



National Electric Power Regulatory Authority
Islamic Republic of Pakistan

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Registrar

No. NEPRA/TRF-133/KESC-2009/4134-4137
May 02, 2012

Subject:- **Determination of the Authority in the matter of Karachi Electric Supply Co. Ltd. (KESCL) Quarterly Adjustment in Tariff for the Quarter July 2011 to September 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)**

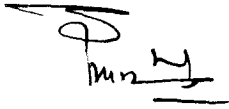
Dear Sir,

Please find enclosed herewith the determination of the Authority along with schedule of electricity tariff, Annexure-I (10 pages) regarding quarterly adjustment for the quarter July 2011 to September 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.

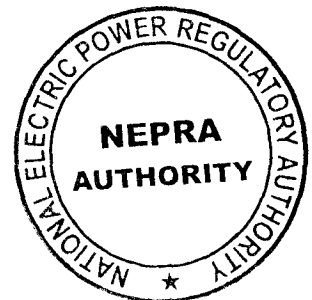
Enclosure: As above


(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 JULY, 2011 TO SEPTEMBER, 2011**

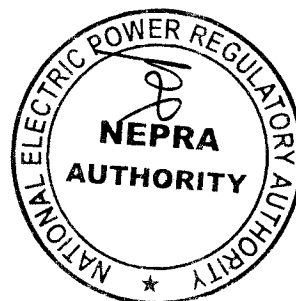
BACKGROUND

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 which in the instant case is the price level of September, 2011.

CURRENT REQUEST

3. KESCL, in accordance with the prescribed mechanism, submitted quarterly adjustment request for the quarter July, 2011 to September, 2011 (hereinafter referred to as the "current quarter") vide its letter No.CMF/NEPRA/071/874 dated February 15, 2012.
4. The summary of the requested adjustment by KESCL is tabulated below:

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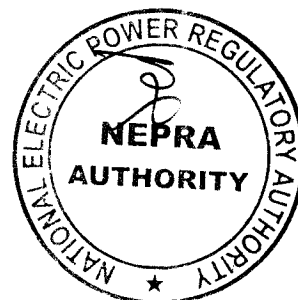


Sr. no	DESCRIPTION	Requested Adjustment
I	Fuel Price Variation of September, 2011 over June, 2011 (Ps/kWh)	(47.407)
	Power Purchase Price Variation of September, 2011 over June, 2011 (Ps/kWh)	(19.604)
	Total Variation in Tariff (Ps/kWh)	(67.012)
	Un Recovered Costs for the period July–September, 2011	
	Variation in O&M cost of IPPs and Other External Sources (Mill Rs)	284.288
	Variation in Capacity charges of IPPs and Other External Sources (Mill Rs)	16.775
	Un-recovered cost of fuel due to non-adjustment of T&D losses (Mill Rs)	(435.728)
	Adjustment of over/under recovered cost of the previous quarter (Apr-Jun, 2011) (Mill Rs.)	2.636
	Total Un-recovered cost of the current quarter (Mill Rs.)	(132.029)
	Estimated Units to be Sold October-December, 2011 (GWh)	2950
ii	Required Adjustments (Ps/kWh)	(4.476)
iii	Adjustment of cost of the previous quarter (April-June 11) recovered in the current quarter (July-September 11) (Ps/kWh)	4.962
	Total Required Adjustment in KESCL's Tariff (Ps/kWh) (i+ii+iii)	(66.525)

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.

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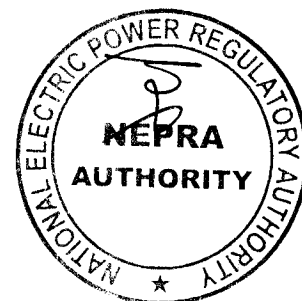


6. During the hearing, KESCL submitted that the major reasons for the decrease in tariff being claimed are as follows:
- Decrease in generation on furnace oil which has decreased from 292.381 GWh in the month of June, 2011 to around 159.409 GWh in the month of September, 2011.
 - The power purchase cost of KESCL has decreased mainly due to decrease in the energy transfer rate of electric power purchased from NTDC. The energy transfer rate of NTDC for the month of June, 2011 was Rs. 6.261/kWh against Rs. 5.674/kWh for the month of September, 2011, a decrease of around 9%.
7. During the hearing, Mr. Qazi Ahmed Kamal, representing Karachi Chamber of Commerce & Industry commented that KESCL is not purchasing electric power from IPPs such as Tapal and Gul Ahmed having almost the same or even lower fuel cost per unit than furnace oil generation on KESCL's own power plants. He requested the Authority to direct KESCL to buy from these sources and thereby maintain a certain level of supply of electric power for the ultimate benefit of the end users. In response, KESCL submitted that 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 since energy from them is comparatively expensive. KESCL further 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.

ANALYSIS AND DECISION

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

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

9. KESCL's existing tariff is based on the fuel prices, O&M costs and capacity charges of June, 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 September, 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 including O&M costs and capacity charges of September, 2011 over the reference month of June, 2011.

10. KESCL has requested for following adjustment in its tariff on this account:

		<u>Requested by KESCL</u>
KESCL own generation		
Fuel Cost variation of September, 2011 over June, 2011	Rupees in million	(481.582)
KESCL purchases from external sources		
Power purchase cost of September, 2011 over June, 2011	-- Do. --	(199.148)
Total variation	-- Do. --	<u>(680.730)</u>
Units sold at 21% T & D losses for September, 2011	GWh.	<u>1015.838</u>
Required adjustment in tariff	(Ps/kWh)	<u>(67.012)</u>

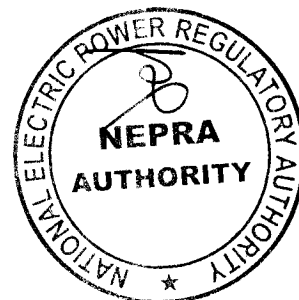
KESCL own generation

11. 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 September, 2011 which is about 25% compared to 40% of June, 2011.

KESCL purchases from external sources

12. 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 decreased from Rs. 9.447/ kWh for the month of June, 2011 to Rs. 9.014/ kWh for the month of September, 2011 i.e. a decrease of Rs. 0.433/KWh or 5%.

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13. It was noticed that NTDC/CPPA, for the month of September, 2011 charged Rs. 5.674/kWh, whereas the Authority's approved energy transfer rate of NTDC/CPPA for the month of September, 2011 comes out to be Rs. 5.539/kWh for XWDISCOS including KESCL. The Authority has therefore decided to apply the energy transfer rate of Rs. 5.539/kWh instead of Rs 5.674/kWh claimed by KESCL.
14. A comparative analysis of the adjustment in KESCL tariff required for bringing it to the tariff level of September, 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 September, 2011 over June, 2011	Rupees in million	(481.582)	(510.145)
KESCL purchases from external sources			
Power purchase cost variation of September, 2011 over June, 2011	-- Do. --	(199.148)	(283.634)
Total variation	-- Do. --	<u>(680.730)</u>	<u>(793.779)</u>
Units sold at 21% T&D losses for September, 2011	GWh.	1015.838	1015.838
Required adjustment in tariff	(Ps/kWh)	<u>(67.012)</u>	<u>(78.140)</u>

15. As tabulated above, the difference in the allowed and requested figure on account of fuel cost variation of KESCL's own generation is due to the Authority's decision not to allow the variation against Bin Qasim CCPP as the heat rate test of that plant has not been conducted yet as per the clear directions of the Authority in its determination dated December 23, 2009. Further, the major reasons of the difference in allowed and requested figure of variation in power purchase cost are the difference in invoiced and approved energy transfer rates of NTDC as detailed in para 13 and the Authority's decision of not including the disputed amount on account of capacity charges of Gul Ahmed as detailed in following para 17.

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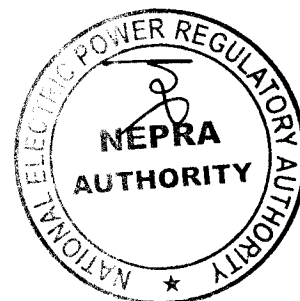
b) Unrecovered cost for the current quarter

16. 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	284.288
Variation in capacity charges of IPPs and other external sources	16.775
Variation in fuel cost not adjusted in monthly FCAs	(435.728)
Adjustment of unrecovered cost of the previous quarter	2.636
Total	(132.029)
Estimated units to be sold @ 21% T&D losses in the next quarter (October, 2011 to December, 2011) GWh	2950
Required Adjustment in KESCL's tariff (Ps/kWh)	(4.476)

17. 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 other supporting documents, it was found that KESCL made a deduction of around Rs. 20.764 million in each month of the quarter on account of capacity charges claimed by Gul Ahmed. KESCL on inquiry informed 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 unresolved, the Authority has 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.
18. The variation in fuel cost, by taking into account the impact of T&D losses, not allowed in the monthly fuel cost adjustments for the current quarter is required to be taken care of on quarterly basis.
19. The Authority decreased KESCL tariff by Ps.4.962/kWh, while approving quarterly adjustment for the quarter April, 2011 to June, 2011, for adjusting minus Rs.154.263 million pertaining to that quarter. It was estimated that sales of KESCL during current quarter will be 3,108.624 GWh. Actual units sold based on the Authority's allowed 21% T&D losses for the current quarter work out to be 3,162.289 GWh due

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to which minus Rs 156.926 million has been adjusted by KESCL, creating a balance of Rs 2.663 million additionally adjusted. This over-adjusted amount of Rs. 2.663 million is also required to be adjusted in the current quarter and accordingly is also a part of this adjustment.

20. It was also observed that KESCL in its request has estimated that 2,950 GWh will be sold @ 21% T&D losses in the next quarter (October, 2011 to December, 2011), however, as KESCL had also submitted the request of the Oct-Dec, 2011 the actual sales figures 2,775.427 GWh has been used to calculate the variation.
21. A comparative analysis of the adjustment in KESCL tariff for the un-recovered costs of the quarter July, 2011 to September, 2011, to be recovered as per request by KESCL and calculations made by the Authority in the light of above discussions is tabulated below:

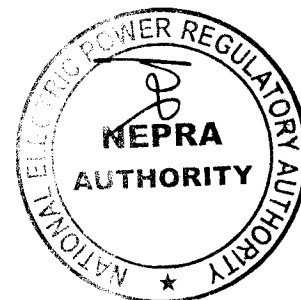
Description	Rs. in million	
	Requested by KESCL	Allowed by the Authority
Variation in O&M costs of IPPs and other external sources	284.288	282.264
Variation in capacity charges of IPPs and other external sources	16.775	(45.515)
Variation in fuel cost due to non-adjustment of T&D losses in the monthly fuel cost adjustments	(435.728)	(456.506)
Adjustment of over-adjusted cost of the previous quarter	2.636	2.663
Total	(132.029)	(217.093)
Estimated units to be sold @ 21% T&D losses in the next quarter (October 2011 to December 2011) GWh	2950	2775.427
Required Adjustment in KESCL's tariff (Ps/kWh)	(4.476)	(7.822)

22. The Authority, in light of the above discussion, has decided to decrease KESCL's tariff by Ps. 7.822/kWh on account of un-recovered costs of the current quarter. This decrease will be applicable for the next quarter only i.e. October, 2011 to December, 2011 and will cease automatically at the end of that quarter.

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

23. The Authority in its previous quarterly adjustment pertaining to April, 2011 to June, 2011 allowed Ps. 4.962/kWh decrease in KESCL's tariff for adjustment of minus Rs 154.263 million by KESCL. As per the direction in the same decision this decrease

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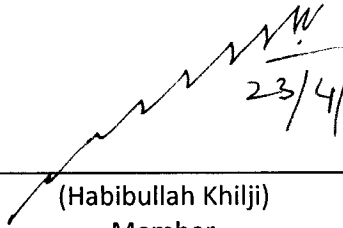


of Ps. 4.962/kWh is required to be added back in the KESCL's current quarterly adjustment in order to nullify its impact in the schedule of tariff.

24. The overall cumulative decrease in the KESCL's tariff for the current quarter as discussed in the preceding paragraphs works out to be minus Ps.81.000/kWh as detailed below:

	<u>Ps/kWh</u>
a) Changing the reference tariff from June, 2011 to September, 2011	(78.140)
b) Unrecovered costs for the current quarter	(7.822)
c) Reversal of tariff adjustment which was applicable for the current quarter only	4.962
Total Adjustment in KESCL's tariff	<u>(81.000)</u>

25. In order to allow adjustment in KESCL's tariff for the aforesaid cost variation for the current quarter, KESCL is allowed a uniform decrease in consumer-end tariff for all consumer categories by paisa 82 per kWh except for the life-line and agriculture consumers. The revised schedule of tariff to be applicable from October 01, 2011 to December 31, 2011 is attached herewith as **Annexure-I**.

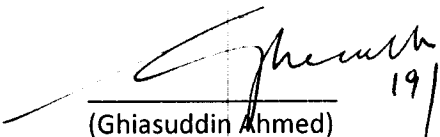

23/4/2012.

(Habibullah Khilji)
Member

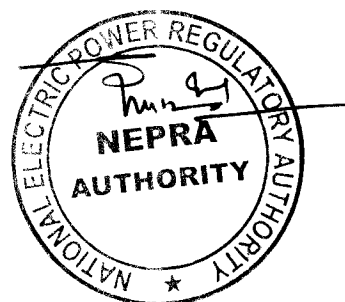
Authority:

I maintain my dissent on the modification adjustment mechanism reflected in the Authority's determination dated 23.12.2009

(Shaukat Ali Kundi) Shaukat Ali Kundi
Member
30.04.2012


19/4

(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	VARIABLE CHARGES	
		Rs/kW/M	Rs/kWh	
a)	For Sanctioned load less than 5 kW			
i	Up to 50 Units	-		2.00
	For Consumption exceeding 50 Units			
ii	1- 100 Units	-		12.06
iii	101- 300 Units	-		13.56
iv	301- 700 Units	-		15.76
v	Above 700 Units			17.36
b)	For Sanctioned load 5 kW & above			
	Time Of Use	-	Peak 18.36	Off-Peak 12.36

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	VARIABLE CHARGES	
		Rs/kW/M	Rs/kWh	
a)	For Sanctioned load less than 5 kW			17.86
b)	For Sanctioned load 5 kW & above	400.00		15.06
			Peak	Off-Peak
c)	Time Of Use	400.00	19.36	13.86

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	VARIABLE CHARGES	
		Rs/kW/M	Rs/kWh	
B1	Less than 5 kW (at 400/230 Volts)	-		14.36
B2(a)	5-500 kW (at 400 Volts)	400.00		12.96
B3(a)	For all loads upto 5000 KW (at 11,33 kV)	380.00		12.56
B4(a)	For all loads upto 5000 KW (at 66,132 kV)	360.00		12.16
	Time Of Use		Peak	Off-Peak
B2(b)	5-500 kW (at 400 Volts)	400.00	18.36	12.11
B3(b)	For All Loads up to 5000 kW (at 11,33 kV)	380.00	17.86	11.61
B4(b)	For All Loads (at 66,132 kV & above)	360.00	17.36	11.36
B5	For All Loads (at 220 kV & above)	340.00	16.86	11.11

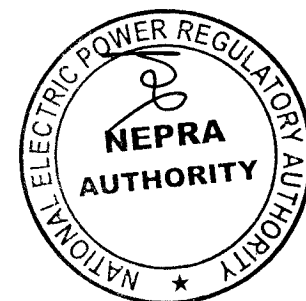
For B1 consumers there shall be a fixed minimum charge of Rs. 350 per month.

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.



Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES	VARIABLE CHARGES	
		Rs/kW/M	Rs/kWh	
C -1	For supply at 400/230 Volts			
a)	Sanctioned load less than 5 kW	-		14.36
b)	Sanctioned load 5 kW & up to 500 kW	400.00		13.51
C -2(a)	For supply at 11,33 kV up to and including 5000 kW	380.00		13.51
C -3(a)	For supply at 132 and above, up to and including 5000 kW	360.00		13.36
	Time Of Use		Peak	Off-Peak
C -1(c)	For supply at 400/230 Volts 5 kW & up to 500 kW	400.00	18.36	12.36
C -2(b)	For supply at 11,33 kV up to and including 5000 kW	380.00	17.86	11.56
C -3(b)	For supply at 132 kV up to and including 5000 kW	360.00	17.36	11.36

D - AGRICULTURE TARIFF

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES	VARIABLE CHARGES	
		Rs/kW/M	Rs/kWh	
D-1	For all Loads	200.00		13.10
	Time of Use		Peak	Off-Peak
D-2	For all Loads	200.00	19.22	11.22

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	VARIABLE CHARGES	
		Rs/kW/M	Rs/kWh	
E-1(i)	Residential Supply	-		17.76
E-1(ii)	Commercial Supply	-		20.66
E-2 (i)	Industrial Supply	-		17.36
E-2 (ii)	Bulk Supply			
	(a) at 400 Volts	-		17.76
	(b) at 11 kV			17.36

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.

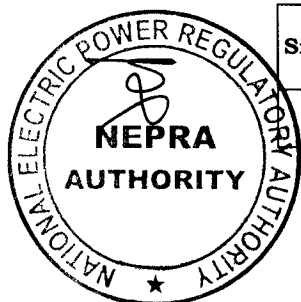
G- PUBLIC LIGHTING

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES	VARIABLE CHARGES	
		Rs/kW/M	Rs/kWh	
	Street Lighting	-		17.36

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	VARIABLE CHARGES	
		Rs/kW/M	Rs/kWh	
	Residential Colonies attached to industrial premises	-		15.36



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