



# National Electric Power Regulatory Authority

Islamic Republic of Pakistan

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**Registrar**

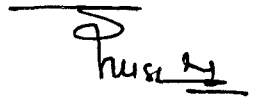
No. NEPRA/TRF-133/KESC-2009/1114-18  
February 3, 2012

Chief Executive Officer  
Karachi Electric Supply Company Ltd. (KESC)  
KESC House, Punjab Chowrangi,  
39 – B, Sunset Boulevard, Phase-II  
Defence Housing Authority  
Karachi.

**Subject:- Decision of the Authority in the matter of Fuel Charges for the Month of August 2011 for Karachi Electric Supply Company Ltd. [Case No. NEPRA/TRF-133/KESCL-2009(6)]**

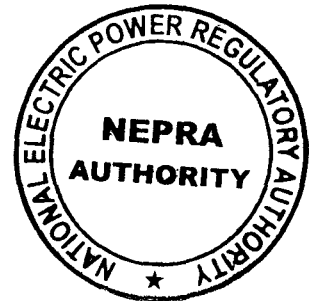
Enclosed please find herewith the subject decision of the Authority (04 pages) regarding fuel charges adjustment for the month of August, 2011 in respect of Karachi Electric Supply Company Ltd. The notification on the subject decision will follow.

Enclosure: As above

  
( Syed Safer Hussain )

CC:

1. Secretary Ministry of Water & Power, Islamabad
2. Secretary, Cabinet Division, Cabinet Secretariat, Islamabad
3. Secretary, Ministry of Finance, Islamabad.
4. Secretary, Privatization Commission, Islamabad.

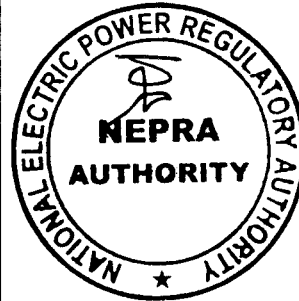




**DECISION OF THE AUTHORITY IN THE MATTER OF FUEL CHARGES FOR THE MONTH OF  
AUGUST, 2011 FOR KARACHI ELECTRIC SUPPLY COMPANY LIMITED**

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 fuel price adjustment for the month of August, 2011 vide letter CMF/NEPRA/071/812 dated September 23, 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:

<b>Tariff Adjustment Summary</b>	<b>August -11 Requested</b>
<b>Variation in Fuel Price</b>	
Own Generation (Million Rs)	(203.061)
External/PPP (Million Rs)	(14.464)
<b>Total (Rs. in Million)</b>	<b>(217.525)</b>
Total Units Sent Out (GWh)	1,413.979
<b>Total Variation Ps/kWh</b>	<b>(15.384)</b>

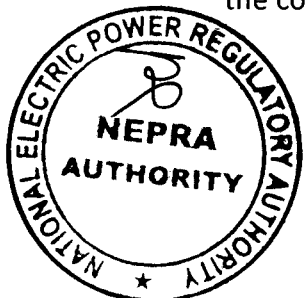


3. As stated earlier, the monthly adjustments on account of fuel charge variations are accounted for in accordance with the section 31(4) of NEPRA Act and as per the mechanism/formula prescribed by the Authority. The impact of such adjustments, if any, is passed on to the consumers of electricity, therefore, in order to meet the ends of natural justice, the Authority decided to provide an opportunity of hearing to all the concerned. A date of hearing in this regard was fixed as October 13, 2011 at NEPRA, Main Office, OPF Building, G-5/2, Islamabad; notices thereof were published in the leading national newspapers on October 04, 2011 inviting comments/objections from the concerned/affected persons.
4. During the hearing, KESCL submitted that the main reason for variation of minus Rs. 203.061 million in fuel price of own generation is the decrease in the number of units generated on furnace oil in the month of August, 2011 as compared to the reference

*[Handwritten signatures]*



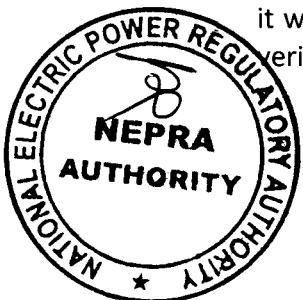
- month of June, 2011. KESCL generated (net of auxiliary) around 258 GWh, 33% of the KESCL's own total units generated (net of auxiliary), in the month of August, 2011 on Furnace Oil against around 292 GWh, 40% of the total own units generated (net of auxiliary), in the reference month of June, 2011.
5. In the fuel cost component of power purchase cost, KESCL submitted that the main reason of variation of minus Rs. 14.464 million is the decrease in energy procured from furnace oil based IPPs by KESCL for the month of August, 2011 as compared to the reference month of June, 2011. The decrease in energy procured from these IPPs made the energy mix purchased favorable and reduced the weighted average fuel cost per unit as compared to the reference month of June, 2011.
  6. During the hearing Mr. Qazi Ahmed Kamal, representing Karachi Chamber of Commerce (KCCI), presented comments regarding the request filed by KESCL and submitted the same in writing to the Authority vide letter PS/NEPRA-KESC/2011/2989 dated October 12, 2011. In light of the comments, the Authority directed KESCL to submit with each monthly fuel charges adjustment request the information regarding the total quantity of gas purchased by it from Sui Southern Gas Company Limited (SSGCL). The Authority also directed KESCL to dispatch its all power sources (own + IPPs) in the economic merit order.
  7. During the hearing, the Authority inquired from KESCL that whether any fuel subsidy was provided to it for the month of August, 2011 by the GoP for the purchase of furnace oil under Gas Load Management Program (GLMP).
  8. KESCL submitted that it was given the fuel cost subsidy for the period August 02, 2011 to September 03, 2011 under GLMP. KESCL also submitted that it had not taken into account the amount of subsidy in the request submitted with respect to fuel charges adjustment (FCA) for the month of August, 2011 as the said matter has been discussed with the Ministry of Water and Power and Ministry of Finance and both Ministries are of the view that the fuel cost subsidy given in the abovementioned period should be adjusted in the tariff through quarterly adjustment under the head of "Unrecovered Cost" instead of adjusting it in monthly FCA. KESCL further submitted that the final directives, in this regard, have not yet been received from the said Ministries.
  9. Subsequently, the Authority decided to convene a meeting with the Ministry of Water and Power and Ministry of Finance to get their views regarding the treatment of fuel cost subsidy allowed to KESCL under GLMP and the same was held at Finance Division dated December 19, 2011 wherein NEPRA professionals discussed the said issue with the relevant/concerned professionals of the Ministries.
  10. The Ministry representatives were of the view that the benefit of subsidy provided under GLMP to KESCL for the month of August, 2011 should not be adjusted in monthly FCA as this treatment will burden the national exchequer and will create the disparity amongst the consumers of KESCL and other DISCOs as the monthly FCA rate for rest of the country is calculated at the fuel prices notified by the relevant Authority. Ministry of





Finance representatives also agreed to give in writing to NEPRA the clarifications regarding this matter within two or three days.

11. Finally, post several reminders, the Ministry of Water and Power vide its letter PIII-3(2)/2011 dated January 27, 2012 submitted to the Authority the modality, communicated by Finance Division, for reimbursement of Price Differential Claims. Finance Division vide its letter F.No.5(79)CF.V/2009-Vol-II dated December 07, 2011 sent to Ministry of Petroleum and Natural Resources communicated that Price Differential between HSFO and natural gas allowed to KESCL under the GLMP needs to be passed on to the consumers as is being done in case of Fuel Surcharge Adjustment in DISCOs.
12. In view of the foregoing, the Authority has decided that, while allowing variation to KESCL, it will work out the cost of furnace oil as per the invoices submitted by KESCL and the Authority will not take into account any subsidy provided by the GoP either in monthly FCA or quarterly tariff adjustment of KESCL. The subsidy on account of price differential between gas and furnace oil under GLMP allowed by GoP to KESCL in any month may be adjusted by GoP against tariff differential subsidy to be given to KESCL. KESCL is hereby directed not to take into account the price differential subsidy allowed to it by GoP while requesting monthly and quarterly tariff adjustments. Further, it is also directed to appropriately disclose this fact to the relevant authorities and ensure that the amount of price differential subsidy allowed should properly be accounted for in its adjustment of tariff differential subsidy with the GoP.
13. The generation data, rates etc. of KESCL (both for self generation and power purchased from external sources) for the month of August, 2011 were scrutinized with respective invoices and other relevant documents. It was noticed that NTDC/CPPA, for the month of August, 2011 charged Rs. 6.662/kWh, whereas according to the Authority's calculation energy transfer rate of NTDC/CPPA for the month of August, 2011 works out to Rs.6.644/kWh for XWDISCOS including KESCL. The Authority has therefore decided to apply the energy transfer rate of Rs. 6.644/kWh instead of Rs 6.662/kWh claimed by KESCL.
14. KESCL claimed positive variation of Rs. 3.909 million against the energy sent out of 6.710GWh on 560MW Bin Qasim Combined Cycle Power Plant (CCPP) at 11,687 as its heat rate. The Authority, during the hearing, while showing dissatisfaction with the treatment adopted by KESCL directed it not to include variation against Bin Qasim CCPP till the time heat rate test of this plant is conducted in compliance with the clear directions of the Authority given through determination dated December 23, 2009. Therefore, the Authority has not allowed any variation on account of fuel price for Bin Qasim CCPP.
15. KESCL in its request used Rs.443.641/MMBTu as the price of gas purchased from SSGCL and 61,310/MTon as weighted average cost for the purchase of furnace oil. However, after verifying the gas bills and furnace oil invoices raised by SSGC and PSO respectively, it works out to be Rs. 437.13/MMBTu for gas and Rs. 61,292/MTon for furnace oil. The verified figures have been used to calculate the amount of variation.



W/ H.C. A



16. 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 August, 2011 works out to be minus Rs. 266.088 million or minus Ps. 18.818/kWh, as per the details tabulated hereunder:

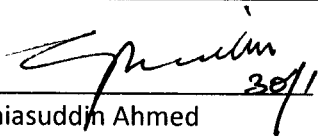
Tariff Adjustments Summary	August-11 Requested	August-11 Allowed
<b>Variation in Fuel Price</b>		
Own Generation (Million Rs)	(203.061)	(243.304)
External/PPP (Million Rs)	(14.464)	(22.784)
<b>Total (Rs in Millions)</b>	<b>(217.525)</b>	<b>(266.088)</b>
Total Unit Sent Out (GWh)	1,413.979	1,413.979
<b>Total Variation Ps/kWh</b>	<b>(15.384)</b>	<b>(18.818)</b>

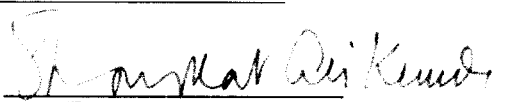
17. In order to allow KESCL variation in fuel cost of its own generation as well as power purchased from external sources for the month of August, 2011, the Authority has therefore decided to pass on minus Ps. 18.818/kWh to the consumers of KESCL as fuel cost adjustment.
18. The paisa per kWh, rounded off after not allocating its effect on the consumption of life line consumers and agriculture consumers, to be charged by KESCL in the prospective billing month of March, 2012 from each consumer works out to be minus Ps. 19 /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	Charged in consumer bills to be issued in the month of
August 2011	(19.00)	March 2012

19. The adjustment as referred to in para 18 above:
- shall be applicable to all the consumer categories except lifeline consumers and agriculture consumers of KESCL; and
  - shall be shown separately in the consumer bills of March, 2012 on the basis of units billed for the month of August, 2011.

Authority:

  
Ghiasuddin Ahmed  
Member

  
(Shaikat Ali Kundi)  
Member

  
(Khalid Saad)  
Chairman

