



National Electric Power Regulatory Authority
Islamic Republic of Pakistan

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Registrar

No. NEPRA/TRF-133/KESC-2009/

May 3, 2012

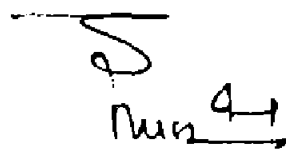
Chief Executive Officer
Karachi Electric Supply Company Ltd. (KESC)
KESC House, Punjab Chowrangi,
39 – B, Sunset Boulevard, Phase-II
Defence Housing Authority
Karachi.

Subject: **Decision of the Authority in the matter of Fuel Charges for the Month of September 2011 for Karachi Electric Supply Company Ltd. and Notification (S.R.O. 451(I)/2012 dated 02.05.2012) Thereof**

Enclosed please find a copy of decision of the Authority in the matter of fuel charges for the month of September 2011 in respect of Karachi Electric Supply Company Ltd., along with Notification (S.R.O. 451(I)/2012 dated 02.05.2012) thereof. This is for information and further necessary action.

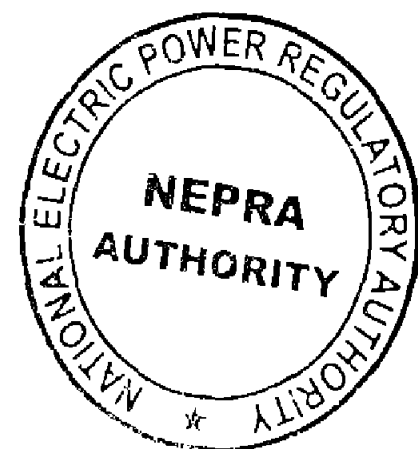
2. While effecting the recovery of Fuel Adjustment Charges, KESCL shall keep in view and strictly comply with the orders of the court(s), if any, notwithstanding this order.

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.



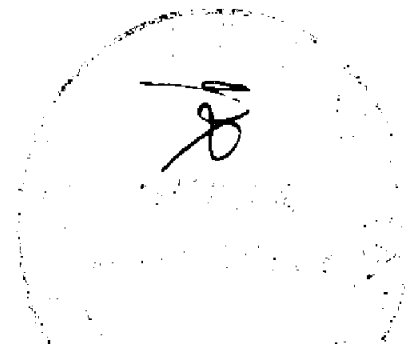


**DECISION OF THE AUTHORITY IN THE MATTER OF FUEL CHARGES FOR THE MONTH OF
SEPTEMBER, 2011 FOR KARACHI ELECTRIC SUPPLY COMPANY LIMITED**

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 cost adjustment (herein after referred to as "FCA") 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 in to account the effect of transmission and distribution losses (hereinafter referred to as "T & D losses").
2. KESCL submitted its request of monthly adjustment due to fuel cost variation for the month of September, 2011 vide letter CMF/NEPRA/071/838 dated October 21, 2011 received on October 25, 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:

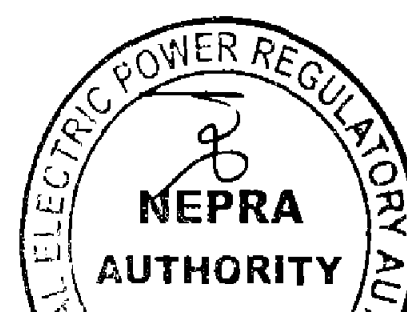
Tariff Adjustment Summary	September -11 Requested
Variation in Fuel Price	
Own Generation (Million Rs)	(471.393)
External/PPP (Million Rs)	(335.619)
Total (Rs. in Million)	(807.012)
Total Units Sent Out (GWh)	1,285.870
Total Variation Ps/kWh	(62.760)

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 March 12, 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 February 29, 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.





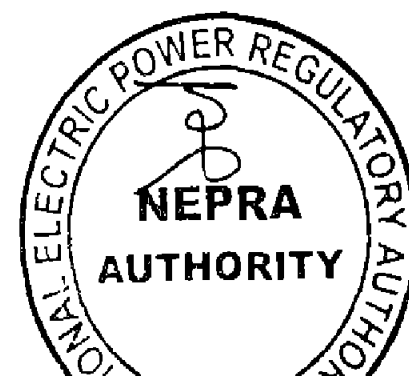
4. During the hearing, KESCL submitted that the main reason for variation of minus Rs. 471.393 million in the fuel cost of own generation is the decrease in the number of units generated on furnace oil in the month of September, 2011 as compared to the reference month of June, 2011. KESCL generated (net of auxiliary) around 159 GWh, 25% of the KESCL's own total units generated (net of auxiliary), in the month of September, 2011 on Furnace Oil against around 292 GWh, 40% of the total units generated (net of auxiliary), in the reference month of June, 2011. Since the variation, as per the approved mechanism, is worked out both on account of generation mix and price, therefore, the reduction in generation on furnace oil caused this minus variation in the current month.
5. In the fuel cost component of power purchase cost, KESCL submitted that the main reason for variation of minus Rs. 335.619 million is the decrease in energy transfer charges (fuel cost per kWh) of the energy procured from National Transmission and Dispatch Company (herein after referred to as "NTDC") by KESCL for the month of September, 2011 as compared to the reference month of June, 2011. The energy transfer rate invoiced by NTDC for the month of September, 2011 is Rs. 5.674/kWh as compared to Rs. 6.261/kWh approved by the Authority for the month of June, 2011.
6. The Authority in its decision of FCA for the month of August, 2011 directed KESCL not to include variation against Bin Qasim Combined Cycle Power Plant (CCPP) till the time heat rate test of this plant is conducted. However, it was noticed that KESCL, in its request of FCA for the month of September, 2011, had again claimed Rs. 42.553 million on account of variation against the same power plant without conducting its heat rate test. While making reference to the decision of the Authority for the month of August, 2011, a commentator questioned the reason for inclusion of the variation against the Bin Qasim CCPP in the FCA request for the month of September, 2011. KESCL representative responded to this comment that conducting heat rate test is a very lengthy process and Bin Qasim CCPP is on trial run since the month of August, 2011, therefore, variation against this power plant should be allowed taking 12,183 BTUs/kWh as provisional heat rate and the same will be adjusted when actual heat rate test of the plant will be conducted. The Authority while disagreeing with the submission of KESCL directed it not to claim variation against Bin Qasim CCPP again 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.
7. One of the commentators while quoting a press clipping submitted that NTDC is selling 800MW electric power free of cost to KESCL on monthly basis. In response, KESCL submitted that no such arrangement exists and KESCL pays the same cost per unit for the energy purchased from NTDC as is being paid by other power distribution companies of the country. The same commentator further questioned that why KESCL is disconnecting industrial connections in spite of the fact that these consumers are paying fixed charges which have to be paid by every consumer regardless of the actual energy consumed. KESCL responded that such arrangement was valid till 2009 and has now





- ceased to exist. Fixed charges as determined by the Authority are now being charged on the basis of actual demand only.
8. The generation data, rates etc. of KESCL (both for self generation and power purchased from external sources) for the month of September, 2011 were scrutinized with respective invoices and other relevant documents. It was noticed that NTDC/CPA, for the month of September, 2011 charged Rs. 5.674/kWh, whereas the Authority's approved energy transfer rate of NTDC/CPA for the month of September, 2011 is 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.
 9. While deciding monthly FCA of KESCL for the month of August, 2011, the Authority used Rs. 6.644/kWh as the energy transfer rate with respect to energy purchased by KESCL from NTDC during that month, however, the final approved figure comes out to be Rs. 6.634/kWh creating a difference of around Rs. 5 million which was not passed on to the consumers in the month of August, 2011. Therefore, the Authority has decided to adjust the said amount in the FCA of the current month.
 10. Further, for the month of August, 2011, KESCL claimed Rs. 9.010/kWh as fuel cost component for power purchased from Karachi Nuclear Power Plant (KANUPP). Since the cost claimed was worked out in accordance with the provisions of Power Purchase Agreement (PPA) signed between both the entities, therefore, the Authority allowed the same in the FCA of the mentioned month. Subsequently, on verification of the KESCL payment record, it was found that KANUPP was paid fuel cost @ Rs. 6.347/kWh for the energy supplied by it during the month of August, 2011. The Authority has therefore decided to adjust the amount of variation on account of the aforementioned difference in rates of Rs. 2.663/kWh in the FCA of the current month.
 11. In view of all the above, the fuel cost variation of KESCL's own power generation and power purchases from external sources for the month of September, 2011 works out to be minus Rs. 1,073.210 million or minus Ps. 83.462/kWh, as per the details tabulated hereunder:

Tariff Adjustments Summary	September-11 Requested	September-11 Allowed
Variation in Fuel Price		
Own Generation (Million Rs)	(471.393)	(510.145)
External/PPP (Million Rs)	(335.619)	(563.065)
Total (Rs In Million)	(807.012)	(1,073.210)
Total Units Sent Out (GWh)	1,285.870	1285.870
Total Variation Ps/kWh	(62.760)	(83.462)



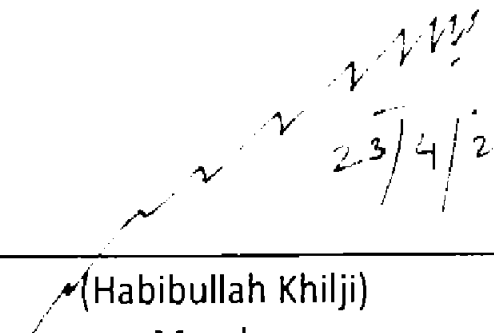


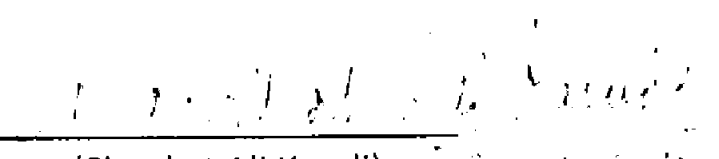
12. In order to allow KESCL for variation in fuel cost of its own generation as well as power purchased from external sources for the month of September, 2011, the Authority has therefore decided to pass on minus Ps. 83.462/kWh to the consumers of KESCL.
13. The paisa per kWh, rounded off after not allocating its effect on the consumption of life line consumers and agriculture consumers, to be charged by KESCL in the prospective billing month of June, 2012 from each consumer works out to be minus Ps. 85 /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
September 2011	(85.00)	June 2012

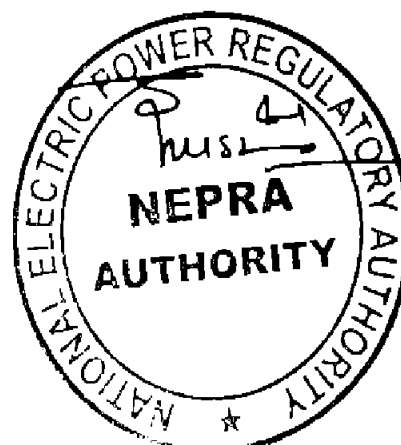
14. The adjustment as referred to in para 13 above:
- shall be applicable to all the consumer categories except lifeline consumers and agriculture consumers of KESCL; and
 - shall be shown separately in the consumer bills of June, 2012 on the basis of units billed for the month of September, 2011.

Authority:


23/4/2012
(Habibullah Khilji)
Member


(Shaukat Ali Kundi)
Member


19/4
(Ghiasuddin Ahmed)
Member/Acting Chairman



National Electric Power Regulatory Authority



NOTIFICATION

Islamabad, the 2nd day of May 2012

S.R.O. ^{ASL} /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 September 2011 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
September 2011	(85.00)	June 2012

2. The above adjustment of **minus** Ps.85.00/kWh shall be applicable to all the consumer categories except lifeline and agriculture consumers of KESCL. The said adjustment shall be shown separately on the basis of units billed in the month of September 2011 by the KESCL and recovered from the consumers in the billing month of June 2012.

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

(Syed Safer Hussain)
Registrar