



National Electric Power Regulatory Authority

Islamic Republic of Pakistan

Registrar

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No. NEPRA/TRF-133/KESC-2009/38-42

January 2, 2015

Chief Executive Officer
K-Electric Limited (KEL)
KE House, Punjab Chowrangi,
39 – B, Sunset Boulevard, Phase-II
Defence Housing Authority
Karachi.

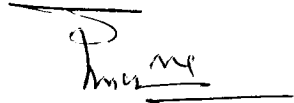
Subject: **Decisions of the Authority in the matter of Fuel Charges Adjustment for the Months of July, August and September 2014 for K-Electric Limited (formerly Karachi Electric Supply Company Ltd.) and Notifications Thereof**

Enclosed please find herewith copies of the following decisions of the Authority regarding fuel charges adjustment in respect of K-Electric Ltd. (formerly Karachi Electric Supply Company Ltd.) for the months of July, August and September, 2014 and Notifications thereof:

- i) Copy of decision of the Authority (08 pages) for the month of July 2014 and Notification thereof i.e. SRO 1160(I)/2014 dated 31.12.2014.
- ii) Copy of decision of the Authority (07 pages) for the month of August 2014 and Notification thereof i.e. SRO 1161(I)/2014 dated 31.12.2014.
- iii) Copy of decision of the Authority (07 pages) for the month of September 2014 and Notification thereof i.e. SRO 1162(I)/2014 dated 31.12.2014.

2. While reflecting the Fuel Adjustment Charges, K-Electric Ltd. (formerly 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 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 July, 2014 vide its letter bearing reference No. RA&SP/NEPRA/071/256 dated August 25, 2014. The summary of the adjustment request submitted by KESCL is tabulated below;

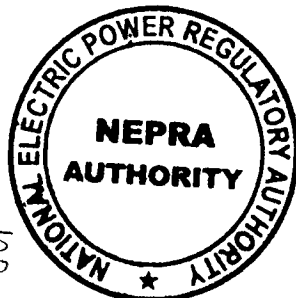
Tariff Adjustments - Summary	July-14
Variation in Fuel Price	Requested
Own Generation (Million Rs)	(222.443)
External/PPP (Million Rs)	136.513
Total (Rs In Millions)	(85.930)
Total Units Sent Out (GWh)	1591.845
Total Variation Ps/kWh	(5.398)



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.

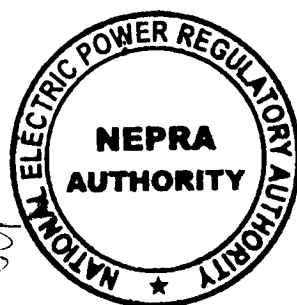
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4. Since the impact of FCA, if any, is passed on to the consumers of electricity, therefore, in order to meet the ends of natural justice, the Authority decided to provide an opportunity of hearing to all the concerned while reviewing the fuel charges. Hearing for the aforesaid purpose was initially fixed on October 30, 2014 at Islamabad, for which advertisement was published in newspapers on October 23, 2014, however, the same was later on rescheduled by the Authority on November 12, 2014 at Marriott Hotel, Karachi on the requests of consumers and stakeholders; notice thereof was published in the daily newspapers on November 01, 2014 and separate notices were also sent to the major stakeholders on October 31, 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, one of the reason for the claimed variation is decrease in generation on furnace oil which has decreased from 271.708 Gwh in the reference month of June 2014 to 259.422 Gwh in the current month, despite the fact that price of furnace oil have slightly increased from Rs. 64,718 per metric ton in the reference month to Rs. 64,964 per metric ton in the current month.
6. KESCL further submitted that it has used the gas prices of Rs. 488.23/ MMBTU in its calculation for the current month as compared to Rs. 515.23 / MMBTU in the reference month of June 2014. The difference being the amount of GID Cess of Rs.27/MMBTU previously being charged by SSGCL to KESCL as per the GIDC Act, 2011. The GIDC Act 2011 was amended through the Finance Act, 2014, whereby the rate of Cess to be charged from KESCL, among other companies, has been enhanced to Rs. 100/MMBTU. KESCL, also submitted that Supreme Court of Pakistan in its order dated August 22, 2014, declared the GID Cess illegal, however, in the meanwhile, on September 25, 2014, the President of Pakistan promulgated the GIDC Ordinance 2014 with immediate effect which validated the Cess collected under the GIDC Act, 2011, notwithstanding the judgment or decree of the Court. KESCL submitted that the GIDC Ordinance 2014 has also been challenged in various courts of Pakistan and courts have granted stay on the enforceability of the Ordinance.



Accordingly, KESCL has not included the amount of GIDC in its calculations for the month of July 2014.

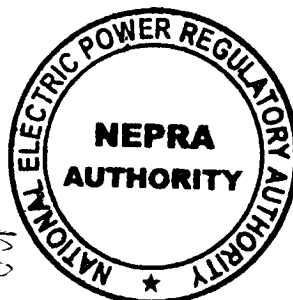
7. In fuel cost component of power purchase cost, KESCL submitted that major reason of the claimed variation is increase in the fuel cost of energy procured from NTDC, which has increased from Rs. 7.433/kWh in the month of June, 2014 to Rs. 7.737/kWh in the current month, besides increase in the fuel cost of Tapal and Gul Ahmed which has also increased in the current month over the reference month.
8. During the hearing, Mr. Abu Bakar Usman of PASBAN and Mr. Anil Mumtaz submitted that the Authority has not discussed their comments given during the hearings of FCAs for the months of April, May & June 2014 held on September 4, 2014. Syed Adil Gilani of Whistle Blower Pakistan through his letter dated November 10, 2014 has reiterated his comments previously submitted through his letter dated September 4, 2014. The Authority noted that comments of all these commentators, relevant with the issue were discussed by the Authority in its FCA decisions for the month of April, May and June 2014 issued vide No. NEPRA/TRF-133/KESC-2009/13868-13872 dated October 31, 2014 and No. NEPRA/TRF-133/KESC-2009/14338/43 dated November 12, 2014 respectively. However, Authority's decision for June 2014 was uploaded on NEPRA's website on the date of current hearings i.e. November 12, 2014.
9. Mr. Anil Mumtaz, through his letter dated November 9, 2014 has submitted that as per the prescribed adjustment mechanism, KESCL has to submit the adjustment request within a week following the current month and the Authority shall approve the same within five working days, however, the requests submitted by KESCL are not in the prescribed time and the Authority should not accept these belated petitions.
10. The Authority noted that FCA request is normally submitted by KESCL by the end of third week of the following month. KESCL claims that it receives invoice for the power purchased from NTDC on 21st 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. Subsequent to the receipt of FCA request from KESCL, a public hearing is conducted by the Authority inviting the general public to file any comments in respect of the claim of the petitioner. Although, there is no specific requirement to conduct hearing for FCA in the applicable rules but the same is done in pursuance of the Order of the Honorable Lahore High Court and to reach at an informed decision. For hearing, an advertisement is published in the daily newspapers normally giving notice period of about one week to the general public to file comments in respect thereof. Afterwards, all the claims of the petitioner are verified from the relevant documentary evidences to authenticate them. Hence, the late receipt of the request, verification exercise and the compliance of the orders of the court to make the proceedings participative are the main reasons for not issuing the decisions within prescribed time period. However, the last two steps, as mentioned above, enable the Authority to reach an informed and just decision.

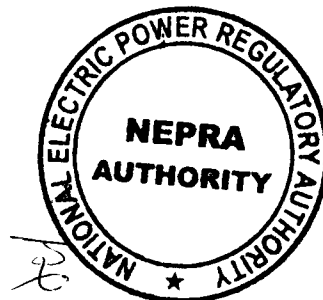
11. Mr. Mumtaz also submitted that nothing is mentioned in front of the word "Enclosed" on the petitions of KESCL, which does not show what documentation has been submitted by KESCL along-with its request. He also submitted that copies of Power Purchase invoices and invoices raised by PSO and SSGCL are not available at NEPRA's website.

12. The Authority noted that KESCL in its petition mentions that "*All the requisite details including generating statistic sheets and invoices are attached*". Further, KESCL along-with its monthly FCA request, submits the data showing gross generation, auxiliary consumption, installed capacity, plant availability, power dispatched from each generating unit, fuel stock position and copies of invoices of 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 due to huge volume of all relevant details and supporting documents, it is not feasible to upload all such information on NEPRA's website. In case any specific information/ document is required by any commentator / stakeholder, he may request for the same in writing.





13. The Authority has also gone through the comments of Mr. Adil Gillani, Whistleblower Pakistan and has noted that the Authority has already taken cognizance of the most of the issues raised in written comments. A list of some of the important issues and action taken by the Authority are as under:
- i.) The Authority took cognizance of under-utilization and undue load shedding and lastly issued Show Cause Notice under NEPRA (Fines) Rules, 2002 to KE by following due process of law, however, KESCL filed Civil Suit against issuance of Show Cause Notice and the Honorable High Court of Sindh at Karachi has suspended the operation of Show Cause Notice.
 - ii.) The Authority took Cognizance of over-billing/detection billing and issued Show Cause Notice under NEPRA (Fines) Rules, 2002 to KESCL by following due process of law, however, KESCL filed Civil Suit against issuance of Show Cause Notice and the Honorable High Court of Sindh at Karachi has suspended the operation of Show Cause Notice.
 - iii.) The Authority applied the already determined Claw Back Mechanism and determined an amount of Rs. 5,413 million to be shared by KESCL with the consumers for the year 2011-12 and 2012-13, however, KESCL filed Civil Suit against the decision of the Authority and the Honorable High Court of Sindh at Karachi has restrained the Federal Government from notifying the decision of the Authority.
 - iv.) The Authority has also taken cognizance of meter rent charged by KESCL across the board and lastly issued Show Cause Notice under NEPRA (Fines) Rules, 2002 and further proceedings in this regard are pending adjudication.
 - v.) The Authority took cognizance of hook connections/Kunda issued by KESCL and issued explanation under NEPRA (Fines) Rules, 2002 by following due process of law, however, KESCL has challenged the same by filing constitutional petition before Honorable High Court of Sindh at Karachi and the honorable court has restrained NEPRA from taking any coercive action against KESCL.



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vi.) The issues of corrigendum and purchase of 650 MW by KESCL from NTDC are also pending adjudication in Honorable High Court of Sindh at Karachi and further proceedings will be taken in the light of decisions of the Honorable Court.

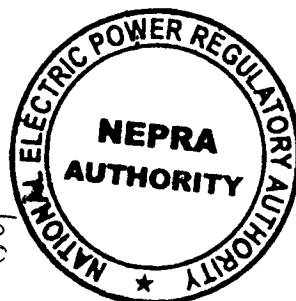
14. The information (both of self generation and power purchased from external sources) as submitted by KESCL in its FCA request for the current month was checked with respective invoices and other relevant documents by the Authority and few discrepancies were found as explained at paras 16 & 17 below.

15. The fuel cost variation of KESCL's own power generation and power purchases from external sources for the month of July, 2014 works out to be minus Rs. 204.689 million or minus Ps. 12.859/kWh, as per the details tabulated hereunder:

Tariff Adjustments - Summary	July-14	August-14
Variation in Fuel Price	Requested	Allowed
Own Generation (Million Rs)	(222.443)	(227.824)
External/PPP (Million Rs)	136.513	23.135
Total (Rs In Millions)	(85.930)	(204.689)
Total Units Sent Out (GWh)	1591.845	1591.834
Total Variation Ps/kWh	(5.398)	(12.859)

16. The difference between the requested 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.

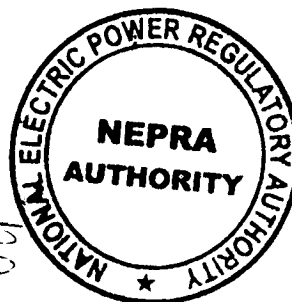
17. In the fuel component of the Power Purchase cost, it was noticed that NTDC/CPPA, for the current month invoiced KESCL at Rs. 7.737/kWh and the same was used by KESCL in its request whereas the Authority's approved fuel cost component of NTDC/CPPA, applicable to all XWDISCOs and KESCL, for the current month i.e. July 2014 comes out to be



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- Rs. 7.495/kWh. The variation has been allowed by the Authority on the basis of approved fuel cost component. Further, the amounts of GIDC charged by Kannup, Pasmic, Anound Power and IIL to KESCL have not been allowed by the Authority as the same has been declared by the Supreme Court of Pakistan as illegal and the vires of lately promulgated GIDC ordinance 2014 have also been challenged in the courts, therefore, the amount of GIDC will be determined and passed on as and when this is finally decided and settled.
18. 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.
19. 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 2014, the Authority has decided to pass on minus Ps. 12.86/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.
20. 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. 13/kWh and shall be charged by KESCL according to the following schedule;






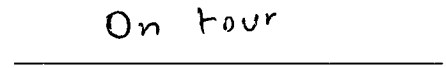
FCA to be calculated on the basis of billing for the month of	Ps/kWh	Charged in consumer bills to be issued in the month of
July, 2014	(13)	February, 2015

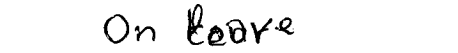
21. The adjustment as referred to in para 20 above:

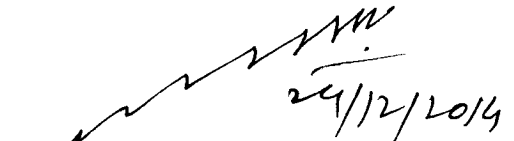
- i. shall be applicable to all the consumer categories except lifeline and agriculture consumers of KESCL; and
- ii. shall be shown separately in the consumer bills of February, 2015 on the basis of units billed for the month of July, 2014.


Authority


(Khawaja Muhammad Naeem)
Member

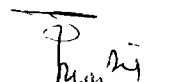
On tour

(Maj. (R) Haroon Rashid)
Member

On leave

(Himayat Ullah Khan)
Member


(Habibullah Khilji)
Vice Chairman


(Brig. (R) Tariq Sadozai)
Chairman




31.12.14

National Electric Power Regulatory Authority



NOTIFICATION

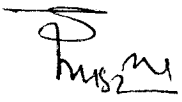
Islamabad, the 31st day of December 2014

S.R.O. 1160 (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) (now K-Electric Ltd.), as notified vide SRO 11(I)/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 2014 in respect of KESCL (now K-Electric Ltd.).

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 2014	(13)	February 2015

2. The above adjustment of **minus** Ps.13.00/kWh shall be applicable to all the consumer categories except lifeline and agriculture consumers of KESCL (now K-Electric Ltd.). The said adjustment shall be shown separately in the consumer bills of February 2015 on the basis of units billed for the month of July 2014.

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


(Syed Safer Hussain) 31.12.14
Registrar

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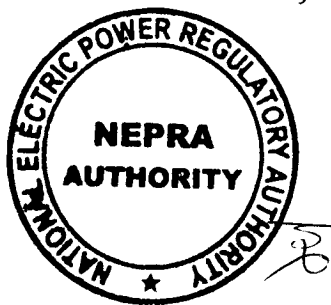


DECISION OF THE AUTHORITY IN THE MATTER OF FUEL CHARGES ADJUSTMENT FOR THE MONTH OF AUGUST 2014 FOR KARACHI ELECTRIC SUPPLY COMPANY LIMITED (NOW K-ELECTRIC)

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 August, 2014 vide its letter bearing reference No. RA&SP/NEPRA/071/1187 dated September 15, 2014. The summary of the adjustment request submitted by KESCL is tabulated below;

Tariff Adjustments - Summary	August-14
Variation in Fuel Price	Requested
Own Generation (Million Rs)	(812.879)
External/PPP (Million Rs)	(345.332)
Total (Rs In Millions)	(1158.211)
Total Units Sent Out (GWh)	1511.133
Total Variation Ps/kWh	(76.645)

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.



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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. Hearing for the aforesaid purpose was initially fixed on October 30, 2014 at Islamabad, for which advertisement was published in newspapers on October 23, 2014, however, the same was later on rescheduled by the Authority on November 12, 2014 at Marriott Hotel, Karachi on the requests of consumers and stakeholders; notice thereof was published in the daily newspapers on November 01, 2014 and separate notices were also sent to the major stakeholders on October 31, 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, one of the reason for the claimed variation is decrease in generation on furnace oil which has decreased from 271.708 GWh in the reference month of June 2014 to 163.234 GWh in the current month, along with slight decrease in price of furnace oil from Rs. 64,718 per metric ton in the reference month to Rs. 64,359 per metric ton in the current month.
6. KESCL further submitted that it has used the gas prices of Rs. 488.23/ MMBTU in its calculation for the current month as compared to Rs. 515.23 / MMBTU in the reference month of June 2014. The difference being the amount of GID Cess of Rs.27/MMBTU previously being charged by SSGCL to KESCL as per the GIDC Act, 2011. The GIDC Act 2011 was amended through the Finance Act, 2014, whereby the rate of Cess to be charged from KESCL, among other companies, has been enhanced to Rs. 100/MMBTU. KESCL, also submitted that Supreme Court of Pakistan in its order dated August 22, 2014, declared the GID Cess illegal, however, in the meanwhile, on September 25, 2014, the President of Pakistan promulgated the GIDC Ordinance 2014 with immediate effect which validated the Cess collected under the GIDC Act, 2011, notwithstanding the judgment or decree of the Court. KESCL submitted that the GIDC Ordinance 2014 has also been challenged in various courts of Pakistan and courts have granted stay on the enforceability of the Ordinance. Accordingly, KESCL has not included the amount of GIDC in its calculations for the month of August 2014.





7. In 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 has decreased from Rs. 7.433/kWh in the month of June, 2014 to Rs. 7.011/kWh in the current month.
8. Mr. Anil Mumtaz submitted that as per KESCL's provided numbers, gas worth Rs.1,697 million has been consumed on Unit 3 and 4 of BQPS-I, whereas as per KESCL's own statement, both these units have been shut down since August 2012. Mr. Mumtaz requested the Authority to look into the matter.
9. KESCL during the hearing clarified that number of meters installed for a particular power plant may vary from the number of its generating units. KESCL further submitted that all the meters installed by SSGCL on a power plant connect at a single point to become a Header from where gas is supplied to each generating unit. To measure the efficiency of each generating unit, a separate flow meter is installed by KESCL on each of the generating unit. Therefore, the gas billed by SSGCL on its Meters 3 and 4 installed at BQPS-I does not mean that the gas has been used by Unit 3 and 4 of BQPS-I.
10. Mr. Mumtaz also submitted that 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. Mr. Mumtaz further submitted that NEPRA till date has not approved the heat rate test of any of KESCL's plant and the Fuel price variations being allowed to KESCL are illegal.
11. 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. Further, as per the directions of the Authority in its determination dated December 23, 2009, 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



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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. It is also worth mentioning here that pending approval of the Authority of the heat rate test result of Bin Qasim-II, KESCL has not been allowed any variations against energy generated from the said power station.

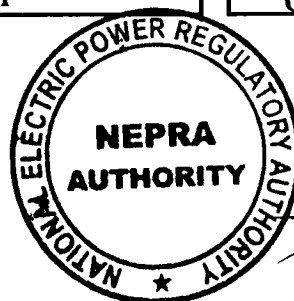
12. The Authority has also gone through the comments of Mr. Adil Gillani, Whistleblower Pakistan and has noted that the Authority has already taken cognizance of most of the issues raised in written comments. A list of some of the important issues and action taken by the Authority are as under:
- i.) The Authority took cognizance of under-utilization and undue load shedding and lastly issued Show Cause Notice under NEPRA (Fines) Rules, 2002 to KESCL by following due process of law, however, KESCL filed Civil Suit against issuance of Show Cause Notice and the Honorable High Court of Sindh at Karachi has suspended the operation of Show Cause Notice.
 - ii.) The Authority took Cognizance of over-billing/detection billing and issued Show Cause Notice under NEPRA (Fines) Rules, 2002 to KESCL by following due process of law, however, KESCL filed Civil Suit against issuance of Show Cause Notice and the Honorable High Court of Sindh at Karachi has suspended the operation of Show Cause Notice.
 - iii.) The Authority applied the already determined Claw Back Mechanism and determined an amount of Rs. 5,413 Million to be shared by KESCL with the consumers for the



year 2011-12 and 2012-13, however, KESCL filed Civil Suit against the decision of the Authority and the Honorable High Court of Sindh at Karachi has restrained the Federal Government from notifying the decision of the Authority

- iv.) The Authority has also taken cognizance of meter rent charged by KESCL across the board and lastly issued Show Cause Notice under NEPRA (Fines) Rules, 2002 and further proceedings in this regard are pending adjudication.
- v.) The Authority took cognizance of hook connections/Kunda issued by KESCL and issued explanation under NEPRA (Fines) Rules, 2002 by following due process of law, however, KESCL has challenged the same by filing constitutional petition before Honorable High Court of Sindh at Karachi and the honorable court has restrained NEPRA from taking any coercive action against KESCL.
- vi.) The issues of corrigendum and purchase of 650 MW by KESCL from NTDC are also pending adjudication in Honorable High Court of Sindh at Karachi and further proceedings will be taken in the light of decisions of the Honorable Court.
13. 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 15 & 16 below.
14. The fuel cost variation of KESCL's own power generation and power purchases from external sources for the month of August, 2014 works out to be minus Rs. 1267.143 million or minus Ps. 83.854/kWh, as per the details tabulated hereunder:

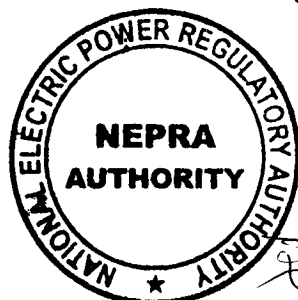
Tariff Adjustments - Summary	August-14	August-14
Variation in Fuel Price	Requested	Allowed
Own Generation (Million Rs)	(812.879)	(812.691)
External/PPP (Million Rs)	(345.332)	(454.452)
Total (Rs In Millions)	(1158.211)	(1267.143)
Total Units Sent Out (GWh)	1511.133	1511.132
Total Variation Ps/kWh	(76.645)	(83.854)



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15. The difference between the requested 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.
16. In the fuel component of the Power Purchase cost, it was noticed that NTDC/CPPA, for the current month invoiced KESCL at Rs. 7.011/kWh and the same was used by KESCL in its request whereas the Authority's approved fuel cost component of NTDC/CPPA, applicable to all XWDISCOs and KESCL, for the current month i.e. August 2014 comes out to be Rs. 6.774/kWh. The variation has been allowed by the Authority on the basis of approved fuel cost component.
17. 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.
18. 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 2014, the Authority has decided to pass on minus Ps. 83.85/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.



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19. 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 March, 2015 works out to be minus Ps. 86/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, 2014	(86)	March, 2015

20. The adjustment as referred to in para 19 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 March, 2015 on the basis of units billed for the month of August, 2014.

Authority

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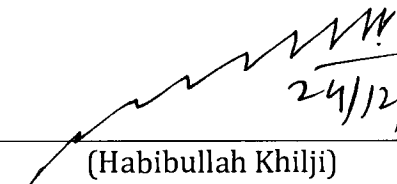
(Khawaja Muhammad Naeem)
Member

On tour

(Maj. (R) Haroon Rashid)
Member

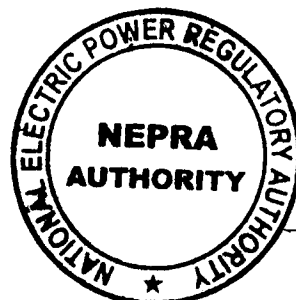
On leave

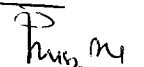
(Himayat Ullah Khan)
Member

 24/12/2014
(Habibullah Khilji)
Vice Chairman



(Brig. (R) Tariq Sadozai)
Chairman




31.12.14

National Electric Power Regulatory Authority



NOTIFICATION

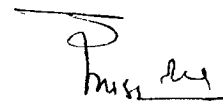
Islamabad, the 31st day of December 2014

S.R.O. 1161 (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) (now K-Electric Ltd.), as notified vide SRO 11(I)/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 2014 in respect of KESCL (now K-Electric Ltd.).



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 2014	(86)	March 2015

2. The above adjustment of **minus** Ps.86.00/kWh shall be applicable to all the consumer categories except lifeline and agriculture consumers of KESCL (now K-Electric Ltd.). The said adjustment shall be shown separately in the consumer bills of March 2015 on the basis of units billed for the month of August 2014.

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


(Syed Safer Hussain)
Registrar

31.12.14

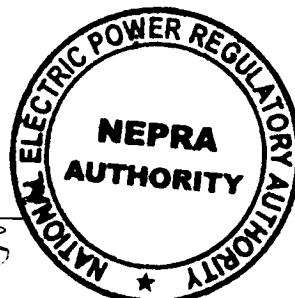


DECISION OF THE AUTHORITY IN THE MATTER OF FUEL CHARGES ADJUSTMENT FOR THE MONTH OF SEPTEMBER 2014 FOR KARACHI ELECTRIC SUPPLY COMPANY LIMITED (NOW K-ELECTRIC)

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 September, 2014 vide its letter bearing reference No. RA&SP/NEPRA/071/282 dated October 21, 2014. The summary of the adjustment request submitted by KESCL is tabulated below;

Tariff Adjustments - Summary	September-14
Variation in Fuel Price	Requested
Own Generation (Million Rs)	47.367
External/PPP (Million Rs)	(229.842)
Total (Rs In Millions)	(182.475)
Total Units Sent Out (GWh)	1483.589
Total Variation Ps/kWh	(12.300)

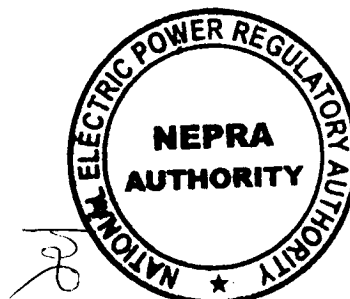
3. KESCL, in its aforementioned request, certified that cost of fuel and power purchase claimed by it did not include any amount of late payment surcharge/mark-up/interest. Further, KESCL also submitted that it dispatches power as per Economic Merit Order from its own generating units (with the available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



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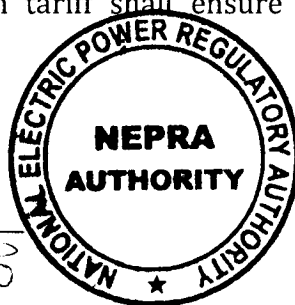


4. Since the impact of FCA, if any, is passed on to the consumers of electricity, therefore, in order to meet the ends of natural justice, the Authority decided to provide an opportunity of hearing to all the concerned while reviewing the fuel charges. Hearing for the aforesaid purpose was held on November 12, 2014 at Marriott Hotel, Karachi; notice thereof was published in the daily newspapers on November 01, 2014 and separate notices were also sent to the major stakeholders on October 31, 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, one of the reason for the claimed variation is increase in the price of furnace oil which increased from Rs.64,718/MTon in the month of June 2014 to Rs. 68,383/MTon in September 2014, although generation on furnace oil decreased from 271.708 GWh in the month of June, 2014 to 212.768 GWh in the month of September, 2014 along-with decrease in the price of gas from Rs.515.23 / MMBTU in June 2014 to Rs.488.23 / MMBTU in the month of September 2014.
6. KESCL further submitted that it has used the gas prices of Rs. 488.23/ MMBTU in its calculation for the current month as compared to Rs. 515.23 / MMBTU in the reference month of June 2014. The difference being the amount of GID Cess of Rs.27/MMBTU previously being charged by SSGCL to KESCL as per the GIDC Act, 2011. The GIDC Act 2011 was amended through the Finance Act, 2014, whereby the rate of Cess to be charged from KESCL, among other companies, has been enhanced to Rs. 100/MMBTU. KESCL, also submitted that Supreme Court of Pakistan in its order dated August 22, 2014, declared the GID Cess illegal, however, in the meanwhile, on September 25, 2014, the President of Pakistan promulgated the GIDC Ordinance 2014 with immediate effect which validated the Cess collected under the GIDC Act, 2011, notwithstanding the judgment or decree of the Court. KESCL submitted that the GIDC Ordinance 2014 has also been challenged in various courts of Pakistan and courts have granted stay on the enforceability of the Ordinance. Accordingly, KESCL has not included the amount of GIDC in its calculations for the month of September 2014.



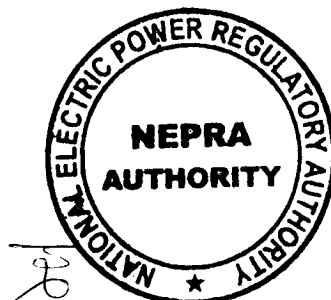


7. In fuel cost component of power purchase cost, KESCL submitted that major reason of the claimed variation is decrease in the fuel cost of energy procured from NTDC, which has decreased from Rs. 7.433/kWh in the month of June, 2014 to Rs. 7.025/kWh in the current month.
8. One of the commentators Mr. Abu Bakar Usman, Director Public Issues, PASBAN submitted that during July to September 2014, KESCL generated around 23.72% of its electricity on Furnace Oil and 76.28% on gas, thus all dependence was on gas. Mr. Usman further mentioned that gas prices have been reduced from Rs. 515.23/MMBTU to Rs. 488.23/MMBTU i.e. 5.24% in the months of July to Sep 2014 as compared to June 2014 on account of GID Cess and the T&D losses allowed to KESCL have also been reduced from 17% in FY 2013-14 to 15% in FY 2014-15. Mr. Usman also submitted that KESCL increased its generation on gas by 5.28% in the current quarter as compared to the last quarter. Mr. Usman was also of the view that due to better hydel flows during the period under discussion, the cost of power purchase to KESCL decreased by 5.63% in July and by 18.15% in the entire quarter as compared to June 2014, however, the reductions proposed by KESCL in its FCA request are not in proportionate with the decrease in cost. He further added that KESCL purchased power from IPPs / other external sources at an average rate of Rs.9.431 / kWh, Rs. 8.679/ kWh and Rs. 8.850/ kWh in the months of July, August & September 2014 respectively, whereas the tariff currently being charged from the Industrial consumers is Rs.14.81/ kWh, which translates into a huge difference of 42.60% between the generation cost and the rate being charged from the Industrial consumers. Mr. Usman submitted that despite of considerably low cost of generation why KESCL is charging around Rs. 15/kWh from industrial consumers.
9. 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.
10. Mr. Anil Mumtaz submitted that as per the approved mechanism, the Authority while approving monthly adjustment in tariff shall ensure that KESCL has dispatched it's all



generation Units in the Economic Merit Order (EMO). The Authority noted that the issue of EMO is already under consideration of the Authority and is being dealt with by the Authority separately.

11. Mr. Mumtaz has also submitted an analysis whereby KESCL is expected to earn a net profit of Rs. 3,918 million for July 2014, due to the huge gap between KESCL's cost of generation and the tariff being charged by KESCL. He also mentioned that during the last sixteen months, prices of furnace oil have increased eight times whereas, KESCL has allowed reductions through monthly FCAs eleven times, which is not understandable. The Authority understands that since the fuel cost variation is worked out on account of both cost and generation mix, therefore, quantum of generation and prices both contributes towards the fuel charges variation. Further the figures / analysis as mentioned 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 that not only include the cost of fuel but other costs as well like the O&M and depreciation costs/capacity charge of KESCL's own generation and power purchases.
12. The Authority has also gone through the comments of Mr. Adil Gillani, Whistleblower Pakistan and has noted that the Authority has already taken cognizance of most of the issues raised in written comments. A list of some of the important issues and action taken by the Authority are as under:
 - i.) The Authority took cognizance of under-utilization and undue load shedding and lastly issued Show Cause Notice under NEPRA (Fines) Rules, 2002 to KE by following due process of law, however, KESCL filed Civil Suit against issuance of Show Cause Notice and the Honorable High Court of Sindh at Karachi has suspended the operation of Show Cause Notice.
 - ii.) The Authority took Cognizance of over-billing/detection billing and issued Show Cause Notice under NEPRA (Fines) Rules, 2002 to KESCL by following due process of law, however, KESCL filed Civil Suit against issuance of Show Cause Notice and the Honorable High Court of Sindh at Karachi has suspended the operation of Show Cause Notice.

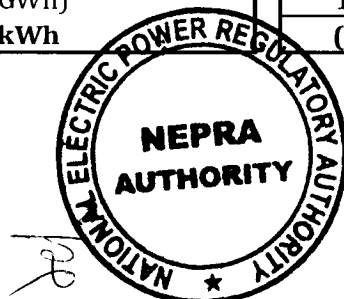


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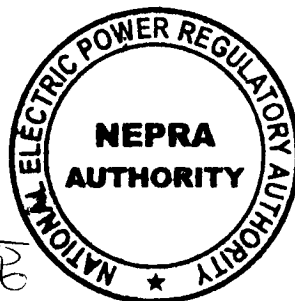
- iii.) The Authority applied the already determined Claw Back Mechanism and determined an amount of Rs. 5,413 million to be shared by KESCL with the consumers for the year 2011-12 and 2012-13, however, KESCL filed Civil Suit against the decision of the Authority and the Honorable High Court of Sindh at Karachi has restrained the Federal Government from notifying the decision of the Authority.
- iv.) The Authority has also taken cognizance of meter rent charged by KESCL across the board and lastly issued Show Cause Notice under NEPRA (Fines) Rules, 2002 and further proceedings in this regard are pending adjudication.
- v.) The Authority took cognizance of hook connections/Kunda issued by KESCL and issued explanation under NEPRA (Fines) Rules, 2002 by following due process of law, however, KESCL has challenged the same by filing constitutional petition before Honorable High Court of Sindh at Karachi and the honorable court has restrained NEPRA from taking any coercive action against KESCL.
- vi.) The issues of corrigendum and purchase of 650 MW by KESCL from NTDC are also pending adjudication in Honorable High Court of Sindh at Karachi and further proceedings will be taken in the light of decisions of the Honorable Court.
13. 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 14 & 15 below.
14. The fuel cost variation of KESCL's own power generation and power purchases from external sources for the month of September, 2014 works out to be minus Rs. 293 million or minus Ps. 19.74/kWh, as per the details tabulated hereunder:

Tariff Adjustments - Summary	September-14	September-14
Variation in Fuel Price	Requested	Allowed
Own Generation (Million Rs)	47.367	54.062
External/PPP (Million Rs)	(229.842)	(346.904)
Total (Rs In Millions)	(182.475)	(292.842)
Total Units Sent Out (GWh)	1483.589	1483.588
Total Variation Ps/kWh	(12.300)	(19.739)



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15. The difference between the requested 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.
16. In the fuel component of the Power Purchase cost, it was noticed that NTDC/CPPA, for the current month invoiced KESCL at Rs. 7.025/kWh and the same was used by KESCL in its request whereas the Authority's approved fuel cost component of NTDC/CPPA, applicable to all XWDISCOs and KESCL, for the current month i.e. September 2014 comes out to be Rs. 6.767/kWh. The variation has been allowed by the Authority on the basis of Authority's approved fuel cost component.
17. 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.
18. 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 2014, the Authority has decided to pass on minus Ps. 19.74/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.





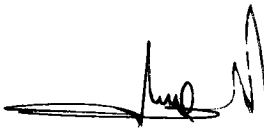
19. The paisa per kWh, rounded off after not allocating its effect on the consumption of life line and agriculture consumers, to be charged by KESCL in the prospective billing month of April, 2015 works out to be minus Ps. 20/kWh and shall be charged by KESCL according to the following schedule;

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
September, 2014	(20)	April, 2015

20. The adjustment as referred to in para 18 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 April, 2015 on the basis of units billed for the month of September, 2014.

Authority


22/11/2014

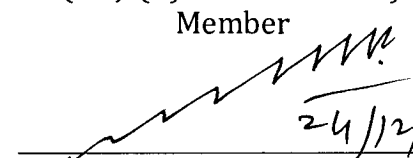
(Khawaja Muhammad Naeem)
Member

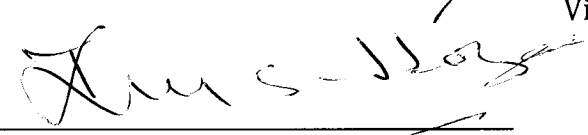
On tour

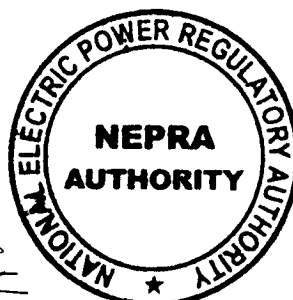
(Maj. (R) Haroon Rashid)
Member

On leave

(Himayat Ullah Khan)
Member


24/12/2014
(Habibullah Khilji)
Vice Chairman


Brig. (R) Tariq Saddozai
(Chairman)



31.12.14

National Electric Power Regulatory Authority



NOTIFICATION

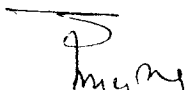
Islamabad, the 31st day of December 2014

S.R.O. 1162 (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) (now K-Electric Ltd.), as notified vide SRO 11(I)/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 2014 in respect of KESCL (now K-Electric Ltd.).

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
September 2014	(20)	April 2015

2. The above adjustment of **minus** Ps.20.00/kWh shall be applicable to all the consumer categories except lifeline and agriculture consumers of KESCL (now K-Electric Ltd.). The said adjustment shall be shown separately in the consumer bills of April 2015 on the basis of units billed for the month of September 2014.

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


(Syed Safer Hussain) 31.12.14
Registrar

