



National Electric Power Regulatory Authority
Islamic Republic of Pakistan

Registrar

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August 31, 2015

No. NEPRA/TRF-133/KESC-2009/12916--21

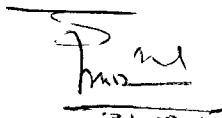
Chief Executive Officer
K-Electric Limited (KEL)
KE House, Punjab Chowrangi,
39 – B, Sunset Boulevard, Phase-II
Defence Housing Authority
Karachi.

Subject: Decision of the Authority in the matter of Fuel Charges Adjustment for the Month of April 2015 for K-Electric Limited and Notification (S.R.O. 863(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 April 2015 in respect of K-Electric Limited (formerly Karachi Electric Supply Company Ltd.), along with Notification (S.R.O. 863(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)


31.08.15
(Syed Safer 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.

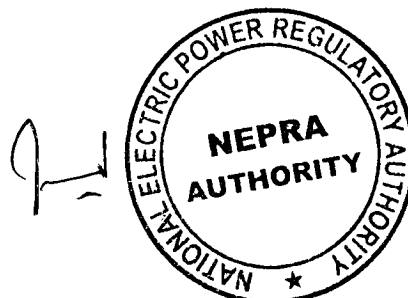


DECISION OF THE AUTHORITY IN THE MATTER OF FUEL CHARGES ADJUSTMENT FOR THE MONTH OF APRIL 2015 FOR K-ELECTRIC LIMITED (FORMERLY KARACHI ELECTRIC SUPPLY COMPANY LIMITED)

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 submitted its request with regards to adjustment in fuel cost component for the month of April, 2015 vide letter No. RA&SP/NEPRA/071/1336 dated May 29, 2015. The summary of the adjustment request submitted by K-Electric is tabulated below;

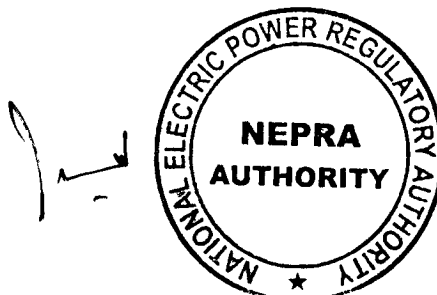
Tariff Adjustments - Summary	April-15
Variation in Fuel Price	Requested
Own Generation (Million Rs.)	(137.811)
External/PPP (Million Rs.)	131.983
Total (Millions Rs.)	(5.828)
Total Units Sent Out (GWh)	1460.455
Total Variation Ps/kWh	(0.399)

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 reasons for the claimed variation is decrease in the prices of Furnace Oil which decreased from Rs. 41,641 per metric ton in the month of March 2014 to Rs. 38,623 per metric ton in the current month although generation on furnace oil has increased from 144.256 GWh in the reference month of March 2015 to 250.321 GWh in the current month.
6. In the fuel cost component of power purchase cost, K-Electric submitted that major reason of the claimed variation is increase in per unit cost of power purchased from NTDC which increased from Rs. 6.333/kWh in the reference month of March 2015 to Rs. 6.599/kWh in the current month of April 2015. However, cost per unit of Tapal and Gul Ahmed decreased from Rs. 8.271/ kWh and Rs. 9.498/ kWh in reference month of March 2015 to Rs. 8.048/ kWh and Rs. 8.891/kWh respectively in the current month.
7. Written comments on the issue were received from Mr. Abu Bakar Usman, Director Public Issues, PASBAN vide letter dated July 27, 2015. A brief of comments submitted by Mr. Usman relevant to FPA is as under;
 - i. Mr. Usman submitted that by dividing the amount of variation of April 2015 i.e. minus Rs. 9.436 Million by the sent out units of April 2015 i.e. 1,460.455 GWh, the answer comes out to be minus Rs. 0.0659/ kWh, as against minus Rs 0.399/ kWh proposed by K-Electric.
 - ii. Mr. Usman also submitted that K-Electric generated 250.321 GWh on furnace oil, in April 2015, at a total cost of Rs. 2,552.411 million, which is Rs. 10.196/kWh as



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compared to generation cost on furnace oil of Rs. 11/kWh for March 2015. Accordingly decrease of Rs. 0.80/ kWh is to be allowed for April 2015.

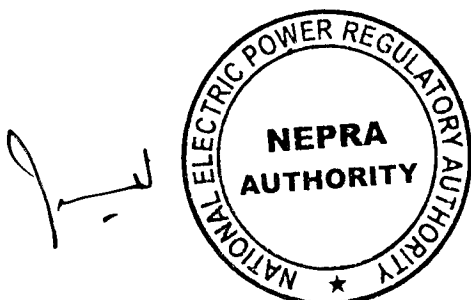
iii. Mr. Usman further submitted that due to decrease in O&M cost of IPPs by Rs. 79.417 million in April 2015 as compared to March 2015, a decrease of Ps. 121/kWh is to be passed on to the consumers.

8. The Authority observed that amount of Rs. 9.436 million mentioned by Mr. Usman is not correct as K-Electric has claimed minus Rs. 137.811 Million on account of FPA for the month of April 2015 for its own generation and not minus Rs. 9.436 million.

9. The Authority noted that as per the approved / notified mechanism of FPA, variation on account of Fuel Price in K-Electric's own generation is worked out by comparing the weighted average cost of K-Electric's each power plant of the current month with that of the reference month, which is then multiplied with the units sent out of respective power plant to work out total amount of variation. Weighted average cost of Bin Qasim Power Station-I (BQPS-I) for April 2015 is Rs. 8.4715/kWh as compared to Rs. 8.8013/kWh for March 2015. This variation of minus Rs. 0.3298 / kWh, translates into minus Rs. 127.031 Million. Accordingly paisa per unit variation works out to be minus Ps. 8.698/ kWh. On the issue of O&M cost of IPPs, the Authority observed that variation in O&M cost of Power purchased by K-Electric is adjusted in K-Electric's quarterly adjustments and therefore cannot be considered under the monthly FPA.

10. 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.

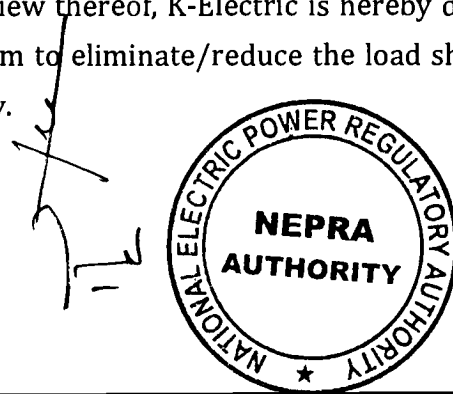
11. The fuel cost variation of K-Electric's own power generation and power purchases from external sources for the month of April, 2015 works out to be Rs. 365.933 million or Ps. 25.057/kWh, as per the details tabulated hereunder:





Tariff Adjustments - Summary	April-15	April-15
Variation in Fuel Price	Requested	Allowed
Own Generation (Million Rs.)	(137.811)	(127.031)
External/PPP (Million Rs.)	131.983	492.964
Total (Million Rs.)	(5.828)	365.933
Total Units Sent Out (GWh)	1460.455	1460.407
Total Variation Ps/kWh	(0.399)	25.057

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/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.
13. In the fuel component of the power purchase cost, it was noticed that NTDC/CPPA, for the current month invoiced K-Electric at Rs. 6.599/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 current month of April 2015 comes out to be Rs. 7.0684/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.
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). 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.

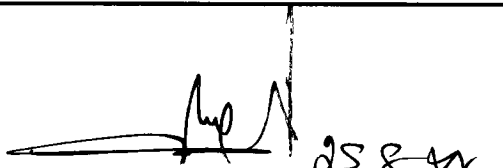


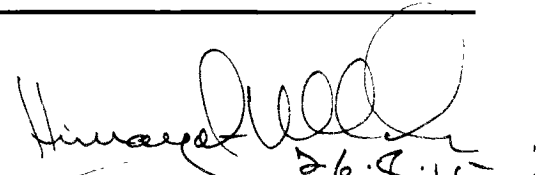


15. In order to allow K-Electric variation in fuel cost of its own generation as well as power purchased from external sources for the month of April 2015, the Authority has decided to pass on Ps. 25.057 /kWh to the consumers of K-Electric as FCA. The current month's variation is being allowed on provisional 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.
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 September 2015 works out to be Ps. 25/kWh and shall be charged by K-Electric according to the following schedule;

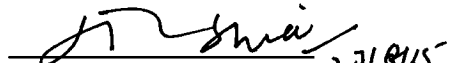
FCA to be calculated on the basis of billing for the month of	Ps/kWh	Charged in consumer bills to be issued in the month of
April, 2015	25	September, 2015

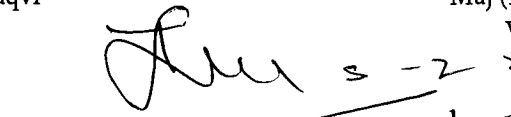
AUTHORITY



Khawaja Muhammad Naeem
Member

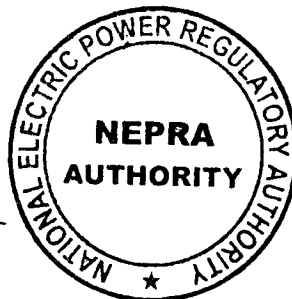

Himayat Ullah Khan
Member

Syed Masood-ul-Hassan Naqvi
Member


Maj (R) Haroon Rashid
Vice Chairman


Brig (R) Tariq Saddozai
Chairman


28-8-15



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

National Electric Power Regulatory Authority



NOTIFICATION

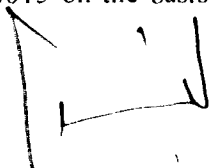
Islamabad, the 28th day of August 2015

S.R.O. ⁸⁶³ (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(1)/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 April 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
April 2015	25	September 2015

2. The above adjustment of **plus** Ps.25.00/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 September 2015 on the basis of units billed for the month of April 2015.

[Case No. NEPRA/IRI-133/KI/SC1-2009(6)]


(Syed Safer Hussain)
Registrar

28/8/15