



Registrar

# National Electric Power Regulatory Authority Islamic Republic of Pakistan

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No. NEPRA/TRF-133/KESC-2009/ 6050-55

May 3, 2016

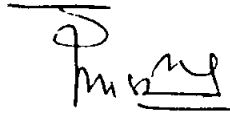
Chief Executive Officer  
K-Electric Limited (KEL)  
KE House, Punjab Chowrangi,  
39 – B, Sunset Boulevard, Phase-II  
Defence Housing Authority  
Karachi.

**Subject: Decision of the Authority in the matter of Fuel Charges Adjustment for the Month of February 2016 for K-Electric Limited and Notification (S.R.O. 385(I)/2015 dated 02.05.2016) 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 February 2016 in respect of K-Electric Limited, along with Notification (S.R.O. 385(I)/2016 dated 02.05.2016) 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 ) 03.05.16

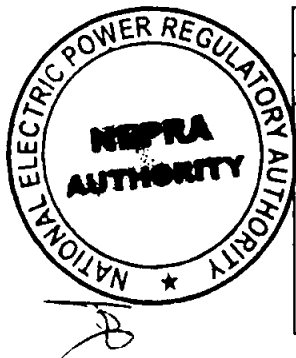
CC:

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 FEBRUARY, 2016 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 the "Act") and as per the mechanism for monthly Fuel Charges Adjustment (hereinafter referred to as "FCA") prescribed by National Electric Power Regulatory Authority (hereinafter referred to as the "Authority") for K-Electric Limited (hereinafter referred to as the "K-Electric"), in case No. NEPRA/TRF-133/KESCL-2009(6) dated December 23, 2009, notified in the official Gazette vide S.R.O No. 11(I)/2010 dated January 01, 2010, the Authority reviews and adjusts 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 from external sources 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 February, 2016 (hereinafter referred to as the "current month") vide letter dated March 23, 2016. The summary of the adjustment request submitted by K-Electric is tabulated below:

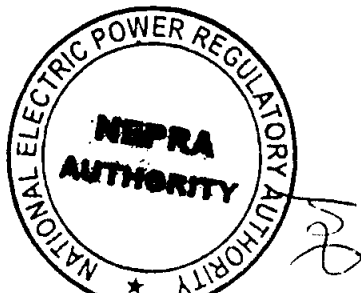


Tariff Adjustments - Summary	February-16
<b>Variation in Fuel Charges</b>	<b>Requested</b>
Own Generation (Million Rs.)	(283.992)
External/PPP (Million Rs.)	(178.549)
<b>Total (Millions Rs.)</b>	<b>(462.542)</b>
Total Units Sent Out (GWh)	1,029.728
<b>Total Variation Ps/kWh</b>	<b>(44.919)</b>

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, directly affects the consumers of K-Electric, therefore, in order to arrive at an informed and just decision, the Authority decided to provide an opportunity of hearing to all the concerned stakeholders. The hearing on the subject matter was held on April 14, 2016 at NEPRA Tower, Islamabad. Public notice thereof was published on April 05, 2016 in two newspapers with nationwide circulation. 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 ensure transparency of the process of hearing.



5. During the hearing, K-Electric submitted that in its own generation, major reason for the claimed variation is the decrease in per unit weighted average fuel cost of generation from Bin Qasim Power Station-I (BQPS-I) from Rs. 6.911/kWh in reference month of December, 2015 to Rs. 5.234/kWh in the current month. The said decrease is triggered by reduction in weighted average price of furnace oil from Rs. 28,206/ metric ton in the reference month to Rs. 19,361/ metric ton in the current month. In the fuel component of power purchase cost, major reason of the claimed variation is the decrease in per unit cost of Central Power Purchasing Agency Guarantee Limited (CPPA-G) from Rs. 4.268/ KWh in the reference month of December, 2015 to Rs. 3.931 /kWh in the current month.
6. During the hearing, Member Energy (Planning Commission) Syed Akhtar Ali inquired that whether NEPRA carries out any third party validation of the data that is submitted by K-Electric in its petition. The commentator also emphasized that the matter of fuel prices, being a sensitive issue, should be subjected to rigorous scrutiny. For that purpose, standard questions should be framed regarding the fuel price requested by the company which should be answered publically as happens in case of tariff determination process of other companies. It is informed that K-Electric along with monthly FCA request submits all the related documents which include invoices, payment vouchers, generation statistics etc and the final figure is worked out and allowed after checking of all the pertinent documents. Regarding the point of framing of questions, the Authority is of the view that usually those issues are framed while determining fresh tariff for power sector utilities. However, for the subject case, the tariff is not being determined rather adjusted in accordance with an already approved adjustment mechanism.
7. Further, regarding the subject matter, comments by Mr. Anwar Kamal from Anwar Kamal Law Associates (AKLA) were received in writing. Mr. Anwar Kamal submitted that K-Electric is underutilizing its own generation from BQPS-I and external power purchase sources i.e. Tapal and Gul Ahmed and instead is drawing 650 MW power from CPPA-G which results in operation of expensive power plants of IPP's like Saif, Sapphire, Orient and Halmore in system of National Transmission and Dispatch Company Limited (NTDC) which is a non-prudent behavior by K-Electric. The Authority noted that it has been directing K-Electric through monthly and quarterly adjustment decisions to prudently utilize the available energy of its system to eliminate/reduce the load shedding in its territorial jurisdiction and in the whole country. K-Electric on underutilizing its fleet capacity was fined in 2009 by the Authority. Further, the Authority from time to time also issued explanations/show cause notices to K-Electric for under-utilization and violations of power purchase agreement with NTDC, however, the same were challenged by K-Electric in the Honorable High Court of Sindh. Recently, on events occurring in June, 2015, K-Electric was issued a show cause notice for which one of the grounds was the underutilization of its available power facilities (both own and external sources). After following the due procedure, K-Electric has been fined by the Authority vide decision dated March 25, 2016 (available on NEPRA's website). In addition to that, an explanation has been served to K-Electric and NTDC for the unauthorized purchase/ sale of power



without any power purchase agreement and the legal proceedings in this regard are currently under process with the Authority.

8. 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. Few deviations were noticed which are explained at para 10 below.
9. The fuel cost variation of K-Electric's own power generation and power purchases from external sources for the month of February, 2016 works out to be around minus Rs. 779.879 million or minus Ps. 75.739/ kWh, as per the details tabulated hereunder:

<b>Tariff Adjustment - Summary Variation in Fuel Charges</b>	<b>February-16 Requested</b>	<b>February-16 Allowed</b>
Own Generation (Million Rs.)	(283.992)	(269.903)
External/PPP (Million Rs.)	(178.549)	(509.976)
<b>Total (Million Rs.)</b>	<b>(462.542)</b>	<b>(779.879)</b>
Total Units Sent Out (GWh)	1,029.728	1,029.699
<b>Total Variation Ps/kWh</b>	<b>(44.919)</b>	<b>(75.739)</b>

10. 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) by K-Electric. The Authority consistently uses monthly weighted average method to work out the furnace oil rate and the same has been used in calculation of fuel charges variations of the current month. The difference in requested and allowed fuel cost of the power purchase is due to the reason that K-Electric in its instant FCA request has used the invoiced fuel component of CPPA-G whereas the allowed variation in power purchase has been worked out using the fuel cost component of CPPA-G approved by the Authority for Ex-WAPDA distribution companies. Further, K-Electric has used the incorrect rate of fuel component for Anoud Power Generation Limited which has been corrected while working out the allowed variation of power purchase to K-Electric.
11. In view of the discussion in preceding paragraphs, the Authority has decided to pass on minus Ps. 75.739/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 the 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, which would have resulted in undue and unauthorized load shedding.
12. The worked out amount of FCA i.e. minus Ps. 75.739/ kWh will be charged by K-Electric in the prospective billing month of May, 2016 according to the following schedule:





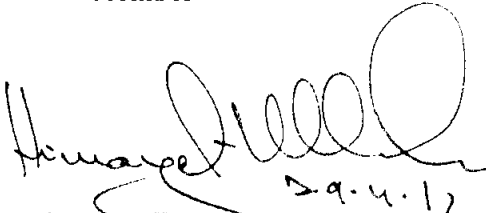

FCA to be calculated on the basis of billing for the month of	Ps/kWh	Charged in consumer bills to be issued in the month of
February, 2016	(75.739)	May, 2016

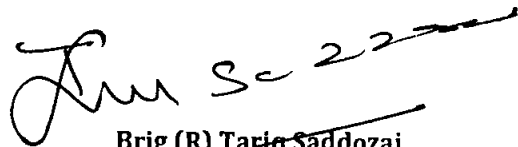
13. In accordance with the policy guidelines issued by Government of Pakistan ("GoP") vide letter dated May 21, 2015, the impact of aforementioned FCA of minus Ps. 75.739/ kWh for February, 2016 shall not be passed on to the life line consumers, agriculture consumers and domestic consumers, consuming up-to 300 Units. K-Electric is hereby directed to provide the details of units billed to each of these consumer categories in February, 2016 so that the same amount could be adjusted in K-Electric's schedule of tariff through quarterly adjustment for the quarter January-March, 2016, to ensure reduction in GoP subsidy to the extent of that amount.

**AUTHORITY**

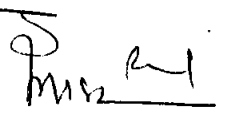
  
Masood ul Hassan Naqvi  
Member

  
Maj (R) Haroon Rashid  
Member

  
Himayat Ullah Khan  
Vice Chairman/Member

  
Brig (R) Tariq Sadozai  
Chairman



  
02.05.16

National Electric Power Regulatory Authority



NOTIFICATION

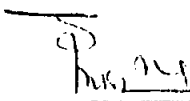
Islamabad, the 2<sup>nd</sup> day of May 2016

S.R.O. 385 (I)/2016.- 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 charges for the month of February 2016 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
February 2016	(75.739)	May 2016

2. The above adjustment of minus Ps. 75.739/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 May 2016 on the basis of units billed for the month of February 2016.

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

  
02.05.16  
(Syed Safer Hussain)  
Registrar

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