saeed)
 Chairman

* I had dissented in the determination dated 23.12.2009 pertaining to Kesc, on the basis of my adjustment mechanism and I maintain my views detailed in my note of dissent. Shaukat Ali Kundi 08.10.2010

- (*) I had dissented decision of Authority on adjustments to period 7/09 to 3/10. Detailed observations were given in the note.
- (ii) I had again dissented on my adjustment. - 7/09 to 3/10
- (iii) Present decision is also dissented as neither load shedding have been performed by KESC nor KESC is not producing electricity from its Gen Plant as per its available Capacity. Still underutilizing its Cap. in spite of clear directives.
- (iv) I am still of opinion that mechanism provided in determination 2009 needs to be revisited which has not been done. I therefore dissent from decision of Authority.


 MAQBUL AHMAD KUNDI
 (Member)

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

A-1 GENERAL SUPPLY TARIFF - RESIDENTIAL

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES	VARIABLE CHARGES	
		Rs/kW/M	Rs/kWh	
a)	For Sanctioned load less than 5 kW			
i	Up to 50 Units	-		2.00
	For Consumption exceeding 50 Units			
ii	1- 100 Units	-		9.65
iii	101- 300 Units	-		11.15
iv	301- 700 Units	-		13.35
v	Above 700 Units			14.95
b)	For Sanctioned load 5 kW & above			
	Time Of Use	-	Peak 15.95	Off-Peak 9.95

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	VARIABLE CHARGES	
		Rs/kW/M	Rs/kWh	
a)	For Sanctioned load less than 5 kW			15.45
b)	For Sanctioned load 5 kW & above	400.00		12.65
	Time Of Use	400.00	Peak 16.95	Off-Peak 11.45

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	VARIABLE CHARGES	
		Rs/kW/M	Rs/kWh	
B1	Less than 5 kW (at 400/230 Volts)	-		11.95
B2(a)	5-500 kW (at 400 Volts)	400.00		10.55
B3(a)	For all loads upto 5000 KW (at 11,33 kV)	380.00		10.15
B4(a)	For all loads upto 5000 KW (at 66,132 kV)	360.00		9.75
	Time Of Use		Peak	Off-Peak
B2(b)	5-500 kW (at 400 Volts)	400.00	15.95	9.70
B3(b)	For All Loads up to 5000 kW (at 11,33 kV)	380.00	15.45	9.20
B4(b)	For All Loads (at 66,132 kV & above)	360.00	14.95	8.95
	For All Loads (at 220 kV & above)	340.00	14.45	8.70

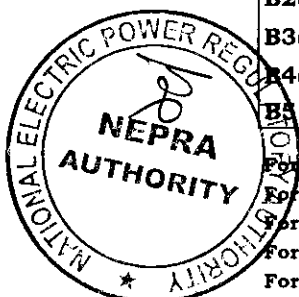
For B1 consumers there shall be a fixed minimum charge of Rs. 350 per month.

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	-		11.95
b)	Sanctioned load 5 kW & up to 500 kW	400.00		11.10
C -2(a)	For supply at 11,33 kV up to and including 5000 kW	380.00		11.10
C -3(a)	For supply at 132 and above, up to and including 5000 kW Time Of Use	360.00		10.95
C -1(c)	For supply at 400/230 Volts 5 kW & up to 500 kW	400.00	15.95	9.95
C -2(b)	For supply at 11,33 kV up to and including 5000 kW	380.00	15.45	9.15
C -3(b)	For supply at 132 kV up to and including 5000 kW	360.00	14.95	8.95

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 Time of Use	200.00		9.17
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	
			Peak	Off-Peak
E-1(i)	Residential Supply	-		15.35
E-1(ii)	Commercial Supply	-		18.25
E-2 (i)	Industrial Supply	-		14.95
E-2 (ii)	Bulk Supply			
	(a) at 400 Volts	-		15.35
	(b) at 11 kV			14.95

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

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.

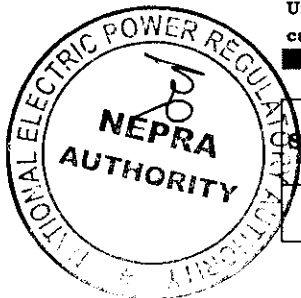
G- PUBLIC LIGHTING

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	
			Peak	Off-Peak
	Street Lighting	-		14.95

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	
			Peak	Off-Peak
	Residential Colonies attached to industrial premises	-		12.95



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