



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-2009/5990-5993

July 27, 2011

Subject:- Decision of the Authority in the matter of Fuel Charges for the Month of May 2011 for Karachi Electric Supply Company Ltd. [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 prices for the month of May 2011 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. Please note that paras 9 – 10 of the Authority's Decision are required to be notified in the official Gazette.

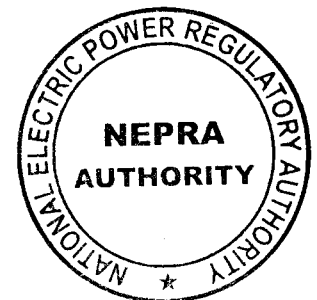
Enclosure: As above

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)



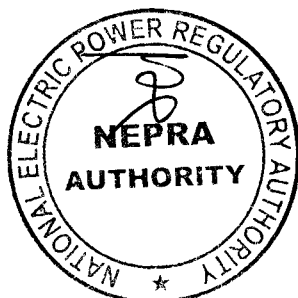


**DECISION OF THE AUTHORITY IN THE MATTER OF FUEL CHARGES FOR THE MONTH OF MAY,
2011 FOR KARACHI ELECTRIC SUPPLY COMPANY LIMITED**

1. Pursuant to the provisions of Section 31(4) of the Regulation of Generation, Transmission and Distribution of Electric Power Act 1997, (XL of 1997) and as per the mechanism for monthly fuel price adjustment prescribed and determined by the Authority for Karachi Electric Supply Company Limited (herein after referred to as "KESCL") in case No. NEPRA/TRF-133/KESCL-2009(6) dated December 23, 2009, duly notified in the official Gazette vide S.R.O No. 11(I)/2010 dated January 01, 2010, National Electric Power Regulatory Authority has to review and revise the approved tariff on account of any variation in the fuel charges on monthly basis. As per the mechanism prescribed by the Authority, 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 (hereinafter referred to as "T & D losses").
2. KESCL submitted its request of monthly adjustment due to fuel price variation for the month of May, 2011 vide letter No. CMF/NEPRA/071/759 dated June 22, 2011. KESCL 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 requested adjustment is tabulated below:

Tariff Adjustment Summary	May -11 Requested
Variation in Fuel Price	
Own Generation (Million Rs)	607.943
External/PPP (Million Rs)	(242.770)
Total (Rs. in Million)	365.173
Total Units Sent Out (GWh)	1,449.368
Total Variation Ps/kWh	25.195

3. KESCL vide its request also informed the Authority that as per the decision of the Economic Coordination Committee dated May 07, 2011, KESCL was allowed to procure furnace oil at gas price under the Gas Load Management Plan (GLMP). KESCL submitted that the GOP's share of the amount of furnace oil procured in May, 2011 at gas price works out to be Rs. 384.194 million. This subsidy has reduced KESCL's total furnace oil cost for the month of May, 2011 from Rs. 5.402 billion to Rs. 5.017 billion and the weighted average furnace oil price works out to be Rs. 56,916.78/Mton.

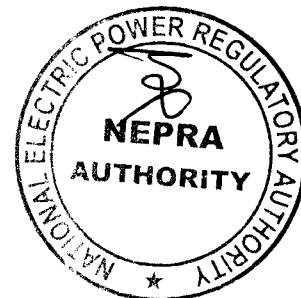


2 H B



4. The Authority sent a letter NEPRA/TRF-133/KESC-2009/4679 dated June 22, 2011 to the Ministry of Water and Power requesting it to confirm the amount of subsidy allowed, i.e. Rs. 384.194 million as mentioned in its request by KESCL for the month of May, 2011. It was requested that the Ministry should respond in this regard within 03 days of receipt of the letter, otherwise the Authority would be constrained to consider the amount, i.e. 384.194 million claimed by KESCL as correct and full/final for calculating fuel cost and corresponding adjustment in KESCL's tariff for the month of May, 2011. In this regard, no reply was received from the Ministry.
5. Notwithstanding the fact that the monthly adjustments on account of fuel charge variations are accounted for in accordance with law and as per the mechanism/formula prescribed by the Authority and notified in the official Gazette by the Federal Government; yet the impact of such adjustments, if any, is passed on to the consumers of electricity, therefore, in order to meet with the ends of natural justice, the Authority decided to provide an opportunity of hearing to all the concerned while reviewing the fuel charges. A date of hearing for the aforesaid purpose was fixed as July 18, 2011 in the NEPRA Main Office; notice thereof was published in the leading national newspapers on July 08, 2011 inviting comments/objections from the concerned persons.
6. During the hearing, KESCL submitted that the main reason for variation of Rs. 607.943 million in KESCL's own generation is the increase in furnace oil prices, which have increased from Rs. 56,579.12 per metric ton (weighted average) in the month of March, 2011 to Rs. 56,916.78 per metric ton (weighted average) in the month of May, 2011. Further, KESCL generated (net of auxiliary) around 321 GWh on furnace oil in the month of May, 2011 as compared to around 200 GWh (net of auxiliary) in the month of March, 2011 and this increase also contributed significantly in the variation being requested.
7. The generation data, rates etc. of KESCL (both from self generation and power purchased from external sources) for the month of May, 2011 were scrutinized with respective invoices and other relevant documents and no discrepancy was found by the Authority. However it is noticed that NTDC, for the month of May, 2011 charged Rs. 6.296/kWh, whereas the Authority's approved energy transfer rate of NTDC/CPPA for the month of May, 2011 works out to be Rs.6.224/kWh for XWDISCOS including KESCL. It must be noted that while deciding upon KESCL's fuel adjustment for the previous months, the Authority had decided to apply the energy transfer rate as approved by the Authority for XWDISCOS including KESCL for the same month. Therefore, in compliance to the Authority's decision, energy transfer rate of Rs. 6.224/kWh should be used against Rs 6.296/kWh claimed by NTDC/CPPA.
8. In view of the above, the fuel cost variation of KESCL's own power generation and power purchases from external sources for the month of May, 2011 works out to be Rs. 350.411 million or Ps. 24.177/kWh, as per the details tabulated hereunder:

[Handwritten initials]





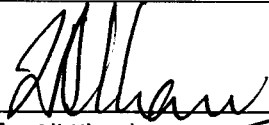
Tariff Adjustments Summary	May-11 Requested	May-11 Allowed
Variation in Fuel Price		
Own Generation (Million Rs)	607.943	607.943
External/PPP (Million Rs)	(242.770)	(257.532)
Total (Rs In Million)	365.173	350.411
Total Units Sent Out (GWh)	1449.368	1449.368
Total Variation Ps/kWh	25.195	24.177


9. 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 May, 2011, the Authority has therefore decided to pass on Ps. 24.177/kWh to the consumers of KESCL as fuel cost adjustment. The paisa per kWh, rounded off after taking into account its effect on the consumption of life line consumers, to be charged by KESCL in the prospective billing month of November, 2011 from each consumer works out to be Ps. 24 /kWh and shall be charged by KESCL according to the following schedule:

FCA to be calculated on the basis of billing for the month of	Ps/kWh	To be charged in Monthly Consumer bill of
May 2011	24.00	November 2011

10. The adjustment as referred to in para 9 above:
- shall be applicable to all the consumer categories except lifeline consumers of KESCL; and
 - shall be shown separately in the consumer bills of November, 2011 on the basis of units billed for the month of May, 2011.

Authority:


(Zafar Ali Khan)
Member
25/7/11


(Ghiasuddin Ahmed)
Member
25/7

on leave
(Maqbool Ahmad Khawaja)
Member

on leave
(Shaukat Ali Kundi)
Member/Vice Chairman


(Khalid Saeed)
Chairman
25/7

