



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-2009/935-938
February 15, 2011

Subject:- **Decision of the Authority in the matter of Monthly Fuel Cost Adjustment of Karachi Electric Supply Co. Ltd. due to changes in Fuel Price for the Month of December 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 herewith the Decision of the Authority (03 pages) regarding monthly fuel cost adjustment of Karachi Electric Supply Company Ltd. due to changes in fuel price for the month of December 2010 in Case No. NEPRA/TRF-133/KESC-2009(6).

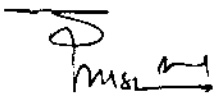
2. The Decision is being intimated to the Federal Government for the purpose of notification of the approved tariff in the official gazette pursuant to Section 31(4) of the Regulation of Generation, Transmission and Distribution of Electric Power Act (XL of 1997) and Rule 16(11) of the National Electric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

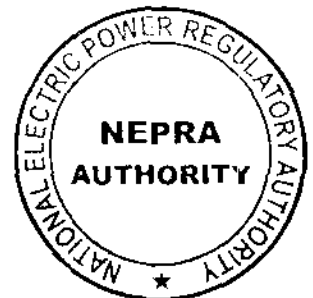
Enclosure: As above

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 FUEL COST ADJUSTMENT OF KARACHI ELECTRIC SUPPLY COMPANY
LIMITED DUE TO CHANGES IN FUEL PRICE FOR THE MONTH OF DECEMBER,
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 (herein after referred to as "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 (herein after referred to as "KESCL") determined by the Authority in case No. NEPRA/TRF-133/KESCL-2009(6) dated December 23, 2009, duly notified by the Government of Pakistan vide S.R.O No. 11(I)/2010 dated January 01, 2010. As per the said mechanism, KESCL is allowed monthly adjustment in fuel cost component for its own generation as well as power purchase cost from external sources on account of fuel price variation without taking in to account the effect of transmission and distribution 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 in its fuel cost and power purchase cost variation due to change in fuel price for the month of December, 2010 vide letter No. CMF/NEPRA/071/530 dated January 20, 2011. In that request overall increase of 87.199 Ps/kWh on account of fuel price variation for the month of December 2010 was claimed. 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. The summary of the proposed adjustments is tabulated below:

Tariff Adjustments Summary	December -10 Requested
Variation in Fuel Price	
Own Generation (Million Rs)	221.065
External/PPP (Million Rs)	607.028
Total (Rs. in Million)	828.093
Total Units Sent Out (GWh)	949.654
Total Variation Ps/kWh	87.199

3. Notice of the hearing of KESCL request was advertised by the Authority in the leading daily newspapers on January 25, 2011. The Authority also sent notices to the main stakeholders inviting thereby their comments/objections in order to reach an informed and just decision. In response to the advertisement, no comments were received by the Authority.
4. KESCL revised its request based on the invoiced energy transfer rate of NTDC vide letter No. CMF/NEPRA/071/552 dated January 30, 2011. The summary of the proposed adjustments based on invoiced energy transfer rate of NTDC is tabulated below:



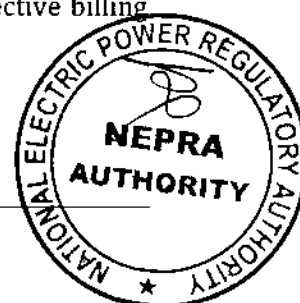
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Tariff Adjustments Summary	December -10	
	Requested	
Variation in Fuel Price		
Own Generation (Million Rs)	221.065	
External/PPP (Million Rs)	744.227	
Total (Rs. in Million)	965.292	
Total Units Sent Out (GWh)	949.654	
Total Variation Ps/kWh	101.647	

5. During the hearing, KESCL explained that the major contributing factors resulting in higher fuel cost variation were increase in furnace oil price as well as high energy transfer rate of NTDC. Furnace oil prices increased by around 11% and energy transfer rate of NTDC increased around 46% from the reference month, i.e. September, 2010. The Authority directed KESCL that in future it shall file monthly fuel cost adjustment request on the basis of the invoiced energy transfer rates of NTDC.
6. The generation data, rates etc. of KESCL (both from self generation and power purchased from external sources) for the month of December 2010 were scrutinized with respective invoices and other underlying documents. The Authority observed that NTDC/CPPA for the month of December, 2010 charged Rs. 5.82/kWh to KESCL as energy transfer rate, but the energy transfer rate approved by the Authority comes out to be Rs. 5.70/kWh for monthly fuel cost adjustments of XWDISCOs. The Authority in its decision dated September 29, 2008 had directed that NTDC/CPPA shall treat KESCL at par with XWDISCOs for the purpose of sale of power and shall charge on the basis of similar mechanism as approved for XWDISCOs.
7. Consequently, the fuel cost variation of KESCL's own power generation and power purchases from external sources for the month of December, 2010 works out to be Rs. 911.054 million (Ps. 95.935/kWh), as per the details tabulated hereunder:

Tariff Adjustments Summary	December -10 Requested	December -10 Allowed
Variation in Fuel Price		
Own Generation (Million Rs)	221.065	221.074
External/PPP (Million Rs)	744.227	689.980
Total (Rs In Million)	965.292	911.054
Total Units Sent Out (GWh)	949.654	949.654
Total Variation Ps/kWh	101.647	95.935

8. In order to allow KESCL for variation in fuel cost of its own generation as well as power purchased from external sources for the month of December 2010, the Authority has therefore decided to pass on Ps.95.935/kWh to consumers of KESCL as Fuel Surcharge Adjustment. The paisa per kWh, rounded off after taking into account its effect on consumption of life line consumers, to be charged by KESCL in the prospective billing



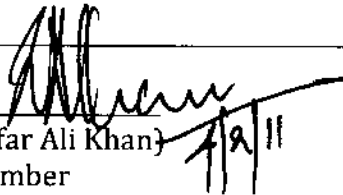
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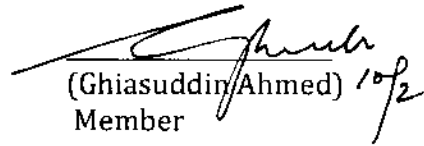
month of March, 2011 from each consumer works out to be Ps. 96/kWh and shall be charged by KESCL according to the following schedule:

FSA to be calculated on the basis of the billing for the month of	Ps/kWh	To be Charged in Monthly Consumer bill of
December 2010	96.00	March 2011

9. The adjustment as referred to in para 8 above;
- shall be applicable to all the consumer categories except lifeline consumers of KESCL; and
 - shall be shown separately in the consumer bills on the basis of billing for the month of December, 2010.

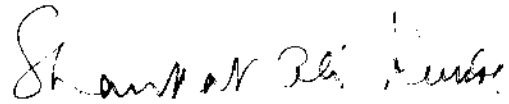
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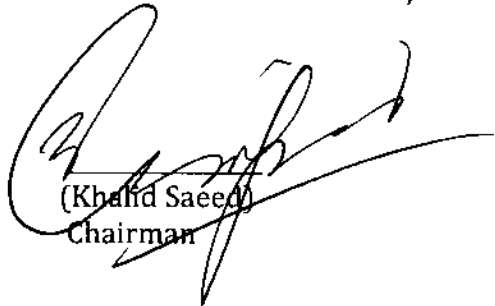

 (Zafar Ali Khan)
 Member


 (Ghiasuddin/Ahmed)
 Member

(*)


(Maqbool Ahmad Khawaja)
 Member


 (Shaukat Ali Kundi)
 Member/Vice Chairman 11.02.2011


 (Khalid Saeed)
 Chairman

(*)

As per determination 12/2009, KESCL is required to comply directives of Authority. In my opinion, same are not being implemented/complied eg non dispatch of its all generating units (Clause 9 of Annex A), claiming of monthly adjustment of Power purchase Cost against PPA not approved by Authority (Clause 12 of Annex-B). In my opinion, non compliance of directions of Authority which are mandatory for allowing adjustments are serious & needs suitable action. I therefore dissent from decision of Authority on principle.


 MAQBUL AHMAD KHAWAJA
 Member (S)

