



Registrar

# National Electric Power Regulatory Authority

## Islamic Republic of Pakistan

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No. NEPRA/TRF-133/KESC-2009/3148-3151  
March 31, 2014

Subject:- **Decision of the Authority in the matter of Karachi Electric Supply Company Limited Quarterly Adjustment in Tariff for the Quarter July 2012 to September 2012 [Case No. NEPRA/TRF-133/KESCL-2009(6)]**

Dear Sir,

Please find enclosed herewith the subject decision of the Authority along with revised schedule of electricity tariff, Annexure-I (09 pages) regarding quarterly adjustment for the quarter July 2012 to September 2012 in respect of Karachi Electric Supply Company Ltd. in Case No. NEPRA/TRF-133/KESC-2009(6).

2. The Decision is being intimated to the Federal Government for the purpose of notification of the approved tariff in the official gazette pursuant to Section 31(4) of the Regulation of Generation, Transmission and Distribution of Electric Power Act (XL of 1997) and Rule 16(11) of the National Electric Power Regulatory Authority Tariff (Standards and Procedure) Rules, 1998.

3. Please note that revised schedule of tariff attached to the Decision as Annex-I is required to be notified in the official Gazette.

Enclosure: As above

  
( Syed Safer Hussain )

Secretary,  
Ministry of Water & Power,  
'A' Block, Pak Secretariat,  
Islamabad

CC:

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



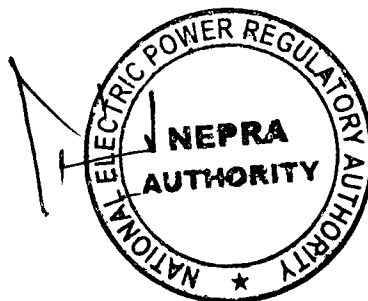
**DECISION OF THE AUTHORITY IN THE MATTER OF KARACHI ELECTRIC SUPPLY COMPANY LIMITED  
QUARTERLY ADJUSTMENT IN TARIFF FOR THE QUARTER JULY, 2012 TO SEPTEMBER, 2012**

**BACKGROUND**

1. Pursuant to section 31(4) of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 and in accordance with the determination of the Authority in case No. NEPRA/TRF-133/KESC-2009(6) notified vide S.R.O. No. 11(I)/2010 dated January 01, 2010, Karachi Electric Supply Company Limited (hereinafter referred to as the "KESCL") has been allowed certain adjustments in its tariff on quarterly basis. The adjustments allowed in the KESCL's tariff on quarterly basis include the following:
  - Impact of variation in the fixed component of power purchase cost and variable operation and maintenance costs (hereinafter referred to as the "O&M costs") of power purchased by KESCL from the external sources.
  - The impact of transmission and distribution losses (hereinafter referred to as the "T & D losses") not recovered in the monthly fuel charges adjustment.
2. In addition to the aforesaid adjustments in tariff, for allowing KESCL recovery of its revenue in future on the latest price level, the tariff level is required to be adjusted to the price level of last month of the quarter i.e. in the current case, the price level of September, 2012.

**CURRENT REQUEST**

3. KESCL in accordance with the prescribed mechanism for adjustment of fuel cost and power purchase cost variation submitted quarterly adjustment request for the quarter July-September, 2012 (hereinafter referred to as the "current quarter") vide its letter No. CMF/NEPRA/071/976 dated October 19, 2012. The summary of the requested adjustment by KESCL is tabulated below:



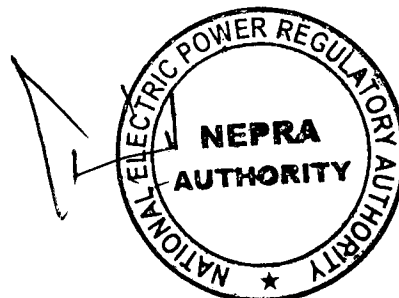
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Sr. no.	DESCRIPTION	Requested Adjustment
1	Fuel Price Variation of September, 2012 over June, 2012 (Ps/kWh)	(54.451)
	Power Purchase Price Variation of September, 2012 over June, 2012 (Ps/kWh)	1.671
	<b>Total Variation in Tariff (Ps/kWh)</b>	<b>(52.780)</b>
	<b>Un Recovered Cost For the period July-September, 2012</b>	<b>MIn Rs.</b>
	Variation in O&M cost of IPPs and Other External Sources	(104.919)
	Variation in Capacity charges of IPPs and Other External Sources	(5.204)
	Un-recovered cost of fuel due to non-adjustment of T&D losses	(216.995)
	Un-recovered Cost of the Previous Quarter April-June, 2012	(48.781)
	<b>Total Un-recovered Cost</b>	<b>(375.899)</b>
2	Estimated Units to be Sold October-December, 2012 (GWh)	2,722.628
	<b>Required Adjustments (Ps/kWh)</b>	<b>(13.806)</b>
3	<b>Adjustment of cost of the previous quarter (April-June, 12) recovered in the current quarter (July-September, 12) (Ps/kWh)</b>	<b>(8.752)</b>
	<b>Total Required Adjustment in KESCL's Tariff (Ps/kWh) (1+2+3)</b>	<b>(75.338)</b>

### PUBLIC HEARING

4. Since the impact of tariff adjustment, if any, affects the consumers, therefore, in order to meet the ends of natural justice, the Authority considered it just and appropriate to provide an opportunity of hearing/filing of objections/comments to all the stakeholders. Accordingly, a public hearing for consideration of the requested adjustments was scheduled by the Authority on November 27, 2012 at National Institute of Management (NIM), Main University Road, Gulshan-e-Iqbal, Karachi. KESCL's request was advertised in leading national newspapers on November 14, 2012, inviting thereby written/oral comments/objections from the affected/interested persons/parties. Notices were also sent to the main stakeholders/experts to make the process of hearing more meaningful and to assist the Authority in arriving at a just and informed decision.
5. During the hearing, KESCL submitted that the major reasons for the variation being claimed are as follows:





- The generation on furnace oil (net of auxiliary) has decreased by around 26% from around 213 GWh in the month of June, 2012 to around 158 GWh in the month of September, 2012, however, the cost of furnace oil has slightly increased from Rs. 67,128/MTon in the month of June, 2012 to Rs. 68,942/MTon in the month of September, 2012.
- The power purchase cost of KESCL has increased mainly due to increase in the fuel cost and energy purchased from two furnace oil based IPPs, i.e. Tapal and Gul Ahmed. KESCL purchased around 124.61 GWh from both the mentioned IPPs in the month of September, 2012 at the rate of Rs. 15.635/kWh as compared to 101.30 GWh of energy purchased at Rs. 15.359/kWh during the reference month of June, 2012.

### **ANALYSIS AND DECISION**

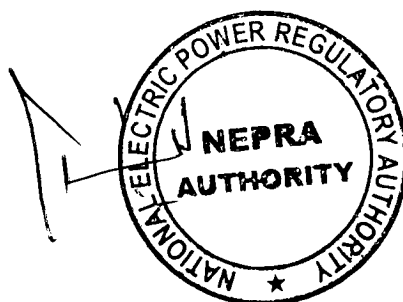
6. The generation data, rates, etc. of KESCL (both from self generation and power purchased from external sources) were scrutinized with respective invoices and other underlying documents. KESCL's request for the current quarter has been discussed under the following headings:

- a) Changing the reference tariff from June, 2012 to September, 2012
- b) Unrecovered costs for the current quarter
- c) Reversal of tariff adjustment pertaining to the previous quarter i.e. April-June, 2012 which was applicable for the current quarter only

#### **a) Changing the reference tariff from June, 2012 to September, 2012**

7. KESCL's existing tariff is based on the fuel prices, O&M costs and capacity charges of June, 2012. For allowing KESCL recovery of its cost in future on the latest price level, it is required that KESCL's tariff be adjusted to the price level of September, 2012. Changing the tariff level requires allowing variations in the fuel cost of KESCL's own generation and allowing variations in the KESCL's power purchase cost which includes fuel cost, O&M cost and capacity charges of September, 2012 over the reference month of June, 2012. KESCL has requested for allowing following adjustments in its tariff on this account:

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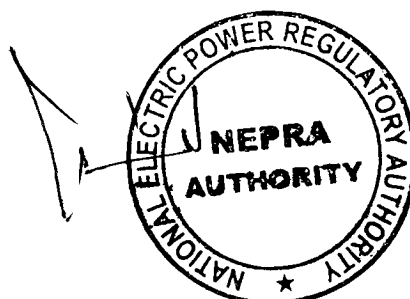




Description	Requested
Fuel cost variation of September, 2012 over June, 2012 (Mill Rs.)	(600.573)
Power purchase cost variation of September, 2012 over June, 2012 (Mill. Rs.)	18.428
Total Variation (Mill Rs.)	(582.145)
Units sold at 19% T&D losses for September, 2012 (GWh)	1,102.964
<b>Required adjustment in tariff (Ps/kWh)</b>	<b>(52.780)</b>

8. In KESCL's own generation, the main reason of minus variation as claimed by KESCL is the decrease in generation on furnace oil (F.O) in the month of September, 2012 as compared to the reference month of June, 2012. KESCL generated around 158 GWh on F.O in the month of September, 2012 as compared to around 213 GWh during the reference month, i.e. June, 2012. The Authority while examining the request noticed an inconsistency in the working of furnace oil monthly rate (Rs/MTon) at KESCL end. The Authority has already directed KESCL to work out the monthly rate of furnace oil on weighted monthly average basis in accordance with the previous practice which has been applied consistently.
9. It was further observed that the overall power purchase cost from external sources of KESCL, i.e. fuel cost, O&M cost and Capacity charges, had increased slightly from Rs. 10.210/ kWh for the month of June, 2012 to Rs. 10.232/ kWh for the month of September, 2012 i.e. an increase of Rs. 0.022/KWh. It was also noticed that KESCL in its request used invoiced rate of NTDC, i.e. Rs. 6.607/kWh for the month of September, 2012 whereas the Authority's worked out NTDC rate comes out to be Rs. 6.601/kWh and the same has been used to work out the approved figures.
10. A comparative analysis of the adjustment in KESCL tariff required for bringing it to the tariff level of September, 2012 as requested and as approved by the Authority in light of the above discussion is tabulated below;

Description	Requested	Approved
Fuel cost variation of September, 2012 over June, 2012 (Mill Rs.)	(600.573)	(610.939)
Power purchase cost variation of Sep' 12 over Jun'12 (Mill. Rs.)	18.428	13.795
Total Variation (Mill Rs.)	(582.145)	(597.144)
Units sold at 19% T&D losses for September, 2012 (GWh)	1,102.964	1,102.957
<b>Required adjustment in tariff (Ps/kWh)</b>	<b>(52.780)</b>	<b>(54.140)</b>





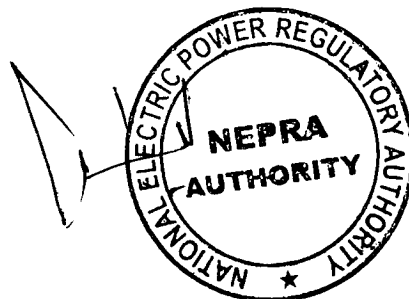
b) Under/Over Recovered costs for the current quarter

11. KESCL has requested for allowing adjustments of the following unrecovered costs:

Description	Rs. in million
	Requested by KESCL
Variation in O&M costs of IPPs and other external sources	(104.919)
Variation in capacity charges of IPPs and other external sources	(5.204)
Un-recovered fuel cost due to non-adjustment of T&D losses in monthly FCA	(216.995)
Un-recovered cost of previous quarter April-June, 2012	(48.781)
<b>Total</b>	<b>(375.899)</b>
Estimated units to be sold @19% T&D losses in next quarter (Oct-Dec'12) GWh	<b>2,722.628</b>
<b>Required Adjustment in KESCL's tariff (Ps/kWh)</b>	<b>(13.806)</b>

12. Variation in O&M cost and Capacity Charges of IPPs: The monthly variation on account of O & M cost and capacity charges for the power purchased from external sources, accumulated and not recovered in the current quarter is required to be adjusted in the quarterly tariff adjustment of KESCL. A difference was observed in the claimed variation in O&M cost of IPPs and other external sources due to an unexplained error on part of KESCL while requesting the O&M cost component against the energy purchased from International Industries Limited in each month of the current quarter, and the same has been taken into account as per the invoice raised by the mentioned power purchase source. There was also a difference in claimed and worked out variation in capacity charges wherein KESCL recorded the cost of power purchase from Gul Ahmed on this account as Rs. 87.950 million for the month of July, 2012, however, as per the submitted invoice it comes out to be Rs. 87.205 million.

13. Un-recovered fuel cost due to non-adjustment of T&D losses in monthly FCA: The un-recovered cost of fuel, due to the impact of T&D losses, not allowed to KESCL to be passed on in the monthly fuel charges adjustments for each month is required to be taken care of on quarterly basis. There is a slight difference in the requested and worked out variation in un-recovered fuel cost on account of non-adjustment of T&D losses due to the inconsistency in the working of furnace oil monthly weighted average rate (Rs/MTon) at KESCL end as explained in para 8 above and fuel cost of NTDC for the month of September, 2012 as explained in para 9 above.





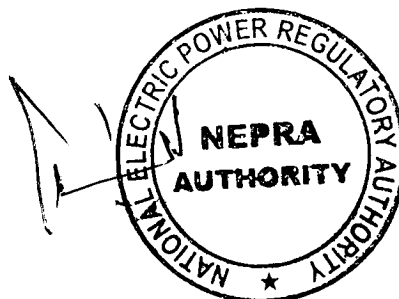
14. KESCL in its request submitted a claim of minus Rs. 48.781 million on account of over/under-recovered cost for the previous quarter, i.e. April-June, 2012 based on estimated units sold for the current quarter. However, the Authority had allowed quarterly adjustment for the quarter April-June, 2012 on the basis of the actual units sold in July-September, 2012 quarter, hence, no adjustment on this account is required.
15. KESCL in its request estimated that 2,722.628 GWh units will be sold @ 19% T&D losses in the next quarter (October-December, 2012), however as KESCL has already submitted quarterly tariff adjustment request for the quarter October-December, 2012, therefore, actual units sold out figure @ 19% T&D losses for the quarter October-December, 2012, i.e. 2,990.601 GWh has been used to calculate the unrecovered cost in Ps/kWh.
16. A comparative analysis of the adjustment in KESCL tariff for the un-recovered costs of the current quarter to be recovered as per request submitted by KESCL and approved by the Authority in the light of above discussion is tabulated below;

Description	Rs. In Million	
	Requested by KESCL	Approved
Variation in O&M costs of IPPs and other external sources (Mill Rs.)	(104.919)	(110.203)
Variation in capacity charges of IPPs and other external sources (Mill Rs.)	(5.204)	(5.923)
Un-recovered fuel cost due to non-adjustment of T&D losses in monthly FCA (Mill Rs.)	(216.995)	(216.808)
Un-recovered cost of previous quarter April-June, 2012	(48.781)	-
<b>Total</b>	<b>(375.899)</b>	<b>(332.934)</b>
Estimated units to be sold @19% T&D losses in next quarter (Oct-Dec'12) GWh	<b>2,722.628</b>	<b>2,990.601</b>
<b>Required Adjustment in KESCL's tariff (Ps/kWh)</b>	<b>(13.806)</b>	<b>(11.133)</b>

17. The variation under this head will be applicable for the next quarter only i.e. October-December, 2012 and will cease automatically at the end of that quarter.

c) **Reversal of tariff adjustment which was applicable for the current quarter only**

18. The Authority in its previous quarterly adjustment pertaining to April-June, 2012 allowed Ps. 7.295/kWh increase in KESCL's tariff for adjustment of unrecovered amount of Rs 252.731 million by KESCL. As per the direction in the same decision, this increase of Ps. 7.295/kWh has been subtracted in the KESCL's current quarterly adjustment in order to nullify its impact in the schedule of tariff. It is informed that KESCL in its request claimed that Ps. 8.752/kWh be deducted on this



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account as the decision for the quarter April-June, 2012 had not been issued by the Authority till the time KESCL filed request for the current quarter.

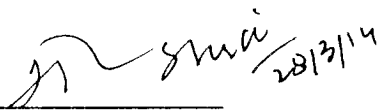
**Overall Adjustment in Tariff**

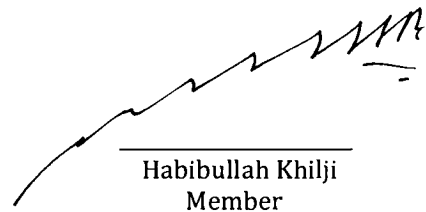
19. The overall cumulative variation in the KESCL's tariff after making the necessary adjustments as discussed in the preceding paragraphs works out to be minus Ps. 72.568/kWh as detailed below:

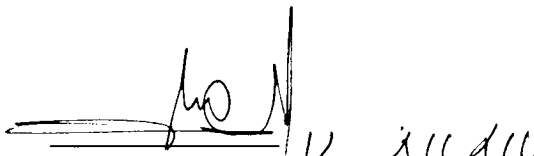
	<u>Paisas per</u> <u>kWh</u>
• Changing the reference tariff from Jun, 2012 to Sep, 2012	(54.140)
• Over-recovered costs for the current quarter	(11.133)
• Reversal of tariff adjustment which was applicable for the current quarter only	(7.295)
	<hr/> <b>(72.568)</b> <hr/>

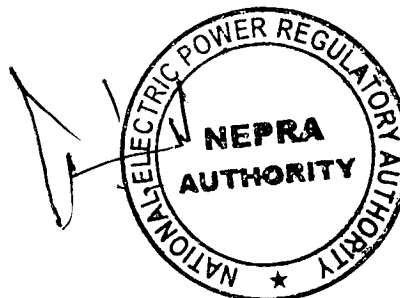
20. In order to allow adjustment in KESCL's tariff for the aforesaid cost variation for the current quarter, KESCL is allowed a uniform decrease in consumer-end tariff for all consumer categories by minus paisa 74 per kWh except for the life-line and agriculture consumers. The revised Schedule of Tariff (SoT) to be applicable from October 01, 2012 to December 31, 2012 is attached herewith as **Annexure-I**.

**Authority**

  
Major (Retd.) Haroon Rashid  
Member

  
Habibullah Khilji  
Member

  
Khawaja Muhammad Naeem  
Vice Chairman





**REVISED SCHEDULE OF ELECTRICITY TARIFF  
FOR KARACHI ELECTRIC SUPPLY COMPANY LIMITED (KESCL)  
DETERMINED FOR THE QUARTER JULY'12-SEPTEMBER'12**

**A-1 GENERAL SUPPLY TARIFF - RESIDENTIAL**

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	
			Peak	Off-Peak
a)	For Sanctioned load less than 5 kW	-	2.00	
i	Up to 50 Units			
	For Consumption exceeding 50 Units			
ii	1- 100 Units			
iii	101- 300 Units			
iv	301- 700 Units	-	13.67	
v	Above 700 Units	-	15.51	
b)	For Sanctioned load 5 kW & above	-	17.51	
	Time Of Use	-	20.51	14.51

Under tariff A-1, there shall be minimum monthly customer charge at the following rates even if no energy is consumed.

- a) Single Phase Connections: Rs. 75/- per consumer per month  
b) Three Phase Connections: Rs. 150/- per consumer per month

**A-2 GENERAL SUPPLY TARIFF - COMMERCIAL**

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	
			Peak	Off-Peak
a)	For Sanctioned load less than 5 kW	400.00	20.01	
b)	For Sanctioned load 5 kW & above		17.21	
	Time Of Use	400.00	21.51	16.01

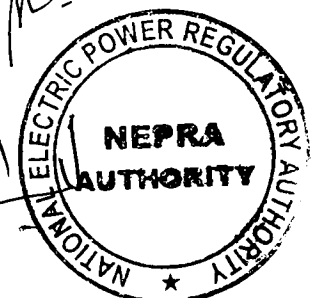
Under tariff A-2, there shall be minimum monthly charges at the following rates even if no energy is consumed.

- a) Single Phase Connections: Rs. 175/- per consumer per month  
b) Three Phase Connections: Rs. 350/- per consumer per month

**B INDUSTRIAL SUPPLY TARIFFS**

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	
			Peak	Off-Peak
B1	Less than 5 kW (at 400/230 Volts)	-	16.51	
B2(a)	5-500 kW (at 400 Volts)	400.00	15.11	
B3(a)	For all loads upto 5000 KW (at 11,33 kV)	380.00	14.71	
B4(a)	For all loads upto 5000 KW (at 66,132 kV)	360.00	14.31	
	Time Of Use		Peak	Off-Peak
B2(b)	5-500 kW (at 400 Volts)	400.00	20.51	14.26
B3(b)	For All Loads up to 5000 kW (at 11,33 kV)	380.00	20.01	13.76
B4(b)	For All Loads (at 66,132 kV & above)	360.00	19.51	13.51
B5	For All Loads (at 220 kV & above)	340.00	19.01	13.26

- For B1 consumers there shall be a fixed minimum charge of Rs. 350 per month.  
For B2 consumers there shall be a fixed minimum charge of Rs. 2,000 per month.  
For B3 consumers there shall be a fixed minimum charge of Rs. 50,000 per month.  
For B4 consumers there shall be a fixed minimum charge of Rs. 500,000 per month.  
For B5 consumers there shall be a fixed minimum charge of Rs. 1000,000 per month.



**C - SINGLE-POINT SUPPLY FOR PURCHASE IN BULK BY A DISTRIBUTION LICENSEE  
AND MIXED LOAD CONSUMERS NOT FALLING IN ANY OTHER CONSUMER CLASS**

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	
			Peak	Off-Peak
C-1	For supply at 400/230 Volts			
a)	Sanctioned load less than 5 kW	-		16.51
b)	Sanctioned load 5 kW & up to 500 kW	400.00		15.66
C-2(a)	For supply at 11,33 kV up to and including 5000 kW	380.00		15.66
C-3(a)	For supply at 132 and above, up to and including 5000 kW Time Of Use	360.00		15.51
C-1(c)	For supply at 400/230 Volts 5 kW & up to 500 kW	400.00	20.51	14.51
C-2(b)	For supply at 11,33 kV up to and including 5000 kW	380.00	20.01	13.71
C-3(b)	For supply at 132 kV up to and including 5000 kW	360.00	19.51	13.51

**D - AGRICULTURE TARIFF**

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	
			Peak	Off-Peak
D-1	For all Loads Time of Use	200.00		16.11
D-2	For all Loads	200.00	22.11	14.11

Note:- The consumers having sanctioned load less than 5 kW can opt for TOU metering.

**E - TEMPORARY SUPPLY TARIFFS**

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	
			Peak	Off-Peak
E-1(i)	Residential Supply	-		19.91
E-1(ii)	Commercial Supply	-		22.81
E-2 (i)	Industrial Supply	-		19.51
E-2 (ii)	Bulk Supply			
	(a) at 400 Volts	-		19.91
	(b) at 11 kV			19.51

For the categories of E-1(i&ii) and E-2 (I&ii) above, the minimum bill of the consumers shall be Rs. 50/- per day subject to a minimum of Rs.500/- for the entire period of supply, even if no energy is consumed.

**F - SEASONAL INDUSTRIAL SUPPLY TARIFF**

125% of relevant industrial tariff

Note:

*Tariff-F consumers will have the option to convert to Regular Tariff and vice versa. This option can be exercised at the time of a new connection or at the beginning of the season. Once exercised, the option remains in force for at least one year.*

**G. PUBLIC LIGHTING**

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	
			Peak	Off-Peak
	Street Lighting	-		19.51

Under Tariff G, there shall be a minimum monthly charge of Rs.500/- per month per kW of lamp capacity installed.

**H - RESIDENTIAL COLONIES ATTACHED TO INDUSTRIAL PREMISES**

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	
			Peak	Off-Peak
	Residential Colonies attached to industrial premises	-		17.51

