



# National Electric Power Regulatory Authority

## Islamic Republic of Pakistan

Registrar

NEPRA Tower, Ataturk Avenue(East), G-5/1, Islamabad  
Ph: +92-51-9206500, Fax: +92-51-2600026  
Web: www.nepra.org.pk, E-mail: registrar@nepra.org.pk

No. NEPRA/TRF-133/KESC-2009/14 338-43

November 12, 2014

Chief Executive Officer  
K-Electric Limited (KEL)  
KE 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 June 2014 for Karachi Electric Supply Company Ltd. (now K-Electric) and Notification (S.R.O. 1016(I)/2014 dated 06.11.2014) Thereof**

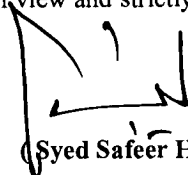
Enclosed please find a copy of decision of the Authority (06 pages) in the matter of fuel charges for the month of June 2014 in respect of Karachi Electric Supply Company Ltd. (now K-Electric), along with Notification (S.R.O. 1016(I)/2014 dated 06.11.2014) thereof. This is for information and further necessary action.

2. While reflecting the 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

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.
5. The Registrar, Supreme Court of Pakistan, Islamabad.

  
12/11/14  
(Syed Safer Hussain)  
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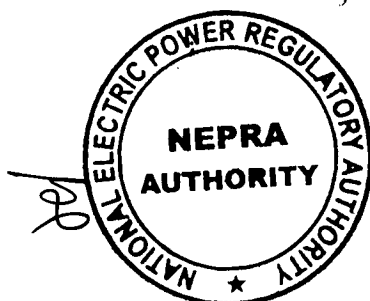


**DECISION OF THE AUTHORITY IN THE MATTER OF FUEL CHARGES ADJUSTMENT FOR THE MONTH OF JUNE 2014 FOR KARACHI ELECTRIC SUPPLY COMPANY LIMITED (NOW K-ELECTRIC)**

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 regard to adjustment in the fuel cost component of its tariff for the month of June, 2014 vide its letter bearing reference No. RA&SP/NEPRA/071/230 dated July 18, 2014. The summary of the adjustment request submitted by KESCL is tabulated below;

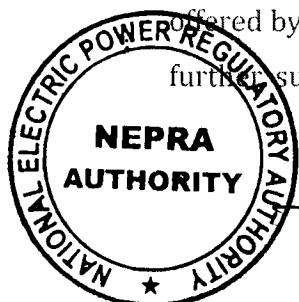
<b>Tariff Adjustments - Summary</b>	<b>June-14</b>
<b>Variation in Fuel Price</b>	<b>Requested</b>
Own Generation (Million Rs)	87.706
External/PPP (Million Rs)	(591.844)
<b>Total (Rs In Millions)</b>	<b>(504.138)</b>
Total Units Sent Out (GWh)	1555.428
<b>Total Variation Ps/kWh</b>	<b>(32.412)</b>

3. KESCL, in its aforementioned request, certified that 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. Hearing for the aforesaid purpose was initially fixed on August 12, 2014, for which advertisement was published in newspapers on August 7, 2014, however, in view of the law & order situation in the country during the period, hearing was postponed and was later scheduled on September 04, 2014 at Marriott Hotel, Karachi; notice thereof was published in the daily newspapers on August 28, 2014 and separate notices were also sent to the major stakeholders on August 29, 2014, informing thereby the general public/concerned stakeholders about the date and venue of the hearing 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 in its own generation, major reason of the claimed variation is increase in the generation on furnace oil, which increased from 142.523 GWh in the reference month of March 2014 to 271.708 GWh in the current month of June 2014, despite the fact that prices of furnace oil have decreased from Rs. 66,780 per metric ton in the reference month to Rs. 64,718 per metric ton in the current month.
6. In the fuel cost component of power purchase cost, KESCL submitted that major reason of the claimed variation is decrease in the fuel cost of energy procured from NTDC which decreased from Rs. 9.182 /kWh in the reference month of March, 2014 to Rs. 7.687/kWh in the current month of June, 2014.
7. One of the commentators, namely Mr. Abu Bakar Usman, Director Pasban, while referring the numbers as presented by KESCL in its request, submitted that as per his analysis, prices of furnace oil have decreased in April, May and June by 10.67%, 10.04% and 3% respectively as compared to March 2014. He further submitted that KESCL's generation on furnace oil decreased by 3% in April and May 2014 as compared to March 2014. He also submitted that KESCL utilized full quota of gas i.e. 190 - 217 MMCFD during the period. While quoting the mentioned statistics, he submitted before the Authority that decrease offered by KESCL is much lower as compared to the decrease in the prices of furnace oil. He further submitted that the cost of purchase of power from IPPs being incurred by the





KESCL is in the range of Rs.11.25 to 12.18/ kWh on which KESCL has earned profit ranging from 7.75% to 24% during the period under discussion. The Authority understands that all the figures as quoted by the commentator cannot be seen in isolation as the tariff is an average figure which is a combination of the costs from all the generation sources. Moreover, the numbers as presented by the commentator only include the cost of fuel while ignoring the O&M and depreciation costs/capacity charge of KESCL's own generation and power purchases.

8. Syed Adil Gilani of Whistle Blower Pakistan, requested the Authority to revisit the issue of Auxiliary consumption as KESCL's steam turbine to gas turbine ratio has improved from 87.50% - 12.50% to 57.18% - 42.82% and auxiliary consumption to produce power from steam power plants is higher than to generate power from Gas Turbines and / or gas engines. The Authority noted that under the multi-year tariff regime, set performance targets are used for allowing adjustment in tariff and benefit/loss of operations at lower/higher than the set targets is availed/suffered by the utility itself. Nevertheless, it has been noted from the figures and corresponding documentary evidences, as submitted by KESCL, that it is underperforming as compared to the set benchmarks of 6.1% auxiliary consumption.
9. Mr. Anil Mumtaz submitted that KESCL, while submitting its monthly FCA request, is required to submit data showing gross generation, auxiliary consumption, installed capacity, plant availability, power dispatched from each generating unit based on daily basis, Fuel stock position, Furnace Oil purchased during the month along-with duly verified copies of the purchase orders. The Authority noted that KESCL with its monthly FCA request submits the data showing gross generation, auxiliary consumption, installed capacity, plant availability, power dispatched from each generating unit based on daily basis, fuel stock position and copies of invoices for furnace oil purchased, plant wise gas bills raised by SSGCL, invoices raised by the power producers and payment invoices, if any, generated by KESCL. The Authority further noted that in case of any missing information, KESCL is directed to provide the same.

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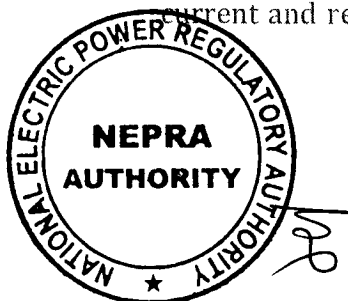




10. The information (both of self generation and power purchased from external sources) as submitted by KESCL in its FCA request for the current month was checked with respective invoices and other relevant documents by the Authority and few discrepancies were found as explained at paras 12 & 13 below.
11. The fuel cost variation of KESCL's own power generation and power purchases from external sources for the month of June, 2014 works out to be minus Rs.478.704 million or minus Ps. 30.776/kWh, as per the details tabulated hereunder:

<b>Tariff Adjustments - Summary</b>	<b>June-14</b>	<b>June-14</b>
<b>Variation in Fuel Price</b>	<b>Requested</b>	<b>Allowed</b>
Own Generation (Million Rs)	87.706	95.407
External/PPP (Million Rs)	(591.844)	(574.111)
<b>Total (Rs In Millions)</b>	<b>(504.138)</b>	<b>(478.704)</b>
Total Units Sent Out (GWh)	1555.428	1555.426
<b>Total Variation Ps/kWh</b>	<b>(32.412)</b>	<b>(30.776)</b>

12. The difference between the claimed and approved variation in fuel cost of own generation is due to inconsistency in the working of furnace oil rate (Rs/M.Ton) at KESCL's end. The Authority has consistently been using monthly weighted average method to work out the furnace oil rate and has used the same for calculation of fuel charges variations of the current month.
13. In the fuel component of the power purchase cost, it was noticed that NTDC/CPPA, for the reference as well as for the current month invoiced KESCL at Rs. 9.182/kWh and Rs. 7.687/kWh respectively and the same were used by KESCL in its request whereas the Authority's approved energy transfer rates of NTDC/CPPA, applicable to all XWDISCOs and KESCL, for the reference and current months comes out to be Rs. 8.9067/kWh and Rs. 7.4333/kWh respectively. On the basis of the invoiced rates, the difference between the overall weighted average fuel cost component of power purchased by KESCL for the current and reference month comes out as minus Rs. 0.961/kWh whereas on the basis of

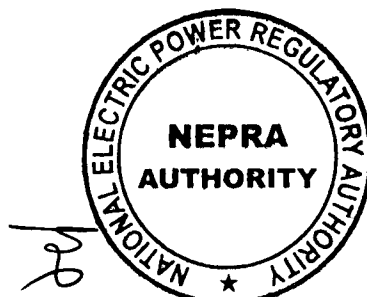




the approved rates the result comes out as minus Rs. 0.933/kWh which is the major reason of the difference between the claimed and allowed figure of power purchase cost variation.

14. Based on the analysis of the data as submitted by KESCL, the Authority has noted with grave concern that KESCL is subjecting its consumers to undue and unauthorized load shedding by continuously underutilizing the available energy of its system (own + external). Moreover it was also noted that KESCL is keeping its available generation capacity idle and relying more on the energy purchased from NTDC in violation of the terms of the power purchase agreement signed between the mentioned utilities. By doing so, KESCL is necessitating the operations of the most expensive power plants in NTDC system as well as aggravating the menace of load shedding in the whole country. In view thereof, KESCL is hereby directed to prudently utilize the available energy of its system and strictly comply with the terms of the aforementioned power purchase agreement to eliminate/reduce the load shed in its territorial jurisdiction and in the whole country.
15. 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 June 2014, the Authority has decided to pass on minus Ps. 30.78/kWh to the consumers of KESCL as FCA. The current month's variation is being allowed on provisional basis subject to adjustments if it is found that KESCL, while dispatching power from the generation sources of its system, has not followed the Economic Merit Order, the matter which is being dealt with KESCL separately.
16. The paisa per kWh, rounded off after not allocating its effect on the consumption of life line and agriculture consumers, to be charged by KESCL in the prospective billing month of February, 2015 works out to be minus Ps. 31/kWh and shall be charged by KESCL according to the following schedule;

<b>FCA to be calculated on the basis of billing for the month of</b>	<b>Ps/kWh</b>	<b>Charged in consumer bills to be issued in the month of</b>
June, 2014	(31)	February, 2015





17. The adjustment as referred to in para 16 above:
- shall be applicable to all the consumer categories except lifeline and agriculture consumers of KESCL; and
  - shall be shown separately in the consumer bills of February, 2015 on the basis of units billed for the month of June, 2014.

**Authority**

(Khawaja Muhammad Naeem)  
Member

(Maj (R) Haroon Rashid)  
Member

(Himayat Ullah Khan)  
Member

(Habibullah Khilji)  
Vice Chairman

  
06.11.14

# National Electric Power Regulatory Authority



## NOTIFICATION

Islamabad, the 6<sup>th</sup> day of November 2014

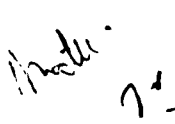
S.R.O. 1016 (I)/2014.- Pursuant to Section 31(4) of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 as amended through Regulation of Generation, Transmission and Distribution of Electric Power (Amendment) Act 2011 and as per the mechanism for monthly fuel price 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 June 2014 in respect of KESCL.

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
June 2014	(31)	February 2015

2. The above adjustment of minus Ps.31.00/kWh shall be applicable to all the consumer categories except lifeline and agriculture consumers of KESCL. The said adjustment shall be shown separately in the consumer bills of February 2015 on the basis of units billed for the month of June 2014.

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

  
(Syed Safer Hussain) 06.11.14  
Registrar







# National Electric Power Regulatory Authority Islamic Republic of Pakistan

Registrar

NEPRA Tower, Ataturk Avenue(East), G-5/1, Islamabad  
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Web: www.nepra.org.pk, E-mail: registrar@nepra.org.pk

No. NEPRA/TRF-133/KESC-2009/ 14293

November 6, 2014


The Manager  
Printing Corporation of Pakistan Press (PCPP)  
Khayaban-e-Suharwardi,  
Islamabad

Subject: **Publication of Notifications of Fuel Charges Adjustment**

Pursuant to amendment in Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (NEPRA Act) through Regulation of Generation, Transmission and Distribution of Electric Power (Amendment) Act 2011 (Act No. XVIII of 2011), the National Electric Power Regulatory Authority has been mandated to make the adjustments in the approved tariff on account of any variation in the fuel charges and notify the same in the official Gazette.

2. In exercise of power conferred by second proviso of sub-section 4 of Section 31 of NEPRA Act, the Authority has made adjustments in the approved tariff of Karachi Electric Supply Company Ltd. and the same will be notified in the official Gazette.
3. Enclosed please find herewith one (01) notifications, regarding fuel charges adjustment for the month of June 2014, in the approved tariff of Karachi Electric Supply Company Ltd. for immediate publication in the official Gazette of Pakistan.
4. Thirty five (35) copies of the each Notification may please be furnished to this office after publication.

Encl: **(01 Notifications)**

  
06.11.14  
( Syed Safer Hussain )