



Registrar

# National Electric Power Regulatory Authority Islamic Republic of Pakistan

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No. NEPRA/TRF-133/KESC-2009/17016-21

November 30, 2015

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 September 2015 for K-Electric Limited and Notification (S.R.O. 1179(I)/2015 dated 30.11.2015) 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 September 2015 in respect of K-Electric Limited (formerly Karachi Electric Supply Company Ltd.), along with Notification (S.R.O. 1169(I)/2015 dated 30.11.2015) 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 Safeer Hussain )

CC:

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



**DECISION OF THE AUTHORITY IN THE MATTER OF FUEL CHARGES ADJUSTMENT FOR THE MONTH OF SEPTEMBER 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 September, 2015 (hereinafter referred to as "current month") vide letter No. RA&SP/NEPRA/071/1367 dated October 19, 2015. The summary of the adjustment request as submitted by K-Electric is tabulated below;

<b>Tariff Adjustments - Summary</b>	<b>September-15</b>
<b>Variation in Fuel Price</b>	<b>Requested</b>
Own Generation (Million Rs.)	(403.421)
External/PPP (Million Rs.)	(919.301)
<b>Total (Millions Rs.)</b>	<b>(1322.722)</b>
Total Units Sent Out (GWh)	1520.582
<b>Total Variation Ps/kWh</b>	<b>(86.988)</b>

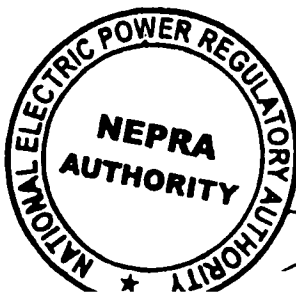
3. K-Electric, in its aforementioned FCA request, certified that cost of fuel and power purchase claimed by it did not include any amount of late payment surcharge/mark-up/interest. Further, K-Electric also submitted that it dispatches power as per Economic Merit Order from its own generation units (with the available fuel resources) and import from external sources. Furthermore, K-Electric submitted that the gas price accounted for in the instant Fuel Charges Adjustment (FCA) request, is according to latest S.R.O dated August 31, 2015 (w.e.f from September 01, 2015) notified by OGRA.
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

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purpose was held on November 20, 2015 at Marriott Hotel, Karachi. Notice thereof was published in the daily newspapers on November 11, 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 own generation, major reason for the claimed variation is the decrease in per unit fuel cost of generation from Bin Qasim Power Station- I (BQPS-I), which decreased from Rs. 9.496/ kWh in reference month of June, 2015 to Rs. 7.124 / kWh in the current month. The aforementioned variation occurred due to the decrease in Furnace oil price, which has decreased from Rs. 44,473 per metric ton in the month of June, 2015 to Rs. 30,085 per metric ton in the current month. However, the impact of negative variation due to decrease in furnace oil price at BQPS-I has somewhat been offset by the increase in gas price, which has increased from Rs. 488.23 per MMBtu in June 2015 to Rs. 600 per MMBtu in the current month. In the fuel cost component of power purchase cost, major reason of the claimed variation is the decrease in per unit fuel cost of NTDC, which has decreased from Rs. 4.631/ kWh in the reference month of June 2015 to Rs. 3.881/kWh in the current month.
6. Written comments were submitted by Mr. Abu Bakar Usman from Pasban Pakistan, Mr. Aneel Mumtaz, Mr. Arif Bilvani and Mr. Anwar Kamal with respect to the monthly/ Quaterly adjustment requests of K-Electric. The same were forwarded to K-Electric vide letter dated November 26, 2015 to submit its response. As no response has been received from K-Electric till date therefore, the Authority has decided to issue the FCA decision of September, 2015 since the Authority feels that any delay in notification of monthly FCA decision especially when there is negative adjustment is not in the favour of the consumers. However issues raised by the commentators shall be addressed in the quarterly adjustment request of K-Electric for the quarter July-September 2015.
7. The information (both of self-generation and power purchased from external sources) as submitted by K-Electric in its FCA request for the current month was checked with respective invoices and other relevant documents by the Authority. Few discrepancies were found which are explained at paras 9 & 10 below.
8. The fuel cost variation of K-Electric's own power generation and power purchases from external sources for the month of September, 2015 works out to be minus Rs. 1,774.651 million or Ps. 116.709/ kWh, as per the details tabulated hereunder:



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<b>Tariff Adjustment - Summary</b>	<b>September-15</b>	<b>September-15</b>
<b>Variation in Fuel Price</b>	<b>Requested</b>	<b>Allowed</b>
Own Generation (Million Rs.)	(403.421)	(707.432)
External/PPP (Million Rs.)	(919.301)	(1067.219)
<b>Total (Million Rs.)</b>	<b>(1322.722)</b>	<b>(1774.651)</b>
Total Units Sent Out (GWh)	1520.582	1520.581
<b>Total Variation Ps/kWh</b>	<b>(86.988)</b>	<b>(116.709)</b>

9. 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) at K-Electric'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.
10. In the fuel component of the power purchase cost, it is noticed that NTDC/CPPA, for the current month invoiced K-Electric at Rs. 3.881/kWh and the same was used by K-Electric in its request, whereas the Authority's approved fuel cost component of NTDC/CPPA, applicable to all XWDISCOs and K-Electric, for the month of September, 2015 comes out to be Rs. 3.553/kWh, which is the main reason for the difference between the claimed and allowed figure of power purchase cost variation for the current month.
11. 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.
12. In view of the discussion in preceding paragraphs, the Authority has decided to pass on minus Ps. 116.709/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 subject 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 not prudently utilized its power stations, the matters which are being dealt with K-Electric separately.



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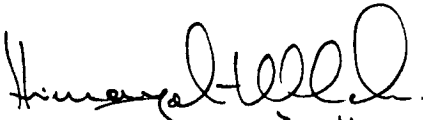
13. The paisa per kWh to be charged by K-Electric in the prospective billing month of December, 2015 works out to be minus Ps. 116.709/ kWh and shall be charged by K-Electric according to the following schedule;

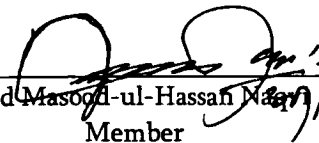
FCA to be calculated on the basis of billing for the month of	Ps/kWh	Charged in consumer bills to be issued in the month of
September, 2015	(116.709)	December, 2015


14. As per the policy Guidelines of Government of Pakistan ("GoP") dated May 21, 2015, the impact of aforementioned FCA of minus PS. 116.709/ kWh for September, 2015 shall not be passed on to the life line consumers, agriculture consumers and domestic consumers, consuming up-to 300 Units. K-Electric is hereby directed to provide the details of units billed to each of these consumer categories in September, 2015 so that the same amount could be adjusted in K-Electric's Schedule of Tariff through quarterly adjustment for the quarter October-December 2015, to ensure reduction in GoP subsidy to the extent of that amount.


**AUTHORITY**

Khawaja Muhammad Naeem  
Member

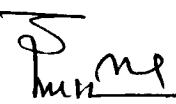
  
Himayat Ullah Khan 30.11.15  
Member

  
Syed Masood-ul-Hassan  
Member

  
Maj (R) Haroon Rashid 30/11/15  
Vice Chairman

  
Brig (R) Tariq Saddozai  
Chairman 27/11/15



  
30.11.15

**To Be Published in  
Official Gazette of Pakistan Part-II**

**National Electric Power Regulatory Authority**



**NOTIFICATION**

Islamabad, the 30<sup>th</sup> day of November 2015

S.R.O. 1179 (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 September 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
September 2015	(116.709)	December 2015

2. The above adjustment of minus Ps.116.709/kWh shall be applicable to all the consumer categories except lifeline consumers, agriculture consumers and domestic consumers, consuming up-to 300 Units of K-Electric Ltd. The said adjustment shall be shown separately in the consumer bills of December 2015 on the basis of units billed for the month of September 2015.

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

  
30.11.15  
(Syed Safer Hussain)  
Registrar

  
30.11.15

