



National Electric Power Regulatory Authority
Islamic Republic of Pakistan

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Registrar

No. NEPRA/TRF-133/KESC-2009/4759-4762
May 26, 2012

Subject:- **Determination of the Authority in the matter of Karachi Electric Supply Co. Ltd. (KESCL) Quarterly Adjustment in Tariff for the Quarter October 2011 to December 2011 [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 herewith the determination of the Authority along with schedule of electricity tariff, Annexure-I (09 pages) regarding quarterly adjustment for the quarter October 2011 to December 2011 in respect of Karachi Electric Supply Company Ltd. in Case No. NEPRA/TRF-133/KESC-2009(6).

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

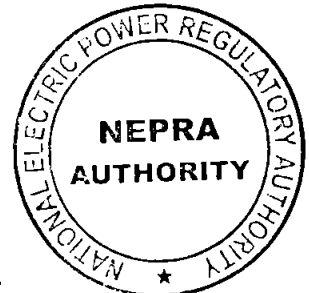
Enclosure: As above

(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, 'Q' Block, Pak Secretariat, Islamabad.
3. Secretary, Privatization Commission, EAC Building, Islamabad.





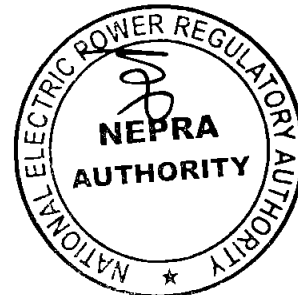
**DETERMINATION OF THE AUTHORITY IN THE MATTER OF KARACHI ELECTRIC
SUPPLY COMPANY LIMITED QUARTERLY ADJUSTMENT IN TARIFF FOR THE
QUARTER OCTOBER, 2011 TO DECEMBER, 2011**

BACKGROUND

1. Pursuant to section 31(4) of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 and in accordance with the determination of the Authority in case No. NEPRA/TRF-133/KESC-2009(6) notified vide S.R.O. No. 11(I)/2010 dated January 01, 2010, Karachi Electric Supply Company Limited (hereinafter referred to as the "KESCL") has been allowed certain adjustments in its tariff on quarterly basis. The adjustments allowed in the KESCL's tariff on quarterly basis include the following:
 - Impact of variation in the fixed component of power purchase cost and variable operation and maintenance costs (hereinafter referred to as the "O&M costs") of power purchased by KESCL from the external sources.
 - The impact of transmission and distribution losses (hereinafter referred to as the "T & D losses") on the monthly fuel cost adjustment.
2. In addition to the aforesaid adjustments in tariff, for allowing KESCL recovery of its revenue in future on the latest price level, the tariff level is required to be adjusted to the price level of last month of the quarter i.e. in the current case the price level of December, 2011.

CURRENT REQUEST

3. KESCL, in accordance with the prescribed mechanism, submitted quarterly adjustment request for the quarter October, 2011 to December, 2011 (hereinafter referred to as the "current quarter") vide its letter No.CMF/NEPRA/071/880 dated February 21, 2012.
4. The summary of the requested adjustment by KESCL is tabulated below:



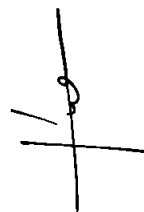




Sr. no	DESCRIPTION	Requested Adjustment
I	Fuel Price Variation of December, 2011 over September, 2011 (Ps/kWh)	(59.882)
	Power Purchase Price Variation of December, 2011 over September, 2011 (Ps/kWh)	100.625
	Total Variation in Tariff (Ps/kWh)	40.742
	Un Recovered Costs for the period October–December, 2011	
	Variation in O&M cost of IPPs and Other External Sources (Mill Rs)	142.208
	Variation in Capacity charges of IPPs and Other External Sources (Mill Rs)	55.533
	Un-recovered cost of fuel due to non-adjustment of T&D losses (Mill Rs)	337.760
	Total Un-recovered cost of the current quarter (Mill Rs.)	535.501
	Estimated Units to be Sold January-March, 2012 (GWh)	2,472.7
	Required Adjustments (Ps/kWh)	21.657
ii	Adjustment of cost of the previous quarter (July-September, 11) passed on/recovered in the current quarter (Ps/kWh)	-
iii	Total Required Adjustment in KESCL's Tariff (Ps/kWh) (i+ii+iii)	62.399

PUBLIC HEARING

5. Since the impact of tariff adjustment, if any, affects the consumers, therefore, in order to meet with the ends of natural justice, the Authority considered it just and appropriate to provide an opportunity of hearing/filing of objections/comments to all the stakeholders. Accordingly, a hearing for consideration of the requested adjustments was scheduled by the Authority on March 13, 2012 at National Institute of Management (NIM), University Road, Block 11, NIPA Chowrangi, Gulshan-e-Iqbal, Karachi. KESCL's request was accordingly advertised in leading national newspapers on February 29, 2012, inviting thereby written/oral objections from the affected/interested persons/parties. Notices were also sent to the main stakeholders/experts to make the process of hearing more meaningful and to assist the Authority in arriving at a just and informed decision.





6. During the hearing, KESCL submitted that the major reason for the increase in tariff being claimed is the increase in the power purchase cost mainly due to increase in the energy transfer rate of electric power purchased from NTDC. The energy transfer rate of NTDC for the month of September, 2011 was Rs. 5.674/kWh against Rs. 7.269/kWh for the month of December, 2011.

ANALYSIS AND DECISION

7. The generation data, rates, etc. of KESCL (both from self generation and power purchased from external sources) were scrutinized with respective invoices and other relevant documents. KESCL's request for the current quarter has been discussed under the following headings:

- a) Changing the reference tariff from September, 2011 to December, 2011
- b) Unrecovered costs for the current quarter
- c) Reversal of tariff adjustment pertaining to the previous quarter i.e. July, 2011 to September, 2011 which was applicable for the current quarter only

a) Changing the reference tariff from September, 2011 to December, 2011

8. KESCL's existing tariff is based on the fuel prices, O&M costs and capacity charges of September, 2011. For allowing KESCL recovery of its tariff in future on the latest price level, it is required that KESCL's tariff be adjusted at the price level of December, 2011. Changing the tariff level requires allowing variations in the fuel cost of KESCL's own generation and allowing variations in the KESCL's power purchase cost (fuel cost, O&M cost and capacity charges) of December, 2011 over the reference month of September, 2011.
9. KESCL has requested for following adjustment in its tariff on this account:



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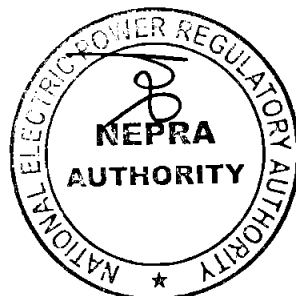
		Requested by KESCL
KESCL own generation		
Fuel Cost variation of December, 2011 over September, 2011	Rupees in million	(469.238)
KESCL purchases from external sources		
Power purchase cost of December, 2011 over September, 2011	-- Do. --	788.497
Total variation	-- Do. --	<u>319.259</u>
Units sold at 21% T & D losses for December, 2011	GWh.	<u>783.604</u>
Required adjustment in tariff	(Ps/kWh)	<u>40.742</u>

KESCL own generation

10. The Authority observed that the fuel cost of KESCL own generation has decreased due to the decrease in percentage of units generated on RFO (as a percentage of overall units generated by KESCL) in December, 2011 which is about 17% compared to 25% of September, 2011.

KESCL purchases from external sources

11. The Authority observed that the overall power purchase cost from external sources of KESCL, i.e. fuel cost, O&M cost and capacity charges, has increased from Rs. 9.014/kWh for the month of September, 2011 to Rs. 10.204/kWh for the month of December, 2011 i.e. an increase of Rs. 1.190/kWh or 13%. It was also observed that KESCL purchased around 78% of its total power purchases for the month of December, 2011 from NTDC, whose invoiced energy transfer charge (fuel cost per kWh) for the month of December, 2011 was Rs. 7.147 compared to Authority's approved energy transfer charge of Rs. 5.539/kWh for the month of September, 2011, i.e. an increase of Rs. 1.730/kWh.
12. It was noticed that NTDC/CPA, for the month of December, 2011 charged Rs. 7.269/kWh, whereas the Authority's approved energy transfer rate of NTDC/CPA for the month of December, 2011 is Rs. 7.147/kWh for XWDISCOS including KESCL. The Authority has therefore decided to apply the energy transfer rate of Rs. 7.147/kWh instead of Rs 7.269/kWh claimed by KESCL.



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13. A comparative analysis of the adjustment in KESCL tariff required for bringing it to the tariff level of December, 2011, as requested by KESCL and as allowed by the Authority is tabulated below:

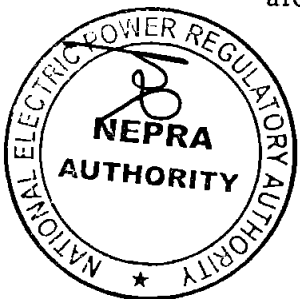
		<u>Requested by KESCL</u>	<u>Allowed by the Authority</u>
KESCL own generation			
Fuel cost variation December, 2011 over September, 2011	Rupees in million	(469.238)	(472.649)
KESCL purchases from external sources			
Power purchase cost variation of December, 2011 over September, 2011	-- Do. --	788.497	789.314
Total variation	-- Do. --	319.259	316.665
Units sold at 21% T&D losses for December, 2011	GWh.	783.604	783.604
Required adjustment in tariff	(Ps/kWh)	40.742	40.411

b) Unrecovered cost for the current quarter

14. KESCL has requested for adjustment of the following unrecovered costs:

Description	Rs. in million
	Requested by KESCL
Variation in O&M costs of IPPs and other external sources	142.208
Variation in capacity charges of IPPs and other external sources	55.533
Unrecovered fuel cost due to non-adjustment of T&D losses in the monthly fuel cost adjustments	337.760
Total	535.501
Estimated units to be sold @ 21% T&D losses in the next quarter (January, 2012 to March, 2012) GWh	2472.700
Required Adjustment in KESCL's tariff (Ps/kWh)	21.657

15. The monthly variation in O&M costs and capacity charges for the power purchased from external sources accumulated and not recovered in the current quarter is required to be adjusted in the quarterly tariff adjustment of KESCL. On verification of the invoices and corresponding bill stickers (document generated in KESCL for payment to IPPs and other sources), it was found that KESCL made a deduction of around Rs. 21.362 million each month of the quarter on account of capacity charges





claimed by Gul Ahmed. KESCL informed the Authority that the said deduction is disputed and upon resolution, this amount may or may not be paid by KESCL to Gul Ahmed. Considering the fact that the aforementioned issue of payment on account of capacity charges is still unresolved, the Authority has, therefore, decided not to include the disputed amount for adjustment of tariff in the current quarter. However, the same would be adjusted in the tariff of the subsequent quarter if necessary documentary evidence in relation thereto will be submitted by KESCL to the Authority.

16. A comparative analysis of the adjustment in KESCL tariff for the un-recovered costs of the current quarter to be recovered as per request by KESCL and calculations made by the Authority in the light of above discussions is tabulated below:

Description	Rs. in million	
	Requested by KESCL	Allowed by the Authority
Variation in O&M costs of IPPs and other external sources	142.208	143.215
Variation in capacity charges of IPPs and other external sources	55.534	48.811
Variation in fuel cost due to non-adjustment of T&D losses in the monthly fuel cost adjustments	337.760	336.122
Total	535.502	528.147
Estimated units to be sold @ 21% T&D losses in the next quarter (January 2012 to March 2012) GWh	2472.700	2,472.700
Required Adjustment in KESCL's tariff (Ps/kWh)	21.657	21.359

17. As shown above, there is a difference of around Rs. 1.01 million in the requested and allowed O&M cost variation which is because KESCL in its request had treated this cost in fuel cost component whereas the Authority has taken it in O&M cost component with respect to the energy purchased by KESCL throughout the quarter from M/s International Steel Limited.

18. The Authority, in light of the above discussion, has decided to increase KESCL's tariff by Ps. 21.359/kWh on account of under/over-recovered costs of the current quarter. This increase will be applicable for the next quarter only i.e. January, 2012 to March, 2012 and will cease automatically at the end of that quarter.

c) **Reversal of tariff adjustment which was applicable for the current quarter only**

19. The Authority in its previous quarterly adjustment pertaining to July, 2011 to September, 2011 allowed Ps. 7.822/kWh decrease in KESCL's tariff for adjustment of minus Rs 217.093 million by KESCL. As per the same decision this decrease of Ps.





7.822/kWh is required to be added back in the KESCL's current quarterly adjustment in order to nullify its impact in the schedule of tariff. KESCL in its request did not include the reversal of tariff adjustment part because the Authority had not issued its quarterly determination of KESCL for the quarter July-September, 2011 when KESCL submitted its request for the current quarter.

20. The overall cumulative increase in the KESCL's tariff for the current quarter as discussed in the preceding paragraphs works out to be Ps.69.539/kWh as detailed below:

	<u>Ps/kWh</u>
a) Changing the reference tariff from September 2011 to December, 2011	40.411
b) Under/Over recovered costs for the current quarter	21.359
c) Reversal of tariff adjustment which was applicable for the current quarter only	7.822
Total Adjustment in KESCL's tariff	69.539

21. In order to allow adjustment in KESCL's tariff for the aforesaid cost variation for the current quarter, KESCL is allowed a uniform increase in consumer-end tariff for all consumer categories by paisa 70 per kWh except for the life-line consumers. The revised schedule of tariff to be applicable from January 01, 2012 to March 31, 2012 is attached herewith as **Annexure-I**.

21/5/2012

 (Habibullah Khilji)
 Member

Authority:

21/5/11

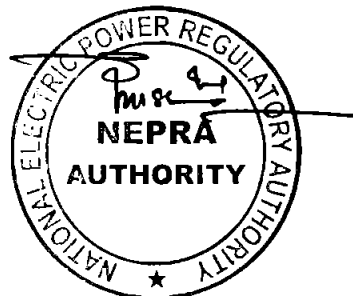
 (Khawaja Muhammad Nagem)
 Member

*I maintain my dissent on the modification adjustment mechanism reflected in this Authority's determination dated 23.12.2009 -
 Shaukat Ali Kundi
 25.05.2012*

 (Shaukat Ali Kundi)
 Member

21/5

 (Ghiasuddin Ahmed)
 Member/Acting Chairman



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

A-1 GENERAL SUPPLY TARIFF - RESIDENTIAL

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	
			Peak	Off-Peak
a)	For Sanctioned load less than 5 kW	-		
i	Up to 50 Units		2.00	
	For Consumption exceeding 50 Units			
ii	1- 100 Units		12.76	
iii	101- 300 Units		14.26	
iv	301- 700 Units		16.46	
v	Above 700 Units	18.06		
b)	For Sanctioned load 5 kW & above	-		
	Time Of Use		19.06	13.06

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 Rs/kW/M	VARIABLE CHARGES Rs/kWh	
			Peak	Off-Peak
a)	For Sanctioned load less than 5 kW	400.00		18.56
b)	For Sanctioned load 5 kW & above			15.76
	Time Of Use	400.00	20.06	14.56

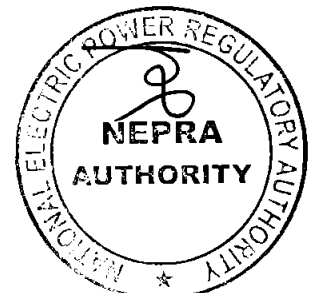
Under tariff A-2, there shall be minimum monthly charges at the following rates even if no energy is consumed.

- 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 Rs/kW/M	VARIABLE CHARGES Rs/kWh	
			Peak	Off-Peak
B1	Less than 5 kW (at 400/230 Volts)	-	15.06	
B2(a)	5-500 kW (at 400 Volts)	400.00	13.66	
B3(a)	For all loads upto 5000 KW (at 11,33 kV)	380.00	13.26	
B4(a)	For all loads upto 5000 KW (at 66,132 kV)	360.00	12.86	
	Time Of Use		Peak	Off-Peak
B2(b)	5-500 kW (at 400 Volts)	400.00	19.06	12.81
B3(b)	For All Loads up to 5000 kW (at 11,33 kV)	380.00	18.56	12.31
B4(b)	For All Loads (at 66,132 kV & above)	360.00	18.06	12.06
B5	For All Loads (at 220 kV & above)	340.00	17.56	11.81

- 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	-		15.06
b)	Sanctioned load 5 kW & up to 500 kW	400.00		14.21
C-2(a)	For supply at 11,33 kV up to and including 5000 kW	380.00		14.21
C-3(a)	For supply at 132 and above, up to and including 5000 kW Time Of Use	360.00		14.06
C-1(c)	For supply at 400/230 Volts 5 kW & up to 500 kW	400.00	19.06	13.06
C-2(b)	For supply at 11,33 kV up to and including 5000 kW	380.00	18.56	12.26
C-3(b)	For supply at 132 kV up to and including 5000 kW	360.00	18.06	12.06

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		13.80
D-2	For all Loads	200.00	19.92	11.92

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	-		18.46
E-1(ii)	Commercial Supply	-		21.36
E-2 (i)	Industrial Supply	-		18.06
E-2 (ii)	Bulk Supply			
	(a) at 400 Volts	-		18.46
	(b) at 11 kV			18.06

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 consumed.

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	-		18.06

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	-		16.06

