



**Registrar**

# National Electric Power Regulatory Authority Islamic Republic of Pakistan

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Web: www.nepra.org.pk, E-mail: info@nepra.org.pk

No. NEPRA/TRF-133/KESC-2009/786-790  
January 21, 2014

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

Subject: **Decisions of the Authority in the matter of Fuel Charges Adjustment for the Months of July, August & September 2013 for Karachi Electric Supply Company Ltd. and Notifications Thereof**

Enclosed please find herewith copies of the following decisions of the Authority regarding fuel charges adjustment in respect of Karachi Electric Supply Company Ltd. for the months of July, August & September 2013 and Notifications thereof:

- i) Copy of decision of the Authority (05 pages) for the month of July 2013 and Notification thereof i.e. SRO 44(1)/2014 dated 17.01.2014.
- ii) Copy of decision of the Authority (05 pages) for the month of August 2013 and Notification thereof i.e. SRO 45(1)/2014 dated 17.01.2014.
- iii) Copy of decision of the Authority (05 pages) for the month of September 2013 and Notification thereof i.e. SRO 46(1)/2014 dated 17.01.2014.

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 the subject decisions of the Authority.

Enclosure: As above

  
( Syed Safer Hussain )

CC:

1. Secretary, Ministry of Water & Power, 'A' Block, Pak Secretariat, Islamabad.
2. Secretary, Cabinet Division, Cabinet Secretariat, Islamabad.
3. Secretary, Ministry of Finance, 'Q' Block, Pak Secretariat, Islamabad.
4. Secretary, Privatization Commission, EAC Building, Islamabad

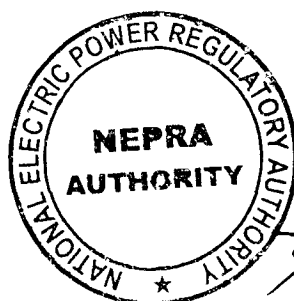


**DECISION OF THE AUTHORITY IN THE MATTER OF FUEL CHARGES ADJUSTMENT FOR THE  
MONTH OF JULY, 2013 FOR KARACHI ELECTRIC SUPPLY COMPANY LIMITED**

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 July, 2013 vide letter RA&SP/NEPRA/071/1183 dated August 23, 2013 received on August 28, 2013. The summary of the requested adjustment is tabulated below;

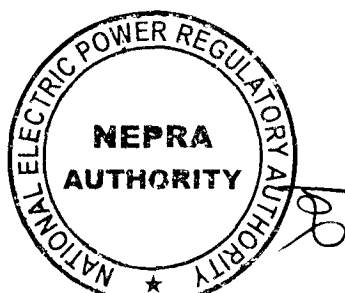
<b>Tariff Adjustment Summary</b>	<b>July-13 Requested</b>
<b>Variation in Fuel Price</b>	
Own Generation (Million Rs)	(185.230)
External/PPP (Million Rs)	247.589
<b>Total (Rs. In Million)</b>	<b>62.359</b>
Total Units Sent Out (GWh)	1,511.574
<b>Total Variation Ps/kWh</b>	<b>4.125</b>

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 October 01, 2013 at NEPRA Tower, Islamabad; notice thereof was published in the daily newspapers dated September 24, 2013 and separate notices were also sent to the major stakeholders on the same date 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 even though the prices of furnace oil have increased to Rs. 65,482/MTon in the current month as compared to Rs. 64,868/MTon in the reference month of June, 2013, however; the reason of the claimed minus variations in its own generation is the favorable generation mix on Bin Qasim Power Station-I. KESCL generated around 42% on gas in the current month on the mentioned power station as compared to 37% in the reference month, i.e. June, 2013.
6. Regarding the variation in the fuel component of power purchase cost, KESCL submitted that the major reason of claimed variation is the increase in fuel cost of the energy procured from NTDC which has increased from Rs. 6.363/kWh in the month of June, 2013 to Rs. 6.987/kWh in the month of July, 2013.
7. Mr. Qazi Ahmed Kamal, representing Karachi Chamber of Commerce and Industry, filed written comments wherein he submitted that the Section 31(4) of the NEPRA Act, inter alia, provides that "the Authority may, on a monthly basis and not later than a period of seven days, make adjustments in the approved tariff on account of, any variations in the fuel charges and, policy guidelines as the Federal Government may issue and, notify the tariff so adjusted in the official Gazette." While referring to this section, the aforementioned commentator submitted that in accordance with the mentioned section, the utility's monthly FCA decision should be issued by the Authority within seven (07) days of the following month, i.e. the decision for the month of July, 2013 should be issued in the first week of August, 2013. Since the current month, i.e. July, 2013 FCA's request is being heard in the month of October, 2013, therefore, it is a clear violation of the mentioned Section as the same is time barred and therefore should not be entertained. In this regard, the Authority has observed that the FCA request is normally submitted by KESCL by the end of third week of the following month, as KESCL claims that it receives invoice for the power purchased from NTDC on

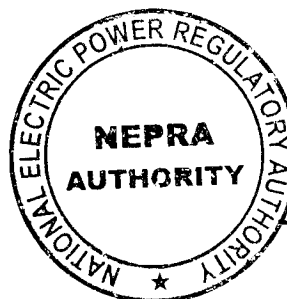


21<sup>st</sup> day of the subsequent month and therefore it is unable to submit its monthly adjustment request within a week. NTDC representatives in this regard have submitted that due to operational difficulties, they are unable to raise invoice in the first week of the succeeding month. The Authority also noted that subsequent to the receipt of FCA request from KESCL, a public hearing is conducted, in pursuance of the Order of the Honorable Lahore High Court, for which an advertisement is published in the daily newspapers normally giving notice period in excess of one week to the general public to file comments in respect thereof. Afterwards, all the claims of the petitioner are verified to authenticate them. Hence, the delay, if any, is due to verification exercise carried out by the Authority and conducting of hearing to ensure participation of general public so as to reach an informed and just decision.

8. 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 10 & 11 below.
9. The fuel cost variation of KESCL's own power generation and power purchases from external sources for the month of July, 2013 works out to be minus Rs. 38.606 million or minus Ps. 2.554/kWh, as per the details tabulated hereunder:

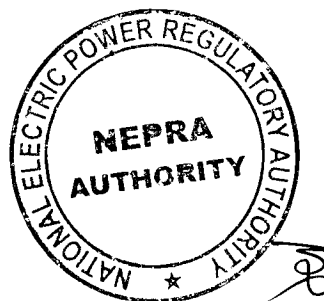
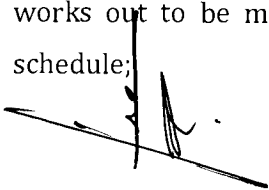
Tariff Adjustments Summary	July-13 Requested	July-13 Allowed
<b>Variation in Fuel Price</b>		
Own Generation (Million Rs)	(185.230)	(183.713)
External/PPP (Million Rs)	247.589	145.107
<b>Total (Rs In Million)</b>	<b>62.359</b>	<b>(38.606)</b>
Total Units Sent Out (GWh)	1,511.574	1,511.572
	<b>4.125</b>	<b>(2.554)</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/M.Ton) at KESCL's end. KESCL in its request worked out the mentioned rate while taking the prices of furnace oil consumed during the current as well as in reference month on moving average method whereas the Authority has consistently



been using monthly weighted average method and has used the same for calculation of fuel charges variations of the current month.

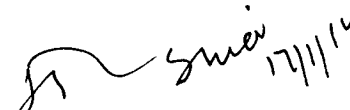
11. In the fuel component of the power purchase cost, it was noticed that NTDC/CPPA, for the current month invoiced KESCL Rs. 6.987/kWh and the same was used by KESCL in its request whereas the Authority's approved energy transfer rates of NTDC/CPPA, applicable to all XWDISCOs and KESCL, for the current month comes out to be Rs. 6.765/kWh. This variation has been allowed by the Authority on the basis of approved energy transfer rates.
12. 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 licensees. 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 consequently in the whole country.
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 July, 2013, the Authority has decided to pass on minus Ps. 2.554/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.
14. 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, 2014 works out to be minus Ps. 3/kWh and shall be charged by KESCL according to the following schedule;

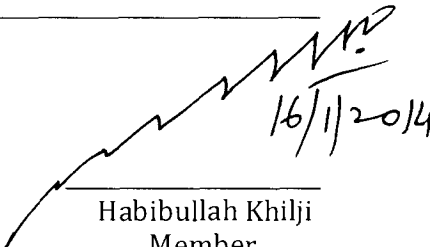


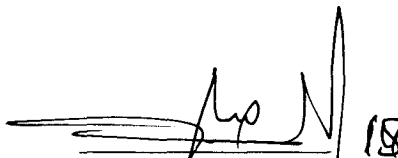
FCA to be calculated on the basis of billing for the month of	Ps/kWh	Charged in consumer bills to be issued in the month of
July, 2013	(3)	February, 2014

15. The adjustment as referred to in para 14 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, 2014 on the basis of units billed for the month of July, 2013.


Authority

  
Major (Retd.) Haroon Rashid  
Member

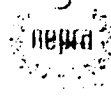
  
Habibullah Khilji  
Member

  
Khawaja Muhammad Naeem  
Vice Chairman



  
17.01.14

# National Electric Power Regulatory Authority



## NOTIFICATION

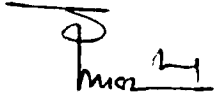
Islamabad, the 17<sup>th</sup> day of January 2014

S.R.O. <sup>44</sup> (1)/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 July 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
July 2013	(3)	February 2014

2. The above adjustment of **minus** Ps.3.00/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, 2014 on the basis of units billed for the month of July, 2013.

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

  
17.01.14  
( Syed Safer Hussain )  
Registrar

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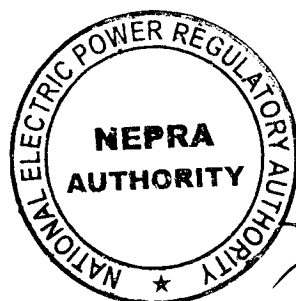


**DECISION OF THE AUTHORITY IN THE MATTER OF FUEL CHARGES ADJUSTMENT FOR THE  
MONTH OF AUGUST, 2013 FOR KARACHI ELECTRIC SUPPLY COMPANY LIMITED**

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 August, 2013 vide letter RA&SP/NEPRA/071/55 dated September 17, 2013. The summary of the requested adjustment is tabulated below;

<b>Tariff Adjustment Summary</b>	<b>August -13 Requested</b>
<b>Variation in Fuel Price</b>	
Own Generation (Million Rs)	(573.412)
External/PPP (Million Rs)	73.145
<b>Total (Rs. In Million)</b>	<b>(500.267)</b>
Total Units Sent Out (GWh)	1,409.724
<b>Total Variation Ps/kWh</b>	<b>(35.487)</b>

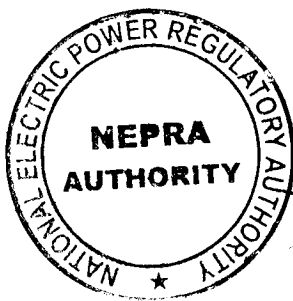
3. KESCL, in its aforementioned request, certified that the cost of fuel and power purchase claimed by it did not include any amount of late payment surcharge/mark-up/interest. Further, KESCL also submitted that it dispatches power as per Economic Merit Order from its own generating units (with the available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







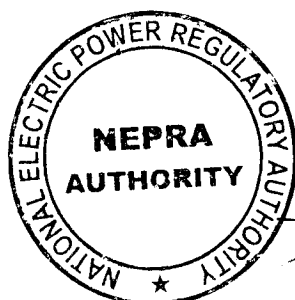
4. Since the impact of FCA, if any, is passed on to the consumers of electricity, therefore, in order to meet the ends of natural justice, the Authority decided to provide an opportunity of hearing to all the concerned while reviewing the fuel charges. A date of hearing for the aforesaid purpose was fixed as November 18, 2013 at Marriott Hotel, Karachi; notice thereof was published in the daily newspapers dated November 05, 2013 and separate notices were also sent to the major stakeholders on November 06, 2013 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 even though the prices of furnace oil have increased to Rs. 66,235/MTon in the current month as compared to Rs. 64,868/MTon in the reference month of June, 2013, however; the reason of the claimed minus variations is the favorable generation mix on Bin Qasim Power Station-I. KESCL generated around 55% on gas in the current month on the mentioned power station as compared to 37% in the reference month, i.e. June, 2013.
6. In the fuel cost component of power purchase cost, KESCL submitted that the major reason of claimed variation is the increase in fuel cost of the energy procured from NTDC which has increased from Rs. 6.363/kWh in the month of June, 2013 to Rs. 6.974/kWh in the month of August, 2013.
7. While stating the efficiency statistics of different power stations operating in the country as published in the NEPRA's State of Industry Report and making a comparison thereof with the efficiency of generation sources in KESCL's fleet, Mr. Qazi Ahmed Kamal, one of the commentator representing Karachi Chamber of Commerce and Industry, submitted that NEPRA must standardize, based on energy audit/heat rate test by an international expert, the fuel consumption level of each power station/unit required to produce one unit of electric power in order to ensure efficient usage of fuel and reduce the tariff burden on the consumers for which the Authority in its own determination dated December 23, 2009 has decided that "KESCL shall not be allowed any adjustment in tariff on account of fuel price variation till approval of heat rate". Another commentator, Mr. Aneel Mumtaz, in his written comments also submitted the same point while specifying the FCA petition of April, 2012 filed by KESCL wherein the utility claimed fuel charges variations of Bin Qasim-II on the basis of heat rate of 12000 BTUs/kWh. With respect to the point of standardization of the efficiency levels of the generation sources of KESCL, the Authority noted that the fuel charges variations are allowed to KESCL on the basis of the station-wise efficiency benchmarks as set by the Authority vide its determinations dated September 10, 2002 and





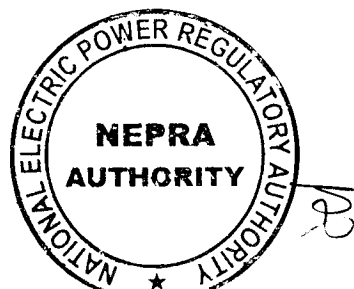
December 23, 2009. As correctly mentioned by the commentator, the Authority in its determination dated December 23, 2009 directed KESCL to perform heat rate (efficiency) test for all its upcoming power plants at the time of commissioning and submit the same to the Authority for approval. It was also decided that KESCL shall not be allowed any adjustment in tariff on account of fuel price variation till approval of heat rates of such power plants. In accordance with the mentioned directions, an independent firm was appointed by KESCL and heat rates of its power stations namely Korangi Gas-II, S.I.T.E Gas-II and Korangi Combined Cycle Power Plants were carried out in the presence of the NEPRA professionals, however, certain observations on the performance of heat rates tests were raised by the Independent Consultants appointed by NEPRA; pursuant to which the Authority decided to approve the more efficient provisional heat rates as final for monthly adjustment of fuel charges variations Further, in accordance with the aforementioned directions of the Authority, the heat rate of the Bin Qasim-II was also carried out by KESCL through an Independent Consultant in presence of NEPRA professionals as observers, however, the Authority did not approve the result of heat rate due to non-observance of complete procedures of heat rate test by KESCL. KESCL has therefore been asked to carry out the heat rate test of Bin Qasim-II afresh by fulfilling all the pre-requisites and performance requirements of heat rate test. Regarding the point as raised by Mr. Aneel Mumtaz, the Authority noted that KESCL claimed the adjustment as identified by the said commentator; however, the Authority showed its dissatisfaction with regards to this claim of KESCL and directed KESCL to abide by the directions of the Authority for claiming any variation. It is also worth mentioning here that pending approval of the Authority of the heat rate test result of Bin Qasim-II, the utility, till subject mentioned period, has not been allowed any variations against energy generated from the said power station.

8. 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 10 & 11 below.
9. The fuel cost variation of KESCL's own power generation and power purchases from external sources for the month of August, 2013 works out to be minus Rs. 594.097 million or minus Ps. 42.143/kWh, as per the details tabulated hereunder:



Tariff Adjustments Summary	August-13 Requested	August-13 Allowed
<b>Variation in Fuel Price</b>		
Own Generation (Million Rs)	(573.412)	(566.136)
External/PPP (Million Rs)	73.145	(27.962)
<b>Total (Rs In Million)</b>	<b>(500.267)</b>	<b>(594.097)</b>
Total Units Sent Out (GWh)	1,409.724	1,409.723
	<b>(35.487)</b>	<b>(42.143)</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/M.Ton) at KESCL's end. KESCL in its request worked out the mentioned rate while taking the prices of furnace oil consumed during the current as well as in reference month on moving average method whereas the Authority has consistently been using monthly weighted average method and has used the same for calculation of fuel charges variations of the current month.
11. In the fuel component of the power purchase cost, it was noticed that NTDC/CPPA, for the current month invoiced KESCL Rs. 6.974/kWh and the same was 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 current month comes out to be Rs. 6.760/kWh. This variation has been allowed by the Authority on the basis of approved energy transfer rates. In addition to that, the Authority noticed an error on part of KESCL in recording the fuel cost components of energy purchased by it from Anoud and International Industries Limited (IIL) for which the Authority hereby directs KESCL to check the documents thoroughly in future before submission of the same to the Authority.
12. 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.




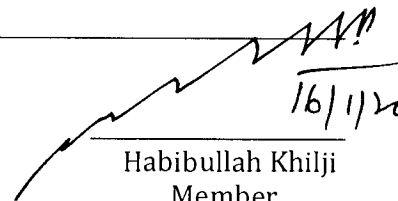
13. In order to allow KESCL variation in fuel cost of its own generation as well as power purchased from external sources for the month of August, 2013, the Authority has decided to pass on minus Ps. 42.143/kWh to the consumers of KESCL as FCA. The current month's variation is being allowed on provisional 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.
14. 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, 2014 works out to be minus Ps. 43/kWh and shall be charged by KESCL according to the following schedule;

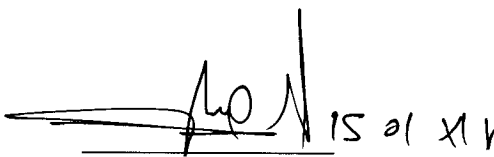
FCA to be calculated on the basis of billing for the month of	Ps/kWh	Charged in consumer bills to be issued in the month of
August, 2013	(43)	February, 2014

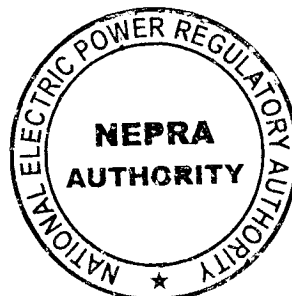
15. The adjustment as referred to in para 14 above:
- shall be applicable to all the consumer categories except lifeline and agriculture consumers of KESCL; and
  - shall be shown separately in the consumer bills of February, 2014 on the basis of units billed for the month of August, 2013.

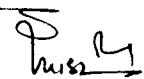
Authority

  
Major (Retd.) Haroon Rashid  
Member

  
Habibullah Khilji  
Member

  
Khawaja Muhammad Naeem  
Vice Chairman



  
17.01.14

# National Electric Power Regulatory Authority



## NOTIFICATION

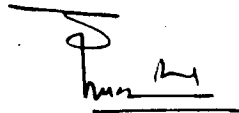
Islamabad, the 17<sup>th</sup> day of January 2014

S.R.O. **45** (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 August 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
August 2013	(43)	February 2014

2. The above adjustment of **minus** Ps.43.00/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, 2014 on the basis of units billed for the month of August, 2013.

[Case No. NEPRA TRF-133 KESCL-2009(60)]

  
17.01.14  
( Syed Safer Hussain )  
Registrar

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**DECISION OF THE AUTHORITY IN THE MATTER OF FUEL CHARGES ADJUSTMENT FOR THE  
MONTH OF SEPTEMBER, 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 September, 2013 vide letter RA&SP/NEPRA/071/1121 dated October 28, 2013. The summary of the requested adjustment is tabulated below;



<b>Tariff Adjustment Summary</b>	<b>Sep -13</b>
<b>Variation in Fuel Price</b>	<b>Requested</b>
Own Generation (Million Rs)	308.749
External/PPP (Million Rs)	306.725
<b>Total (Rs. In Million)</b>	<b>615.473</b>
Total Units Sent Out (GWh)	1,397.129
<b>Total Variation Ps/kWh</b>	<b>44.053</b>

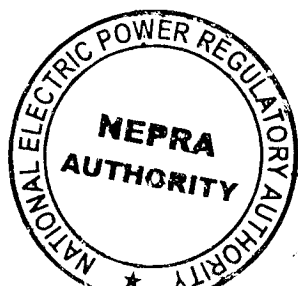
3. KESCL, in its aforementioned request, certified that the cost of fuel and power purchase claimed by it did not include any amount of late payment surcharge/mark-up/interest. Further, KESCL also submitted that it dispatches power as per Economic Merit Order from its own generating units (with the available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

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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 November 18, 2013 at Marriott Hotel, Karachi; notice thereof was published in the daily newspapers dated November 05, 2013 and separate notices were also sent to the major stakeholders on November 06, 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 main reason of the claimed variations is the increase in the prices of furnace oil which have increased from Rs. 64,769/MTon in the reference month to Rs. 70,092/MTon in the current month.
6. In the fuel cost component of power purchase cost, KESCL submitted that the major reason of claimed variation is the increase in fuel cost of the energy procured from NTDC which has increased from Rs. 6.363/kWh in the month of June, 2013 to Rs. 6.748/kWh in the month of September, 2013.
7. Mr. Qazi Ahmed Kamal, one of the commentator representing Karachi Chamber of Commerce and Industry, during the hearing submitted that it is very disturbing to see that there are plants in KESC system that have an auxiliary consumption level higher than the set benchmark of 6.1%. In this regard, the Authority noted that under the multi-year tariff regime, the set performance targets are used for allowing adjustments in the tariff of the utility and the benefit/loss of operations higher/lower than the set targets is enjoyed/suffered by the utility itself and the impact is not passes on to the consumers.
8. In addition, Mr. Kamal submitted that the prices of the IPPs and KESCL's furnace oil based generation are comparable then why the utility is not purchasing electric power from IPPs despite paying them a huge amount of Capacity Charges. With respect to the point of under-utilization, another commentator namely Mr. Aneel Mumtaz asked that why the units No. 3 and 4 of Bin Qasim Power Station are not being utilized properly and what has

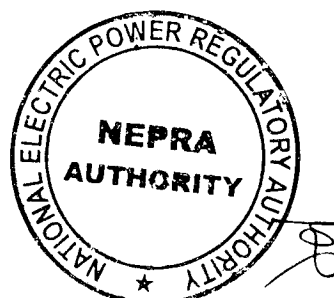
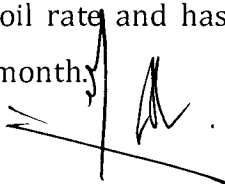


NEPRA done with regards to load shedding in the area of KESCL. In this regard, the Authority noted that it has already taken notice of the issue highlighted by the commentator and has initiated proceedings with respect to the under-utilization of power sources in KESCL's system (own + external sources) viz-a-viz load shedding and the case is currently under consideration of the Authority.

9. 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 11 & 12 below.
10. The fuel cost variation of KESCL's own power generation and power purchases from external sources for the month of September, 2013 works out to be Rs. 535.713 million or Ps. 38.344/kWh, as per the details tabulated hereunder:

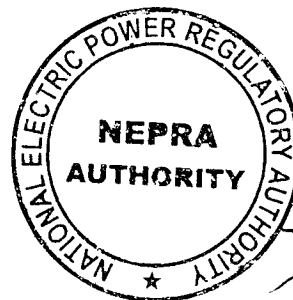
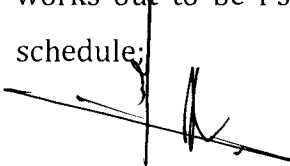
<b>Tariff Adjustments Summary</b>	<b>Sep-13 Requested</b>	<b>Sep-13 Allowed</b>
<b>Variation in Fuel Price</b>		
Own Generation (Million Rs)	308.749	309.262
External/PPP (Million Rs)	306.725	226.451
<b>Total (Rs In Million)</b>	<b>615.473</b>	<b>535.713</b>
Total Units Sent Out (GWh)	1,397.129	1,397.128
<b>Adjustment (Ps/kWh)</b>	<b>44.053</b>	<b>38.344</b>

11. 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.





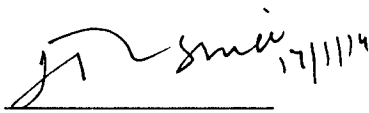
12. In the fuel component of the power purchase cost, it was noticed that NTDC/CPA, for the current month invoiced KESCL Rs. 6.748/kWh and the same was used by KESCL in its request whereas the Authority's approved energy transfer rates of NTDC/CPA, applicable to all XWDISCOs and KESCL, for the current month comes out to be Rs. 6.572/kWh. The variations have been allowed by the Authority on the basis of approved energy transfer rates.
13. 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.
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 September, 2013, the Authority has decided to pass on Ps. 38.344/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.
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 February, 2014 works out to be Ps. 39/kWh and shall be charged by KESCL according to the following schedule:

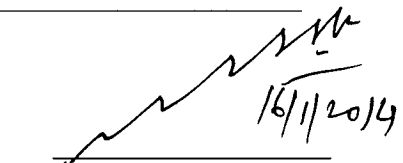


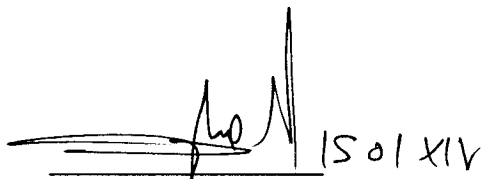
FCA to be calculated on the basis of billing for the month of	Ps/kWh	Charged in consumer bills to be issued in the month
September, 2013	39	February, 2014

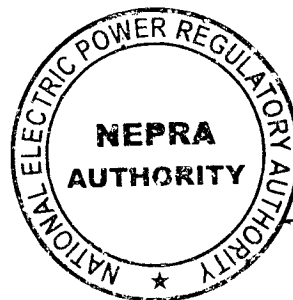
16. The adjustment as referred to in para 15 above:
- shall be applicable to all the consumer categories except lifeline consumers of KESCL; and
  - shall be shown separately in the consumer bills of February, 2014 on the basis of units billed for the month of September, 2013.

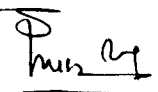
**Authority**

  
Major (Retd.) Haroon Rashid  
Member

  
Habibullah Khilji  
Member

  
Khawaja Muhammad Naeem  
Vice Chairman



  
17.01.14

# National Electric Power Regulatory Authority



## NOTIFICATION

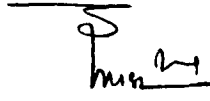
Islamabad, the 17<sup>th</sup> day of January 2014

S.R.O. **46** (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 September 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
September 2013	39	February 2014

2. The above adjustment of **plus** Ps.39.00/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 February, 2014 on the basis of units billed for the month of September, 2013.

(Case No. NEPRA/TRI-133/KESCL-2009/60)

  
17.01.14  
( Syed Safer Hussain )  
Registrar

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