



**Registrar**

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

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No. NEPRA/TRF-133/KESC-2009/ 9544 - 48  
August 6, 2013

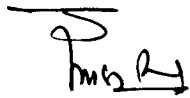
Chief Executive Officer  
Karachi Electric Supply Company Ltd. (KESC)  
KESC House, Punjab Chowrangi,  
39 - B, Sunset Boulevard, Phase-II  
Defence Housing Authority  
Karachi.

Subject: **Decision of the Authority in the matter of Fuel Charges Adjustment for the Month of March 2013 for Karachi Electric Supply Company Ltd. and Notification (S.R.O. 706(I)/2013 dated 01.08.2013) Thereof**

Enclosed please find a copy of decision of the Authority (05 pages) in the matter of fuel charges for the month of March 2013 in respect of Karachi Electric Supply Company Ltd., along with Notification (S.R.O. 706(I)/2013 dated 01.08.2013) 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 Saqeer 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 MARCH, 2013 FOR KARACHI ELECTRIC SUPPLY COMPANY LIMITED**

- 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 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").
- KESCL submitted request with regards to adjustment in the fuel cost component of its tariff for the month of March, 2013 vide letter DRA&SP/NEPRA/071/107 dated April 25, 2013. The summary of the requested adjustment is tabulated below;

<b>Tariff Adjustment Summary</b>	<b>March -13</b>
<b>Variation in Fuel Price</b>	<b>Requested</b>
Own Generation (Million Rs)	1,741.407
External/PPP (Million Rs)	526.484
<b>Total (Rs. In Million)</b>	<b>2,267.891</b>
Total Units Sent Out (GWh)	1,244.102
<b>Total Variation Ps/kWh</b>	<b>182.291</b>

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- KESCL, in its aforementioned request, certified that the cost of fuel and power purchase claimed by it did not include any amount of late payment surcharge/mark-up/interest. Further, KESCL also submitted that it dispatches power as per Economic Merit Order from its own generating units (with the available fuel resources) and from external sources.

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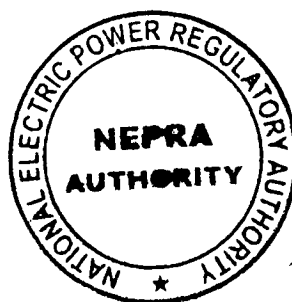
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4. Since the impact of FCA, if any, is passed on to the consumers of electricity, therefore, in order to meet the ends of natural justice, the Authority decided to provide an opportunity of hearing to all the concerned while reviewing the fuel charges. A date of hearing for the aforesaid purpose was fixed as June 03, 2013 at Marriott Hotel, Karachi; notice thereof was uploaded on NEPRA's website dated May 24, 2013. In addition, a ticker was also run on the news channels on May 24, 2013 and separate notices were also sent to the major stakeholders on May 28, 2013 informing thereby the general public/concerned stakeholders about the date and venue of the hearings and inviting their comments/objections to make the process of hearing more meaningful and to reach at an informed and just decision.
5. During the hearing, KESCL submitted that it generated around 193.489 GWh on furnace oil in the month of March, 2013 as compared to 35.465 GWh during the reference month, i.e. December, 2012. Further, the prices of gas and furnace oil increased to Rs. 515.23/MMBTU and Rs. 67,102/MTon respectively in the current month from Rs. 487.00/MMBTU and Rs. 62,991/MTon in the reference month of December, 2012. Since fuel cost variation is worked out both on account of cost and mix, therefore, increase in generation (on expensive fuel) and prices both contributes towards the claimed variation.
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 75% of its total power purchases from NTDC for the month of March, 2013 whose unit price has increased from Rs. 8.956/kWh for the month of December, 2012 to Rs. 9.136/kWh for the month of March, 2013.
7. Mr. Qazi Ahmed Kamal, Vice Chairman S.I.T.E Association Industry, while quoting the statistics as presented by KESCL in its request for the current month, submitted that KESCL on average is not producing more than 60% of its total operative capacity, not buying sufficient power from IPPs such as Gul Ahmed and Tapal and relying more on energy purchased from NTDC. KESCL in response submitted that the commentator appears to suggest that KESC is merely drawing power from NTDC without proper utilization of its own generation which is a untrue perception in light of the fact that KESC sponsor shareholders have invested USD 361 Million for adding new generation capacity and rehabilitation of network infrastructure over the past three years. Since the required



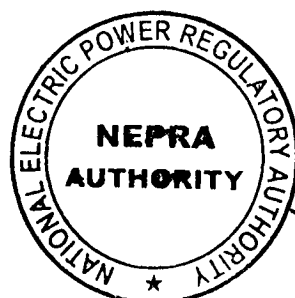


quantity of gas is not being supplied with and energy produced/purchased from furnace oil is around four (04) times expensive, therefore, KESCL in accordance with international best utility practices, follows the Economic Merit Order in dispatching power according to which after best utilization of the available gas, purchases from NTDC ranks over furnace oil based generation/purchases. In order to analyze the response as submitted by KESCL, the Authority has decided to take up this particular matter with KESCL separately while allowing current month's variation on provisional basis subject to adjustment if economic merit order is found to be not followed.

8. The information (both of self generation and power purchased from external sources) as submitted by KESCL in its FCA request for the month of March, 2013 were checked with respective invoices and other relevant documents by the Authority and few discrepancies were found as explained at paras 10, 11 & 12 below.
9. The fuel cost variation of KESCL's own power generation and power purchases from external sources for the month of March, 2013 works out to be Rs. 2,172.798 million or Ps. 174.648/kWh, as per the details tabulated hereunder:

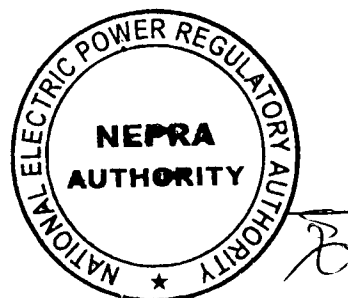
Tariff Adjustments Summary	March-13 Requested	March-13 Allowed
<b>Variation in Fuel Price</b>		
Own Generation (Million Rs)	1,741.407	1,650.739
External/PPP (Million Rs)	526.484	522.059
<b>Total (Rs In Million)</b>	<b>2,267.891</b>	<b>2,172.798</b>
Total Units Sent Out (GWh)	1,244.102	1,244.101
	<b>182.291</b>	<b>174.648</b>

10. The difference between the claimed and allowed variation in fuel cost of own generation is due to inconsistency in the working of furnace oil rate (Rs/MTon) at KESCL end. KESCL in its request worked out the mentioned rate while taking the prices of furnace oil consumed during the month on moving average method whereas the Authority has consistently been using monthly weighted average method and have used the same for calculation of the current month.





11. In addition, KESCL in its current month's FCA request submitted that the Authority vide its letter NEPRA/LAG-05/3016 dated March 29, 2013 indicated KESCL to use 7213 Btu/kWh as the Heat Rate (HR) of Bin Qasim Power Station-II (BQPS-II) for the working of FCA which on HHV (Higher Heat Value) basis becomes 7998 Btu/kWh and the same was guaranteed by the manufacturer in EPC (Engineering and Procurement Contractor). KESCL further submitted that as per the results of Heat Rate Test (HRT) conducted by Independent Consultants M/s. PES in presence of NEPRA officials, the HR of the said power station comes out as 8195 Btu/kWh. By including therein 5% variation, it becomes 8605 Btu/kWh which is the figure requested by KESCL to the Authority vide its letter # GM/(RA)/NERA/2013/83 dated April 04, 2013 and the same has been considered to work out the fuel charges variation to the tune of around Rs. 80 million on the said power station in the current month. Since the aforementioned request of KESCL for fuel charges variation at BQPS - II is not consistent with the Authority's approved HR of this power station, therefore, the Authority has decided not to allow the claimed variation for the said power station in the FCA of current month. In addition, KESCL is hereby directed to work out and claim the fuel charges variations for BQPS-II while using the HR as approved by the Authority.
12. In the fuel component of the power purchase cost, it was noticed that NTDC/CPPA, for the month of March, 2013 invoiced KESCL Rs. 9.136/kWh and the same was used by KESCL in its request, whereas the Authority's worked out energy transfer rate of NTDC/CPPA for the current month comes out to be Rs. 9.093/kWh for XWDISCOS including KESCL. The Authority has therefore decided to apply the energy transfer rate of Rs. 9.093/kWh instead of Rs 9.136/kWh claimed by KESCL. This is the major reason of the difference between the claimed and allowed figure of power purchase cost variation.
13. In order to allow KESCL variation in fuel cost of its own generation as well as power purchased from external sources for the month of March, 2013, the Authority has therefore decided to pass on Ps. 174.648/kWh to the consumers of KESCL as FCA.
14. 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 September, 2013 works out to be Ps. 176 /kWh and shall be charged by KESCL according to the following schedule:



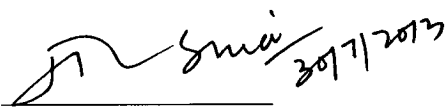


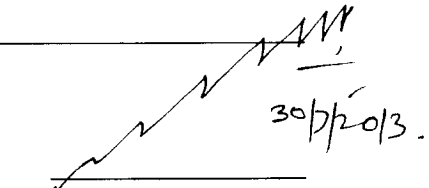
FCA to be calculated on the basis of billing for the month of	Ps/kWh	Charged in consumer bills to be issued in the month of
March 2013	176	September, 2013

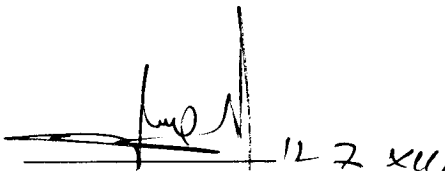
15. The adjustment as referred to in para 14 above:

- i. shall be applicable to all the consumer categories except lifeline consumers of KESCL; and
- ii. shall be shown separately in the consumer bills of September, 2013 on the basis of units billed for the month of March, 2013.

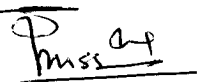
Authority

  
Major (Retd.) Haroon Rashid  
Member

  
Habibullah Khilji  
Member

  
Khawaja Muhammad Naeem  
Chairman



  
01.08.2013

# National Electric Power Regulatory Authority



## NOTIFICATION


Islamabad, the 1<sup>st</sup> day of August 2013

S.R.O. 706 (I)/2013.- 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 March 2013 in respect of KESCL.

Fuel Charges Adjustment to be Calculated on the basis of billing for the Month of	Fuel Charges Adjustment (Ps/kWh)	Be Charged in Consumer Bills to be Issued for the Month of
March 2013	176	September 2013

2. The above adjustment of **plus** Ps.176.00/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 September, 2013 on the basis of units billed for the month of March, 2013.

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

  
( Syed Safer Hussain )  
Registrar



