



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-2009/6574-78
July 27, 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 Adjustment for the Month of January 2012 for Karachi Electric Supply Company Ltd. and Notification (S.R.O. 908(I)/2012 dated 26.07.2012) Thereof**

Enclosed please find a copy of decision of the Authority in the matter of fuel charges adjustment for the month of January 2012 in respect of Karachi Electric Supply Company Ltd., along with Notification (S.R.O. 908(I)/2012 dated 26.07.2012) thereof. This is for information and further necessary action.

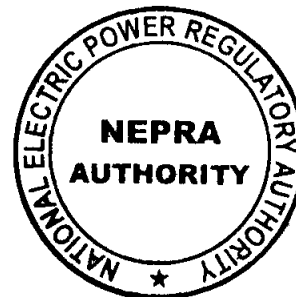
2. While affecting the recovery of Fuel Adjustment Charges, KESCL shall keep in view and strictly comply with the orders of the court(s), if any, notwithstanding this order.

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 ADJUSTMENT FOR THE MONTH OF JANUARY, 2012 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 (herein after referred to as "the 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 into account the effect of transmission and distribution losses (hereinafter referred to as "T & D losses").
2. KESCL submitted its request of monthly fuel charges adjustment for the month of January, 2012 vide letter No. CMF/NEPRA/071/885 dated March 15, 2012. 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:



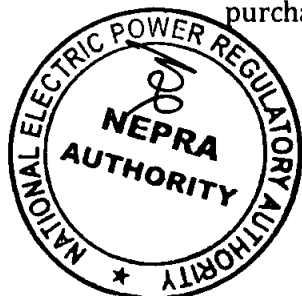
Tariff Adjustment Summary	January -12
Variation in Fuel Price	Requested
Own Generation (Million Rs)	291.503
External/PPP (Million Rs)	667.958
Total (Rs. in Million)	959.461
Total Units Sent Out (GWh)	942.281
Total Variation Ps/kWh	101.823

3. Since the impact of FCA, 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 while reviewing the fuel charges. A date of hearing for the aforesaid purpose was fixed as June 11, 2012 at National Institute of Management (NIM), University Road, Block 11, NIPA Chowrangi, Gulshan-e-Iqbal, Karachi; notice thereof was published in the leading national newspapers on May 30, 2012 inviting comments/objections from the concerned stakeholders to make the process of hearing more meaningful and to reach at an informed and just decision.
4. During the hearing, KESCL submitted that owing to various reasons such as difference in claimed and Authority's approved energy transfer charges of NTDC, KESCL's error in the submitted request on account of number of units sent out and issuance of December, 2011 FCA decision by the Authority post submission of January, 2012 FCA request by KESCL, the final figures in the submitted request have now changed. The summary of the revised adjustment request as presented by KESCL during the hearing is tabulated below.



Tariff Adjustment Summary	January -12
Variation in Fuel Price	Requested
Own Generation (Million Rs)	289.838
External/PPP (Million Rs)	682.223
Total (Rs. in Million)	972.060
Total Units Sent Out (GWh)	940.820
Total Variation Ps/kWh	103.321

5. With respect to the variation in fuel cost of own generation, KESCL submitted that the rate of furnace oil consumed by KESCL during the month has increased from Rs. 64,745.94 per metric ton for the month of December 2011 i.e. reference month to Rs. 64,758.91 per metric ton for the month of January, 2012. KESCL generated around 69 GWh on furnace oil in the month of January, 2012 as compared to 55 GWh during the reference month, i.e. December, 2011. Since fuel cost variation is worked out both on account of cost and mix, therefore, this increase in generation also contributes towards the claimed variation. Further, KESCL submitted that gas price has also increased in the current month to Rs. 507.86/MMBTu from Rs. 447.14/MMBTu in the reference month owing to application of Gas and Infrastructure Cess by Ministry of Petroleum and Natural Resources.
6. Regarding the variation in the fuel component of power purchase cost, KESCL submitted that the prime reason is the increase in the energy transfer charge (fuel cost per kWh) of electric power purchased from NTDC. KESCL elaborated that it had purchased around 80% of its total power purchases from NTDC for the month of January 2012 whose unit price increased from Rs. 7.147/kWh for the month of December, 2011 to Rs. 9.192/kWh for the month of January, 2012.
7. Mr Qazi Ahmed Kamal representing Karachi Chamber of Commerce requested the Authority to look into the generation statistics of own generation of KESCL, i.e. how much is being produced by KESCL, how much could have been produced by it and how much they were supposed to buy from external sources in order to reduce the load shedding in Karachi. He said that with each passing month, KESCL's own generation is reducing and reliance over power purchase especially from NTDC is increasing. Regarding the directions of the Authority with respect to following economic merit order, he submitted that if per unit cost of furnace oil in KESCL's own generation is higher then why not KESCL is purchasing electricity from Tapal and Gul Ahmed before operating its own expensive furnace oil based power station since very low energy was purchased by it from both of these IPPs during the current month.
8. KESCL in response submitted that as per the power purchase agreement with NTDC it purchases 650MW from NTDC and the main reason of variation claimed is the same, however, if it had generated electricity on furnace oil owing to inadequate supply of gas from Sui Southern Gas Company Limited (SSGCL) rather than buying power from NTDC then fuel charges adjustment would had increased by Rs. 3/kWh as the energy generated on furnace oil costs KESCL around Rs. 18/kWh compared to Rs. 9/kWh cost of energy purchased from NTDC which is unfavorable both for consumers as well as for KESCL. With



[Handwritten signature and initials]



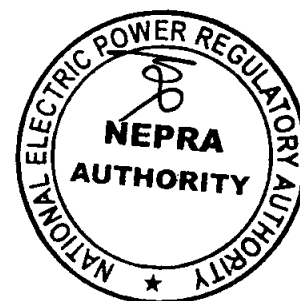
regards to economic merit order, KESCL submitted that it strives to follow economic merit order, i.e. it attempts to generate/acquire the most economic power first and the expensive one later on the basis of demand. It purchases power from Tapal and Gul Ahmed as per the requirement and in case of lower demand no energy is purchased from both of these IPPs as energy from them is comparatively expensive. KESCL submitted that as thermal units operating on furnace oil relatively take more time to restart and shut down, therefore, it continues to generate electric power from its own power plants on furnace oil at minimum possible load to mitigate the fluctuations in demand.

9. The generation data, rates etc. of KESCL (both from self generation and power purchased from external sources) for the month of January, 2012 were scrutinized with respective invoices and other relevant documents by the Authority. Regarding the abovementioned response of KESCL with respect to dispatching the power according to economic merit order, the Authority is of the view that it was not satisfactory as Tapal and Gul Ahmed power plants, having comparatively lower fuel cost than furnace oil based KESCL's own generation on Bin Qasim Power Station, were not fully utilized and decided to take up this particular matter with KESCL separately.
10. 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 January, 2012 works out to be Rs. 972.060 million or Ps. 103.321/kWh, as per the details tabulated hereunder:

Tariff Adjustments Summary	January-12 Requested	January-12 Allowed
Variation in Fuel Price		
Own Generation (Million Rs)	289.838	289.838
External/PPP (Million Rs)	682.223	682.223
Total (Rs In Million)	972.060	972.060
Total Units Sent Out (GWh)	940.820	940.820
	103.321	103.321

11. 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 January, 2012, the Authority has therefore decided to pass on Ps. 103.321/kWh to the consumers of KESCL as FCA.
12. The paisa per kWh, rounded off after not allocating its effect on the consumption of life line consumers, to be charged by KESCL in the prospective billing month of August, 2012 from each consumer works out to be Ps. 104 /kWh and shall be charged by KESCL according to the following schedule:

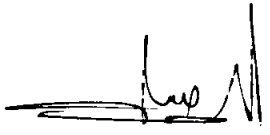
FCA to be calculated on the basis of billing for the month of	Ps/kWh	Charged in consumer bills to be issued in the month of
January 2012	104	August 2012

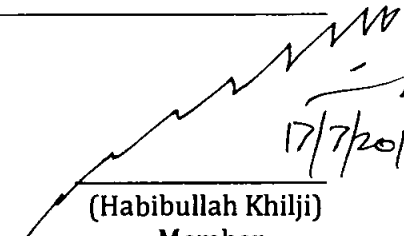


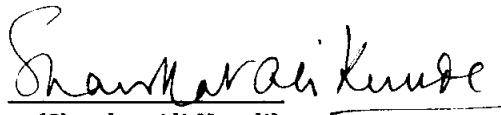


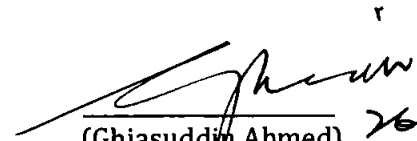
13. The adjustment as referred to in para 12 above:
- shall be applicable to all the consumer categories except lifeline consumers of KESCL; and
 - shall be shown separately in the consumer bills of August, 2012 on the basis of units billed for the month of January, 2012.

Authority:


(Khawaja Muhammad Naeem)
Member


(Habibullah Khilji)
Member


(Shaukat Ali Kundi)
Member


(Ghiasuddin Ahmed)
Acting Chairman/Member



TO BE PUBLISHED IN THE GAZETTE OF PAKISTAN
EXTRA ORDINARY, PART-II

National Electric Power Regulatory Authority



NOTIFICATION

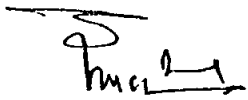
Islamabad, the 26th day of July 2012

S.R.O. 908(I)/2012.- Pursuant to Section 31(4) of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 as amended through Regulation of Generation, Transmission and Distribution of Electric Power (Amendment) Act 2011 and as per the mechanism for monthly fuel price adjustment prescribed and determined by the Authority vide Determination dated December 23, 2009 for Karachi Electric Supply Company Ltd. (KESCL), as notified vide SRO 11(1)/2010 dated January 01, 2010, National Electric Power Regulatory Authority (NEPRA) makes and notifies the following adjustment in the approved tariff on account of variation in fuel charge for the month of January 2012 in respect of KESCL.

Fuel Charges Adjustment to be Calculated on the basis of billing for the Month of	Fuel Charges Adjustment (Ps/kWh)	Charged in Consumer Bills to be Issued in the Month of
January 2012	104	August 2012

2. The above adjustment of plus Ps.104.00/kWh shall be applicable to all the consumer categories except lifeline consumers of KESCL. The said adjustment shall be shown separately in the consumer bills of August, 2012 on the basis of units billed for the month of January, 2012.

[Case No. NEPRA/TRF-133-KESCL-2009(6)]


(Syed Safer Hussain)
26/7/12
Registrar