



Registrar

# National Electric Power Regulatory Authority Islamic Republic of Pakistan

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No. NEPRA/TRF-133/KESC-2009/18728-30

January 1, 2016

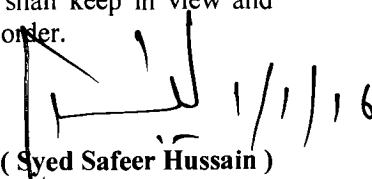
Chief Executive Officer  
K-Electric Limited (KEL)  
KE House, Punjab Chowrangi,  
39 – B, Sunset Boulevard, Phase-II  
Defence Housing Authority  
Karachi.

Subject: **Decision of the Authority in the matter of Fuel Charges Adjustment for the Month of October 2015 for K-Electric Limited and Notification (S.R.O. 01(I)/2016 dated 01.01.2016) Thereof**

Enclosed please find herewith a copy of decision of the Authority (04 pages) in the matter of fuel charges adjustment for the month of October 2015 in respect of K-Electric Limited (formerly Karachi Electric Supply Company Ltd.), along with Notification (S.R.O. 01(I)/2016 dated 01.01.2016) thereof. This is for information and further necessary action.

2. While reflecting the Fuel Adjustment Charges, K-Electric Ltd. shall keep in view and strictly comply with the orders of the court(s), if any, notwithstanding this order.

Enclosure: As above (Decision along Notification is also available on NEPRA's website)

  
( Syed Safer Hussain )

CC:

1. Secretary, Ministry of Water & Power, Islamabad.
2. Secretary, Cabinet Division, Cabinet Secretariat, Islamabad. 7
3. Secretary, Ministry of Finance, Islamabad.
4. Secretary, Privatization Commission, Islamabad.
5. The Registrar, Supreme Court of Pakistan, Islamabad.



**DECISION OF THE AUTHORITY IN THE MATTER OF FUEL CHARGES ADJUSTMENT FOR THE MONTH OF OCTOBER, 2015 FOR K-ELECTRIC LIMITED (FORMERLY 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 (hereinafter referred to as "Act") and as per the mechanism for monthly Fuel Charges Adjustment (hereinafter referred to as "FCA") prescribed by National Electric Power Regulatory Authority (herein after referred to as "the Authority") for K-Electric Limited (hereinafter referred to as "K-Electric") (formerly Karachi Electric Supply Company Limited) 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, the Authority has to review and adjust the approved tariff of K-Electric on account of variation in the fuel charges on monthly basis. These adjustments are allowed in the fuel cost component of K-Electric's own generation as well as its power purchases without taking into account the effect of allowed transmission and distribution losses (hereinafter referred to as "T&D losses").
2. K-Electric submitted its FCA request for the month of October, 2015 (hereinafter referred to as "current month") vide letter No. RA&SP/NEPRA/071/1373 dated November 27, 2015. The summary of the adjustment request as submitted by K-Electric is tabulated below;

<b>Tariff Adjustments - Summary</b>	<b>October-15</b>
<b>Variation in Fuel Price</b>	<b>Requested</b>
Own Generation (Million Rs.)	23.288
External/PPP (Million Rs.)	828.636
<b>Total (Millions Rs.)</b>	<b>851.924</b>
Total Units Sent Out (GWh)	1579.255
<b>Total Variation Ps/kWh</b>	<b>52.470</b>

3. K-Electric, in its aforementioned FCA 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, K-Electric also submitted that it dispatches power as per Economic Merit Order from its own generation units (with the available fuel resources) and import 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 and to arrive at an informed and just decision, the Authority decided to provide an opportunity of hearing to all the concerned stakeholders. The hearing for the aforesaid purpose was held on December 17, 2015 at NEPRA Tower, Islamabad. Notice thereof was published in the daily newspapers on December 05, 2015 and separate notices were also sent to the major stakeholders 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.





5. During the hearing, K-Electric submitted that in its own generation, major reason for the claimed variation is the increase in per unit weighted average fuel cost of generation from Bin Qasim Power Station-I (BQPS-I), which has increased from Rs. 7.124/kWh in reference month of September, 2015 to Rs. 7.180/kWh in the current month. The reason for the aforesaid variation is increase in generation on furnace oil from BQPS-I in the current month which has increased to 53% from 47% in the reference month. In the fuel cost component of power purchase cost, K-Electric submitted that the major reason of the claimed variation is the increase in per unit cost of NTDC from Rs. 3.881/ kWh in the reference month of September, 2015 to Rs. 5.810/kWh in the current month.
6. Mr. Abu Bakar Usman, Director Public Relations PASBAN Pakistan vide his letter received in this office on December 16, 2015 submitted that the public hearing of K-Electric's FCA request for the month of October, 2015 should be held in Karachi along with hearing of K-Electric's quarterly request so that consumers of K-Electric will get ample opportunity to highlight the issues related to the said FCA request. It has been noted that in case of K-Electric, the Authority usually holds monthly FCA hearings in Islamabad and hearings in respect of quarterly tariff adjustment request in Karachi. The Authority observed that there is no mandatory requirement in NEPRA's applicable laws to conduct public hearing for monthly/quarterly adjustments in determined tariff of a utility as the same is done in accordance with an already set/notified mechanism. The Authority, however, in pursuance of the Order of the Honorable Lahore High Court and to arrive at an informed decision, holds public hearings on these requests to ensure public participation, either in person or in writing. For that purpose, public notice is advertised in two daily newspapers with nationwide circulation as well as separate notices are also sent to major stakeholders.
7. Mr. Abu Bakar Usman also submitted that FCA for all XWDISCO's for the month of October, 2015 comes out to be minus Rs. 1.81/kWh whereas K-Electric in its FCA request for the same month has claimed Ps. 53.945/kWh. In this regard the Authority noted that there is a difference in the mechanisms approved to work out the monthly FCA of XWDISCOs and K-Electric. For XWDISCOs, the FCA is calculated as the difference between the projected fuel cost and the actual fuel cost for the month under consideration whereas K-Electric's FCA is computed as the difference between the actual fuel costs of the reference month and current months.
8. Further, Mr. Usman submitted that there is no change in prices of gas and the prices of furnace oil has decreased to Rs. 29,807 per metric ton in the current month from Rs. 30,085 per metric ton in the reference month then why positive variations are being claimed. The Authority noted that as per the approved mechanism, the fuel variations on K-Electric' own generation is computed by comparing the weighted average fuel cost of each power plant. It is rightly noted by the commentator that furnace oil prices have decreased, however, higher generation on furnace oil on Bin Qasim-I, i.e. 53% on furnace oil as compared to 47% in the reference month has given rise to the weighted average cost which has resulted in a positive variation during the current month.

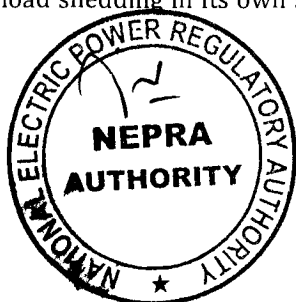




9. Mr. Abu Bakar Usman also submitted that the price of furnace oil in market for the month of October, 2015 is Rs. 28,697 per metric ton as per the attached invoice of BYCO whereas K-Electric has used price of Rs. 29, 807 per metric ton in its FCA request. The Authority observed that the fuel price used by K-Electric is the moving/weighted average cost of the opening stock as well as the purchases made during the month from BYCO and PSO. Hence, deriving the rate of furnace oil merely on the basis of invoice from BYCO without taking into account the cost of PSO and the cost of opening stock of furnace oil is not correct.
10. The information (both of self-generation and power purchased from external sources) submitted by K-Electric vide FCA request for the current month was verified with respective invoices and other relevant documents by the Authority. Few anomalies were observed which are explained at paras 12 & 13 below.
11. The fuel cost variation of K-Electric's own power generation and power purchases from external sources for the month of October, 2015 works out to be Rs. 876.172 million or Ps. 55.48/ kWh, as per the details tabulated hereunder:

<b>Tariff Adjustment - Summary Variation in Fuel Price</b>	<b>October-15 Requested</b>	<b>October-15 Allowed</b>
Own Generation (Million Rs.)	23.288	32.001
External/PPP (Million Rs.)	828.636	844.171
<b>Total (Million Rs.)</b>	<b>828.636</b>	<b>876.172</b>
Total Units Sent Out (GWh)	1,579.255	1,579.255
<b>Total Variation Ps/kWh</b>	<b>53.945</b>	<b>55.480</b>

12. 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./metric ton) on part of K-Electric. The Authority has consistently been using monthly weighted average method to work out the furnace oil rate and has used the same for calculation of fuel charges variations of the current month.
13. In the fuel component of the power purchase cost, the Authority observed that K-Electric used the invoiced rate/fuel cost component of NTDC/CPPA for the current and reference months. Whereas, the Authority's approved fuel cost component of NTDC/CPPA for the respective months has been used to work out the tabulated above variations.
14. Based on analysis of data as submitted by K-Electric, the Authority has noted with grave concern that K-Electric is subjecting its consumers to undue and unauthorized load shedding by continuously underutilizing the available energy of its system (own + external). It is also noted that K-Electric is keeping its own available generation capacity idle relying more on the energy purchased from NTDC. By doing so, K-Electric is not only necessitating the operations of the most expensive power plants in NTDC system but also aggravating the menace of load shedding in its own service territory as well as the whole country. In view thereof, K-Electric is





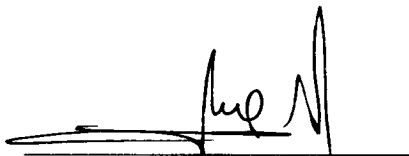
hereby directed to prudently utilize the available energy of its system to eliminate/reduce the load shedding in its territorial jurisdiction and in the whole country.

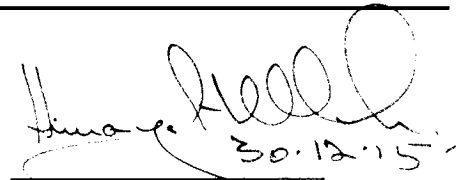
15. In view of the discussion in preceding paragraphs, the Authority has decided to pass on Ps. 56/kWh to the consumers of K-Electric as FCA for the current month. It is to be noted that the aforementioned FCA is being allowed on provisional basis and can be subjected to adjustments if it is found that K-Electric, while dispatching power from the generation sources of its system, has not followed the Economic Merit Order or has failed to utilize its power stations prudently.
16. The paisa per kWh, rounded off after not allocating its effect on the consumption of life line consumers to be charged by K-Electric in the prospective billing month of January, ~~2015~~<sup>2016</sup> works out to be Ps. 56/ kWh and shall be charged by K-Electric 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
October, 2015	56	January, <del>2015</del> 2016

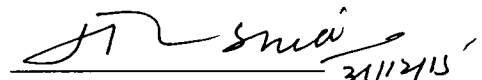
17. The adjustment as referred to in para 16 above:
- i. shall be applicable to all the consumer categories except lifeline consumers of K-Electric; and
  - ii. shall be shown separately in the consumer bills of January, ~~2015~~<sup>2016</sup> on the basis of units billed for the month of October, 2015.

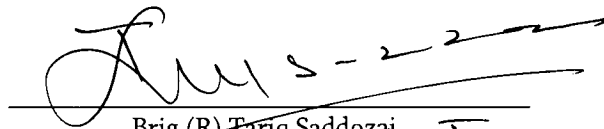
**AUTHORITY**

  
Khawaja Muhammad Naeem  
Member

  
Himayat-Ullah Khan  
Member

  
Syed Masood-ul-Hassan Naqvi  
Member

  
Maj (R) Haroon Rashid  
Vice Chairman

  
Brig (R) Tariq Saddozai  
Chairman



31/12/15  
1-1-2016  
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**To Be Published in  
Official Gazette of Pakistan Part-II**

**National Electric Power Regulatory Authority**

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**NOTIFICATION**

Islamabad, the 1<sup>st</sup> day of January 2016

01 2016  
S.R.O. (I)/2015.- 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 K-Electric Ltd. (formerly Karachi Electric Supply Company Limited), 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 October 2015 in respect of K-Electric Limited.

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
October 2015	56	January 2016

2. The above adjustment of plus Ps.56.00/kWh shall be applicable to all the consumer categories except lifeline consumers of K-Electric Ltd. The said adjustment shall be shown separately in the consumer bills of January 2016 on the basis of units billed for the month of October 2015.

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

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Syed Safer Hussain )  
Registrar  
1/1/2016  
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