



**National Electric Power Regulatory Authority**  
Islamic Republic of Pakistan

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Registrar

No. NEPRA/TRF-133/KESC-2009/6988-6991  
August 8, 2012

Subject:- **Determination of the Authority in the matter of Karachi Electric Supply Co. Ltd. (KESCL) Quarterly Adjustment in Tariff for the Quarter January 2012 to March 2012 [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 (08 pages) regarding quarterly adjustment for the quarter January 2012 to March 2012 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.

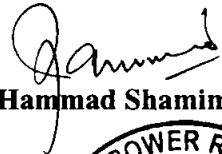
3. Please note that revised schedule of tariff attached to the determination as Annex-I is required to be notified in the official Gazette.

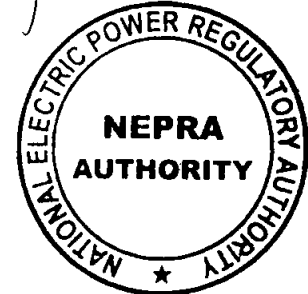
Enclosure: As above

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.

  
( Hammad Shamimi )





**DETERMINATION OF THE AUTHORITY IN THE MATTER OF KARACHI ELECTRIC SUPPLY COMPANY LIMITED QUARTERLY ADJUSTMENT IN TARIFF FOR THE QUARTER JANUARY, 2012 TO MARCH, 2012**

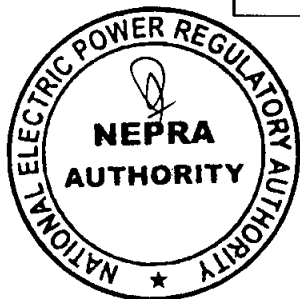
**BACKGROUND**

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 March, 2012.

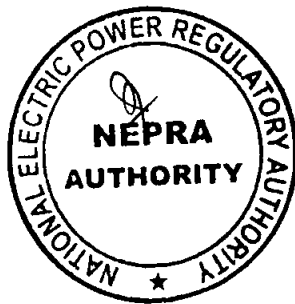
**CURRENT REQUEST**

3. KESCL, in accordance with the prescribed mechanism, submitted quarterly adjustment request for the quarter January, 2012 to March, 2012 (hereinafter referred to as the "current quarter") vide its letter No.CMF/NEPRA/071/ dated May 15, 2012.
4. The summary of the requested adjustment by KESCL is tabulated below:

Sr. no.	DESCRIPTION	Requested Adjustment
1	Fuel Price Variation of March 2012 over December 2011 (Ps/kWh)	82.498
	Power Purchase Price Variation of March, 2012 over December, 2011 (Ps/kWh)	125.144
	<b>Total Variation in Tariff (Ps/kWh)</b>	<b>207.642</b>
	<b>Un Recovered Cost For the period Jan-Mar, 2012</b>	<b>Mln Rs.</b>
	Variation in O&M cost of IPPs and Other External Sources	174.246
	Variation in Capacity charges of IPPs and Other External Sources	88.277
	Un-recovered cost of fuel due to non-adjustment of T&D losses	582.670
	<b>Total Un-recovered cost Jan-Mar, 2012</b>	<b>845.194</b>
	Estimated Units to be Sold Apr-Jun, 2012 (GWh)	<b>2,919.433</b>
2	<b>Required Adjustments (Ps/kWh)</b>	<b>28.951</b>
3	<b>Adjustment of cost of the previous quarter (Oct-Dec 11) recovered in the current quarter (Jan-Mar 11) (Ps/kWh)</b>	<b>(22.397)</b>
	<b>Total Required Adjustment in KESCL's Tariff (Ps/kWh) (1+2+3)</b>	<b>214.195</b>



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## 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 June 11, 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 May 30, 2012, inviting thereby written/oral comments/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 reasons for the increase in tariff being claimed are as follows;
- o Cost of furnace oil consumed by KESCL has increased by 11% from Rs. 64,745.94 per metric ton for the month of December 2011 i.e. reference month to Rs. 71,843.20 per metric ton for the month of March, 2012.
  - o The generation on furnace oil (net of auxiliary) has increased by 93% from 55 GWh in the month of December 2011 to around 105 GWh in the month of March 2012.
  - o The power purchase cost of KESCL has increased mainly due to increase in the unit price of electric power purchased from NTDC. KESCL elaborated that it had purchased around 79% of its total power purchases from external sources in the month of March, 2012 from NTDC whose energy transfer rate has increased from Rs. 7.147/kWh for the month of December 2011 to Rs. 9.552/kWh for the month of March 2012 i.e. an increase of Rs. 2.40/kWh or 34%.

## 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 underlying documents. KESCL's request for the current quarter has been discussed under the following headings:
- a) Changing the reference tariff from Dec, 2011 to Mar, 2012
  - b) Unrecovered costs for the current quarter
  - c) Reversal of tariff adjustment pertaining to the previous quarter i.e. Oct-Dec, 2011 which was applicable for the current quarter only
- a) **Changing the reference tariff from December 2011 to March 2012**
8. KESCL's existing tariff is based on the fuel prices, O&M costs and capacity charges of December 2011. For allowing KESCL recovery of its tariff in future on the latest price level, it is required that KESCL's tariff be adjusted to the price level of March, 2012. 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 including O&M costs and capacity charges of March, 2012 over the reference month of December, 2011.

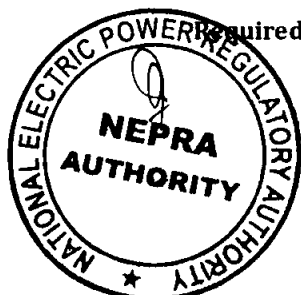


9. KESCL has requested for allowing following adjustments in its tariff on this account:

		<b>Requested by KESCL</b>
<b>KESCL own generation</b>		
Fuel cost variation of Mar' 2012 over Dec' 2011	Rupees in million	731.093
<b>KESCL purchases from external sources</b>		
Power purchase cost variation of Mar'2012 over Dec' 2011	-- Do. --	<u>1,109.012</u>
<b>Total variation</b>	-- Do. --	<u>1,840.105</u>
Units sold at 21% T & D losses for March 2012	GWh.	<u>886.192</u>
<b>Required adjustment in tariff</b>	<b>(Ps/kWh)</b>	<b><u>207.642</u></b>

10. **KESCL own generation:** In KESCL's own generation, the main reason of variation is the increase in furnace oil prices, higher generation on furnace oil and increase in gas prices in the month of March, 2012 compared to the reference month. The rate of furnace oil consumed by KESCL has increased from Rs. 64,745.94 per metric ton for the month of December 2011 i.e. reference month to Rs. 71,843.20 per metric ton for the month of March, 2012. KESCL produced around 105 GWh on RFO in the month of March, 2012 as compared to 55 GWh during the reference month, i.e. December, 2011. Further, the gas price has also increased in March, 2012 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.
11. **KESCL purchases from external sources:** It is further 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. 10.20/ kWh. for the month of December 2011 to Rs. 12.05/ kWh for the month of March 2012 i.e. an increase of Rs. 1.85/KWh or 18%. It is further observed that KESCL purchased around 79% of its total power purchases for the month of March 2012 from NTDC, whose fuel price has increased from Rs. 7.147/kWh. for the month of December 2011 to Rs. 9.552/kWh. for the month of March, 2012 i.e. an increase of Rs. 2.40/ kWh or 34%.
12. A comparative analysis of the adjustment in KESCL tariff required for bringing it to the tariff level of March 2012 as requested, as presented by KESCL during the hearing and as approved by the Authority is tabulated below:

		<b>Requested by KESCL</b>	<b>Presented by KESCL</b>	<b>Approved by the Authority</b>
<b>KESCL own generation</b>				
Fuel cost variation of March 2012 over December 2011	Rupees in million	731.093	716.398	716.398
<b>KESCL purchases from external sources</b>				
Power purchase cost variation of March 2012 over December 2011	-- Do. --	1,109.012	1,125.486	1,125.234
<b>Total variation</b>	-- Do. --	<b>1,840.105</b>	<b>1,841.884</b>	<b>1,841.632</b>
Units sold at 21% T&D losses for March 2012	GWh.	886.192	886.065	886.065
<b>Required adjustment in tariff</b>	<b>(Ps/kWh)</b>	<b>207.642</b>	<b>207.872</b>	<b>207.844</b>





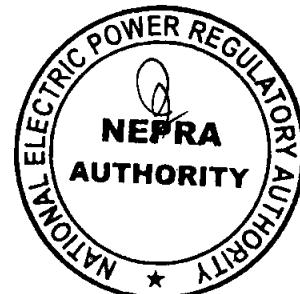
13. The above mentioned approved figure of Ps. 207.844/kWh is almost the same as presented by KESCL during the hearing of Ps. 207.872/kWh and the minor difference is due to the error of recording the capacity charges of power purchases from Gul Ahmed as Rs. 19.688/kWh instead of Rs. 19.680/kWh by KESCL.

b) **Under/Over Recovered costs for the current quarter**

14. KESCL has requested for allowing it recovery of the following unrecovered costs:

Description	Rs. in million
	Requested by KESCL
Variation in O & M costs of IPPs and other external sources	174.246
Variation in capacity charges of IPPs and other external sources	88.277
Un-recovered fuel cost due to non-adjustment of T&D losses in the monthly fuel charges adjustments	582.670
<b>Total</b>	<b>845.194</b>
Estimated units to be sold @ 21% T&D losses in the next quarter (April-June 2012) GWh	2,919.433
<b>Required Adjustment in KESCL's tariff (Ps/kWh)</b>	<b>28.951</b>

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. Further, the un-recovered cost of fuel, due to the impact of T&D losses, not allowed in the monthly fuel charges adjustments for the current quarter is also required to be taken care of on quarterly basis. It was noticed that KESCL has used invoiced energy transfer rate charged by NTDC for the month of March, 2012 for the purpose of working out the amount of power purchase cost variation. However, the energy transfer rate approved by the Authority for XWDISCOs was different from the one charged by NTDC. In accordance with the earlier decisions of the Authority on this subject, energy transfer rate of NTDC as approved by the Authority has been considered for computing variation.
16. The Authority increased KESCL tariff by Ps. 21.359/kWh in quarterly adjustment decision for the quarter October, 2011 to December, 2011 for allowing recovery of Rs. 528.147 million pertaining to that quarter. It was estimated at that time that sales of KESCL during current quarter will be 2,472.700 GWh, however, the actual units sold based on the Authority's allowed 21% T&D losses for the current quarter comes out to be 2,354.785 GWh due to which only Rs 502.961 million could be recovered by KESCL leaving a balance of Rs 25.186 million unrecovered. This unrecovered amount of Rs. 25.186 million is also required to be adjusted in the current quarter and accordingly is also a part of this adjustment. However, KESCL in its request did not claim the same amount as decision of Oct-Dec, 2011 quarterly adjustment of KESCL was not issued by the Authority till filing of quarterly adjustment request by KESCL.





17. A comparative analysis of the adjustment in KESCL tariff for the un-recovered costs of the quarter Jan-Mar, 2012 to be recovered as per request submitted by KESCL, presented by KESCL in the hearing and calculation made in the light of above discussion is tabulated below:

Description	Rs. in million		
	Requested by KESCL	Presented by KESCL	Allowed by the Authority
Variation in O & M costs of IPPs and other external sources	174.246	173.828	173.828
Variation in capacity charges of IPPs and other external sources	88.277	89.034	88.278
Un-recovered fuel cost due to non-adjustment of T&D losses in the monthly fuel cost adjustments	582.670	586.076	586.076
Adjustment of un-recovered cost of the previous quarter	-	25.186	25.186
<b>Total</b>	<b>845.194</b>	<b>874.124</b>	<b>873.368</b>
Estimated units to be sold @ 21% T&D losses in the next quarter (April-June 2012) GWh	2,919.433	2,919.433	3,375.642
<b>Required Adjustment in KESCL's tariff (Ps/kWh)</b>	<b>28.951</b>	<b>29.942</b>	<b>25.873</b>

18. As shown above, there is a difference of around Rs. 0.8 million in the claimed and allowed variation in capacity charges which is due to error on part of KESCL. Further, KESCL in its request estimated that 2,919.433 GWh units will be sold @ 21% T&D losses in the next quarter, i.e. Apr-Jun, 2012, however, as KESCL has submitted the actual units sent out figures for the quarter Apr-Jun'2012, therefore, actual units sold out figure @ 21% T&D losses for the quarter Apr-Jun, 2012 has been used to work out the required adjustment on account of unrecovered cost.
19. The Authority in light of the above discussion has decided to increase KESCL's tariff by Ps. 25.873/kWh on account of under/over recovered costs of the current quarter. This increase shall be applicable for the next quarter only i.e. April-June, 2012 and will cease automatically at the end of that quarter.

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

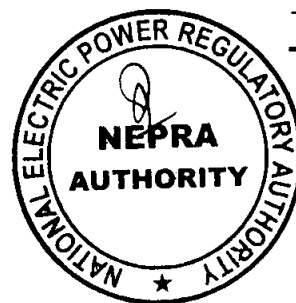
20. The Authority in its previous quarterly adjustment pertaining to October, 2011 to December, 2011 allowed Ps. 21.359/kWh increase in KESCL's tariff for adjustment of Rs 528.147 million by KESCL. As per the previous quarterly adjustment decision, this increase of Ps. 21.359/kWh is required to be subtracted in the KESCL's current quarterly adjustment in order to nullify its impact in the schedule of tariff.

**Overall Adjustment In Tariff**

21. The overall cumulative increase in the KESCL's tariff for the current quarter as discussed in the preceding paragraphs works out to be Ps. 212.357/kWh as detailed below:

	<u>Paisas per kWh</u>
• Changing the reference tariff from Dec, 2011 to Mar, 2012	207.844
• Unrecovered costs for the current quarter	25.873
• Reversal of tariff adjustment which was applicable for the current quarter only	(21.359)
	212.357

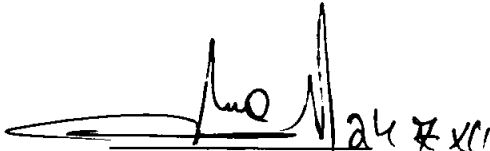
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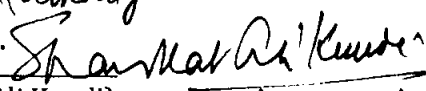



22. In order to allow adjustment in KESCL's tariff for the aforesaid cost variation for the current quarter, KESCL is allowed a uniform increase in consumer-end tariff for all consumer categories by paisa 213 per kWh except for the life-line consumers. The revised schedule of tariff to be applicable from April 01, 2012 to June 30, 2012 is attached herewith as **Annexure-I**.

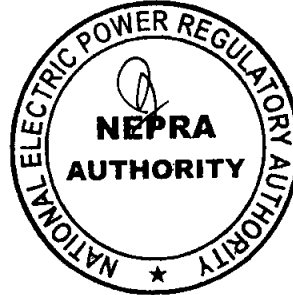
Authority:

  
(Khawaja Muhammad Naeem)  
Member

  
(Habibullah Khilji)  
Member

*I maintain my dissent on the modification adjustment mechanism reflected in the Authority's determination dated 23.12.2009.*  
  
(Shaikat Ali Kundi)  
Member  
06.08.2012

  
(Ghiasuddin Ahmed)  
Acting Chairman/Member



**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	-		14.89
iii	101- 300 Units	-		16.39
iv	301- 700 Units	-		18.59
v	Above 700 Units			20.19
b)	For Sanctioned load 5 kW & above			
	Time Of Use	-	21.19	15.19

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			20.69
b)	For Sanctioned load 5 kW & above	400.00		17.89
	Time Of Use	400.00	22.19	16.69

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)	-		17.19
B2(a)	5-500 kW (at 400 Volts)	400.00		15.79
B3(a)	For all loads upto 5000 KW (at 11,33 kV)	380.00		15.39
B4(a)	For all loads upto 5000 KW (at 66,132 kV)	360.00		14.99
	Time Of Use		Peak	Off-Peak
B2(b)	5-500 kW (at 400 Volts)	400.00	21.19	14.94
B3(b)	For All Loads up to 5000 kW (at 11,33 kV)	380.00	20.69	14.44
B4(b)	For All Loads (at 66,132 kV & above)	360.00	20.19	14.19
B5	For All Loads (at 220 kV & above)	340.00	19.69	13.94

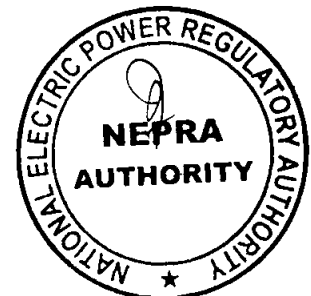
For B1 consumers there shall be a fixed minimum charge of Rs. 350 per month.

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	-		17.19
b)	Sanctioned load 5 kW & up to 500 kW	400.00		16.34
C-2(a)	For supply at 11,33 kV up to and including 5000 kW	380.00		16.34
C-3(a)	For supply at 132 and above, up to and including 5000 kW	360.00		16.19
	Time Of Use			
C-1(c)	For supply at 400/230 Volts 5 kW & up to 500 kW	400.00	21.19	15.19
C-2(b)	For supply at 11,33 kV up to and including 5000 kW	380.00	20.69	14.39
C-3(b)	For supply at 132 kV up to and including 5000 kW	360.00	20.19	14.19

**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	200.00		15.93
	Time of Use			
D-2	For all Loads	200.00	22.05	14.05

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	-		20.59
E-1(ii)	Commercial Supply	-		23.49
E-2 (i)	Industrial Supply	-		20.19
E-2 (ii)	Bulk Supply			
	(a) at 400 Volts	-		20.59
	(b) at 11 kV			20.19

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.*

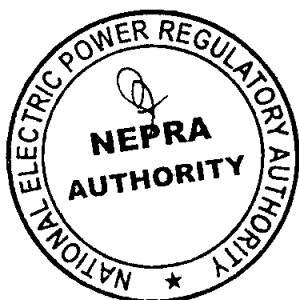
**G- PUBLIC LIGHTING**

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	
			Peak	Off-Peak
	Street Lighting	-		20.19

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	-		18.19



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