



**Registrar**

**National Electric Power Regulatory Authority**  
**Islamic Republic of Pakistan**

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No. NEPRA/TRF-133/KESC-2009/12909-14

August 31, 2015

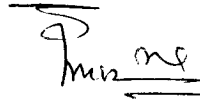
Chief Executive Officer  
K-Electric Limited (KEL)  
KE House, Punjab Chowrangi,  
39 – B, Sunset Boulevard, Phase-II  
Defence Housing Authority  
Karachi.

Subject: **Decision of the Authority in the matter of Fuel Charges Adjustment for the Month of May 2015 for K-Electric Limited and Notification (S.R.O. 862(I)/2015 dated 28.08.2015) Thereof**

Enclosed please find herewith a copy of decision of the Authority (05 pages) in the matter of fuel charges for the month of May 2015 in respect of K-Electric Limited (formerly Karachi Electric Supply Company Ltd.), along with Notification (S.R.O. 862(I)/2015 dated 28.08.2015) 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 Safer Hussain ) 31.08.15

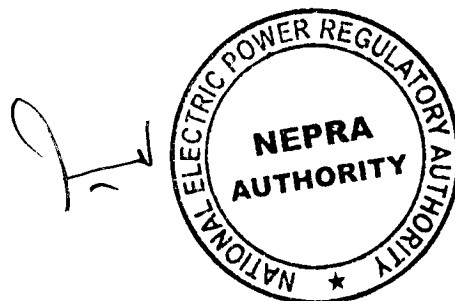
CC:

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.

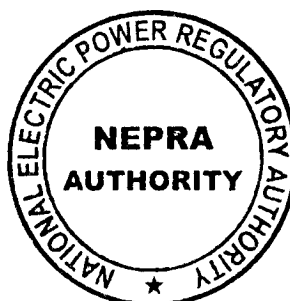
**DECISION OF THE AUTHORITY IN THE MATTER OF FUEL CHARGES ADJUSTMENT FOR THE MONTH OF MAY 2015 FOR K-ELECTRIC LIMITED (FORMERLY KARACHI ELECTRIC SUPPLY COMPANY LIMITED)**

1. Pursuant to the provisions of Section 31(4) of the Regulation of Generation, Transmission and Distribution of Electric Power Act 1997, (XL of 1997) and as per the mechanism for monthly fuel price adjustment prescribed by National Electric Power Regulatory Authority (herein after referred to as "the Authority") for K-Electric Limited (herein 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 revise the approved tariff on account of any variation in the fuel charges on monthly basis. As per the mechanism prescribed by the Authority, K-Electric 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. K-Electric initially submitted its request with regards to adjustment in fuel cost component for the month of May, 2015 vide letter No. RA&SP/NEPRA/071/1339 dated June 30, 2015 based on previous month's rates for the power purchased from NTDC, as power purchase invoice from NTDC for May 2015 was not received by K-Electric till the time of submission of the request. K-Electric, submitted its revised request, based on actual invoice for the power purchased from NTDC for May 2015, vide letter No. RA&SP/NEPRA/071/1340 dated July 06, 2015. The summary of the revised adjustment request submitted by K-Electric is tabulated below;

<b>Tariff Adjustments - Summary</b>	<b>May-15</b>
<b>Variation in Fuel Price</b>	<b>Requested</b>
Own Generation (Million Rs.)	(259.476)
External/PPP (Million Rs.)	(479.384)
<b>Total (Millions Rs.)</b>	<b>(738.860)</b>
Total Units Sent Out (GWh)	1627.658
<b>Total Variation Ps/kWh</b>	<b>(45.394)</b>



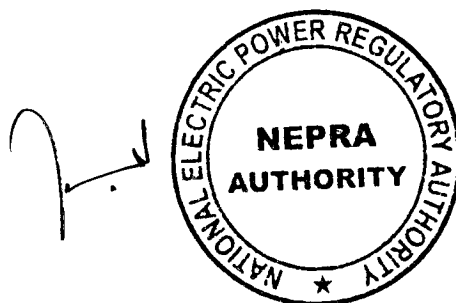

3. K-Electric, in its aforementioned request, certified that cost of fuel and power purchase claimed by it did not include any amount of late payment surcharge/mark-up/interest. Further, K-Electric also submitted that it dispatches power as per Economic Merit Order from its own generation units (with the available fuel resources) and import from external sources.
4. Since the impact of Fuel Charge Adjustment (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 July 28, 2015 at NEPRA Tower Islamabad; notice thereof was published in the daily newspapers on July 23, 2015 and separate notices were also sent to the major stakeholders on July 22, 2015 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, K-Electric submitted that in its own generation, major reason for the claimed variation is the decrease in per unit cost of generation from BQPS-I which decreased from Rs. 8.805/ kWh in March 2015 to Rs. 8.254 /kWh in the current month of May 2015. The reason being the better generation mix whereby, 47% generation in May 2015 was made on gas as compared to only 37.5% in March 2015. K-Electric also submitted that there was no major variation in prices of either Furnace Oil or Gas in May 2015 over the reference of March 2015.
6. In the fuel cost component of power purchase cost, K-Electric submitted that major reason of the claimed variation is decrease in per unit cost of power purchased from NTDC which decreased from Rs. 6.333/kWh in the reference month of March 2015 to Rs. 5.046/kWh in the month of May 2015.
7. Written comments on the issue were received from Mr. Abu Bakar Usman, Director Public Issues, PASBAN vide letter dated July 27, 2015. Mr. Usman submitted that average cost of power purchased from IPPs decreased from Rs. 7.029/ kWh in March 2015 to Rs. 6.12/ kWh in May 2015. Therefore, decrease of Ps. 90.90/ kWh is liable to be passed to consumers as FPA for May 2015.



8. The Authority noted that average cost of power purchased from external sources by K-Electric in the reference month of March 2015 is Rs. 6.828/ kWh instead of Rs. 7.092/ kWh as mentioned by Mr. Usman. Further, amount of variation in Fuel cost of power purchased is worked out by multiplying the difference of the weighted average cost of current month and the reference month with the energy purchased in the current month. The amount so calculated is divided by the total units sent out in the current month to work out the Ps./kWh figure. Thus, by simply taking the difference of weighted average cost of power purchase for the current and reference month to work out fuel cost variation is not correct.
9. 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 and few discrepancies were found as explained at paras 12 & 13 below.
10. The fuel cost variation of K-Electric's own power generation and power purchases from external sources for the month of May, 2015 works out to be minus Rs. 396.930 million or Ps. (24.387)/kWh, as per the details tabulated hereunder:

<b>Tariff Adjustment - Summary</b>	<b>May-15</b>	<b>May-15</b>
<b>Variation in Fuel Price</b>	<b>Requested</b>	<b>Allowed</b>
Own Generation (Million Rs.)	(259.476)	(242.779)
External/PPP (Million Rs.)	(479.384)	(154.151)
<b>Total (Million Rs.)</b>	<b>(738.860)</b>	<b>(396.930)</b>
Total Units Sent Out (GWh)	1627.658	1627.658
<b>Total Variation Ps/kWh</b>	<b>(45.394)</b>	<b>(24.387)</b>

11. 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 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.
12. In the fuel component of the power purchase cost, it was noticed that NTDC/CPPA, for the current month invoiced K-Electric at Rs. 5.046/kWh and the same was used by K-Electric in



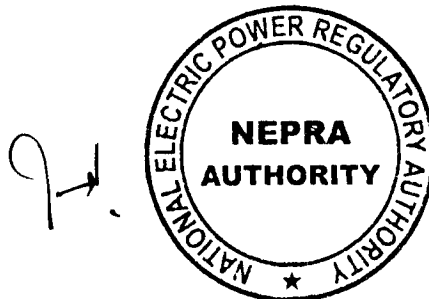

A handwritten signature in black ink, appearing to be "J. Usman", is written to the right of the NEPRA seal.



its request, whereas the Authority's approved fuel cost component of NTDC/CPPA, applicable to all XWDISCOs and K-Electric, for the current month of May 2015 comes out to be Rs. 5.411/kWh, which is the reason for the difference between the claimed and allowed figure of power purchase cost variation. Further, K-Electric has also used Rs. 6.333/kWh for the energy purchased from NTDC during March 2015, as against Rs. 6.0144/ kWh approved by the Authority for XWDISCOs and K-Electric for March 2015.

13. 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). Moreover it was also noted that K-Electric is keeping its available generation capacity idle and relying more on the energy purchased from NTDC. By doing so, K-Electric 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, 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.
14. In order to allow K-Electric variation in fuel cost of its own generation as well as power purchased from external sources for the month of May 2015, the Authority has decided to pass on minus Ps. 24.387/kWh to the consumers of K-Electric as FCA. The current month's variation 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, the matter which is being dealt with K-Electric separately.
15. The paisa per kWh, after rounding off, to be charged by K-Electric in the prospective billing month of September 2015 works out to be minus Ps. 24/kWh and shall be charged by K-Electric according to the following schedule;

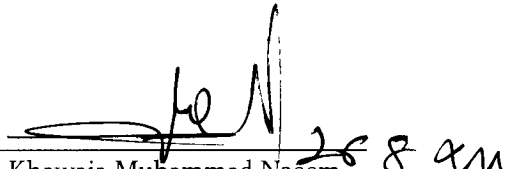
<b>FCA to be calculated on the basis of billing for the month of</b>	<b>Ps/kWh</b>	<b>Charged in consumer bills to be issued in the month of</b>
May, 2015	(24)	September, 2015

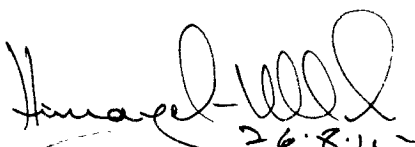




16. Since the impact of FCA of **minus PS. 24/ kWh** for May 2015 is not being passed on to the life line consumers, agriculture consumers and domestic consumers, consuming up-to 300 Units, as per the policy Guidelines of GoP therefore, K-Electric is directed to provide the actual detail of units billed to each of these consumer categories in May 2015 along-with the amount of FCA not being passed on to these consumer categories so that same could be adjusted through K-Electric's quarterly adjustment for the quarter Apr-Jun 2015, to ensure reduction in GoP subsidy to that extent.

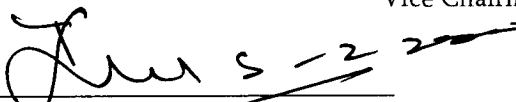
**AUTHORITY**

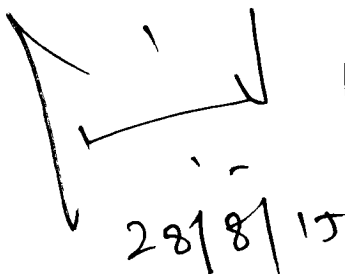
  
Khawaja Muhammad Naeem  
Member

  
Himayat Ullah Khan  
Member

Syed Masood-ul-Hassan Naqvi  
Member

Maj (R) Haroon Rashid  
Vice Chairman

  
Brig (R) Tariq Sadozai  
Chairman

  
28/8/15



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

**National Electric Power Regulatory Authority**



**NOTIFICATION**

Islamabad, the 28<sup>th</sup> day of August 2015

S.R.O. <sup>862</sup> (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 May 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
May 2015	(24)	September 2015

2. The above adjustment of **minus** Ps.24.00/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 September 2015 on the basis of units billed for the month of May 2015.

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

  
( Syed Safer Hussain )  
Registrar

28/8/15

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