



Registrar

National Electric Power Regulatory Authority
Islamic Republic of Pakistan

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No. NEPRA/TRF-133/KESC-2009/5794-98
July 31, 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 February 2013 for Karachi Electric Supply Company Ltd. and Notification (S.R.O. 685(I)/2013 dated 29.07.2012) Thereof**

Enclosed please find a copy of decision of the Authority (05 pages) in the matter of fuel charges for the month of February 2013 in respect of Karachi Electric Supply Company Ltd., along with Notification (S.R.O. 685(I)/2013 dated 29.07.2013) 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 Safeer Hussain)

CC:

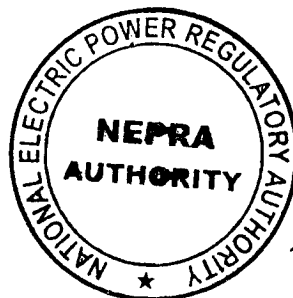
1. Secretary, Ministry of Water & Power, Islamabad.
2. Secretary, Cabinet Division, Cabinet Secretariat, Islamabad.
3. Secretary, Ministry of Finance, Islamabad.
4. Secretary, Privatization Commission, Islamabad.

**DECISION OF THE AUTHORITY IN THE MATTER OF FUEL CHARGES ADJUSTMENT FOR THE
MONTH OF FEBRUARY, 2013 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 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").
2. KESCL submitted request with regards to adjustment in the fuel cost component of its tariff for the month of February, 2013 vide letter DRA&SP/NEPRA/071/1058 dated March 20, 2013 received on March 22, 2013. The summary of the requested adjustment is tabulated below;

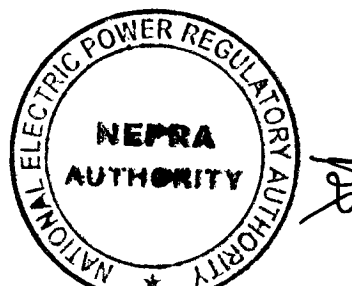
Tariff Adjustment Summary	February -13 Requested
Variation in Fuel Price	
Own Generation (Million Rs)	363.332
External/PPP (Million Rs)	(9.117)
Total (Rs. In Million)	354.216
Total Units Sent Out (GWh)	928.846
Total Variation Ps/kWh	38.135

3. 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.





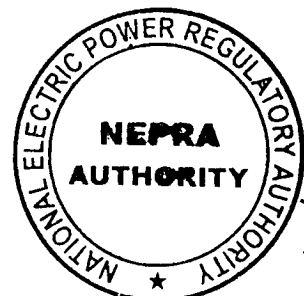
4. Since the impact of FCA, if any, is passed on to the consumers of electricity, therefore, in order to meet the ends of natural justice, the Authority decided to provide an opportunity of hearing to all the concerned while reviewing the fuel charges. A date of hearing for the aforesaid purpose was fixed as June 03, 2013 at Marriott Hotel, Karachi; notice thereof was uploaded on website dated May 24, 2013 and separate notices were also sent to the major stakeholders on May 28, 2013. In addition, a ticker was also run on the news channels on May 24, 2013 informing the general public about the date and venue of the hearings and inviting thereby comments/objections from the concerned stakeholders 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 55.620 GWh on furnace oil in the month of February, 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. 66,265/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 decrease in the energy transfer charge (fuel cost per kWh) of electric power purchased from NTDC. KESCL elaborated that it had purchased around 79% of its total power purchases from NTDC for the month of February, 2013 whose unit price has decreased from Rs. 8.956/kWh for the month of December, 2012 to Rs. 8.312/kWh for the month of February, 2013.
7. Mr. Qazi Ahmed Kamal, Vice Chairman S.I.T.E Association Industry, submitted during the hearing as well as in written form that NEPRA being the custodian of the rights of the end user have an obligation to audit the amount of fuel that is used up, the manner in which it is used up and what is the resultant output from the consumption. He said that since fuel charges variation besides change in prices includes change in the fuel usage of all sources, therefore, reviewing all the root causes of the increase or decrease is a mandatory exercise which necessitates in-depth inquiry of the variation in the fuel usage levels being claimed. To accomplish this, he said that he has asked time and again to NEPRA that it must conduct an energy audit to get engaged in the true hands on fuel consumption and output ratio check as the current practice is just getting agreed to the efficiency level data of whatever the KESCL puts to NEPRA. Regarding the point as submitted by the





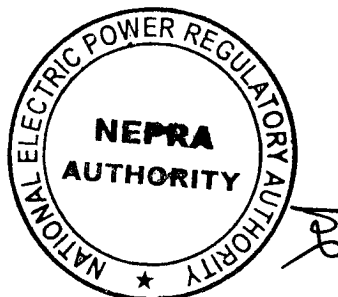
Mr. Kamal, it is informed that the allowed variations are not worked out on the basis of fuel quantity actually consumed by KESCL but the amount of fuel that should have been consumed based on the heat rates of each power station as already specified, after due deliberations, by the Authority. Hence, this method eliminates the requirement of auditing the actual quantity of fuel used up at KESCL's generation fleet.

8. Mr. Kamal further submitted that there must be a mandatory level of line losses that must form a basis of all such fuel related payments. If KESCL violates that standard then it should not be given the benefit. In this regard, it is informed that the Authority vide its determination dated December 23, 2009 has already set target of line losses for KESCL which was 25% in the year 2009-10 and decreases by 2% every year. The losses based on which the monthly fuel variations are allowed during the year 2012-13 are 19% irrespective of actual losses of KESCL.
9. The Authority noticed that KESCL, in the current month, does not appear to have complied with the direction of the Authority in dispatching electric power in economic merit order, e.g. Tapal and Gul Ahmed power stations, having comparatively lower fuel cost than furnace oil based KESCL's own generation on Bin Qasim Power Station, were not fully utilized. The Authority has decided to take up the issue of economic merit order with KESCL separately while allowing current month's variation on provisional basis subject to adjustments if the same is found to be not followed.
10. The information (both of self generation and power purchased from external sources) as submitted by KESCL in its FCA request for the month of February, 2013 were checked with respective invoices and other relevant documents by the Authority and few discrepancies were found as explained at paras 11 & 12 below.
11. The fuel cost variation of KESCL's own power generation and power purchases from external sources for the month of February, 2013 works out to be Rs. 349.427 million or Ps. 37.620/kWh, as per the details tabulated hereunder:



Tariff Adjustments Summary	February-13 Requested	February-13 Allowed
Variation in Fuel Price		
Own Generation (Million Rs)	363.332	361.832
External/PPP (Million Rs)	(9.117)	(12.405)
Total (Rs In Million)	354.216	349.427
Total Units Sent Out (GWh)	928.846	928.840
	38.135	37.620

12. 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.
13. In the fuel component of the power purchase cost, it was noticed that NTDC/CPPA, for the month of February, 2013 invoiced KESCL Rs. 8.312/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 month of February, 2013 comes out to be Rs. 8.272/kWh for XWDISCOS including KESCL. The Authority has therefore decided to apply the energy transfer rate of Rs. 8.272/kWh instead of Rs 8.312/kWh claimed by KESCL. This is the major reason of the difference between the claimed and allowed figure of power purchase cost variation.
14. 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 February, 2013, the Authority has therefore decided to pass on Ps. 37.620/kWh to the consumers of KESCL as FCA. .
15. 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 August, 2013, works out to be Ps. 38 /kWh and shall be charged by KESCL according to the following schedule:

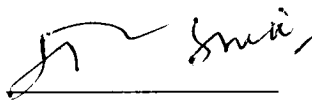


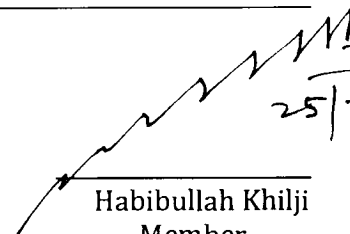
FCA to be calculated on the basis of billing for the month of	Ps/kWh	Charged in consumer bills to be issued in the month of
February 2013	38	August, 2013

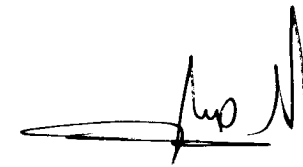
16. The adjustment as referred to in para 15 above:

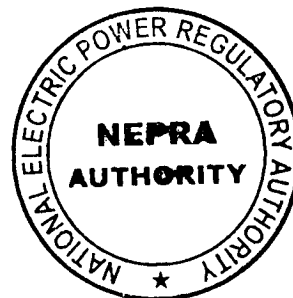
- i. shall be applicable to all the consumer categories except lifeline consumers of KESCL; and
- ii. shall be shown separately in the consumer bills of August, 2013 on the basis of units billed for the month of February, 2013.

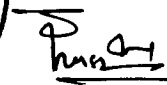
Authority


Major (Retd.) Haroon Rashid
Member

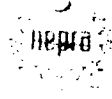

Habibullah Khilji
Member


Khawaja Muhammad Naeem
Vice Chairman




29.07.13

National Electric Power Regulatory Authority



NOTIFICATION

Islamabad, the 29th day of July 2013

S.R.O. 685(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 February 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
February 2013	38	August 2013

2. The above adjustment of **plus** Ps.38.00/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 August, 2013 on the basis of units billed for the month of February, 2013.

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

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(Syed Safer Hussain)
Registrar

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