



Registrar

National Electric Power Regulatory Authority Islamic Republic of Pakistan

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No. NEPRA/TRF-133/KESC-2009/ 8005-10

May 23, 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 March 2016 for K-Electric Limited and Notification (S.R.O. 433(I)/2016 dated 20.05.2016) Thereof**

Enclosed please find herewith a copy of decision of the Authority (03 pages) in the matter of fuel charges adjustment for the month of March 2016 in respect of K-Electric Limited, along with Notification (S.R.O. 433(I)/2016 dated 20.05.2016) 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)


(Muhammad Ramzan)
Deputy Registrar

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.

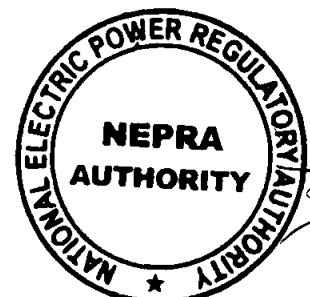


DECISION OF THE AUTHORITY IN THE MATTER OF FUEL CHARGES ADJUSTMENT FOR THE MONTH OF MARCH, 2016 FOR K-ELECTRIC LIMITED (FORMERLY KARACHI ELECTRIC SUPPLY COMPANY LIMITED)

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 March, 2016 (hereinafter referred to as the "current month") vide letter dated April 19, 2016 received in this office on April 25, 2016. The summary of the adjustment request submitted by K-Electric is tabulated below:

Tariff Adjustments - Summary	March-16
Variation in Fuel Charges	Requested
Own Generation (Million Rs.)	(422.137)
External/PPP (Million Rs.)	370.528
Total (Millions Rs.)	(51.609)
Total Units Sent Out (GWh)	1,335.969
Total Variation Ps/kWh	(3.863)

3. K-Electric, in its aforementioned FCA request, certified that cost of fuel and power purchase claimed by it does 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 May 10, 2016 at NEPRA Tower, Islamabad. Public notice thereof was published on May 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.

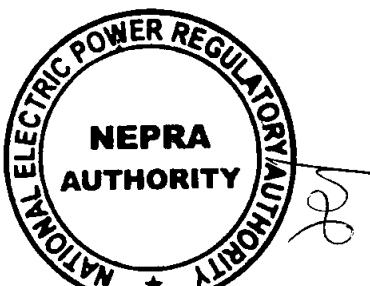




5. During the hearing K-Electric submitted that in its own generation, major reason for the claimed variation is the decrease in per unit weighted average fuel cost of generation in Bin Qasim Power Station-I ("BQPS-I") from Rs. 6.877/kWh in reference month of December, 2015 to Rs. 5.462/kWh in March, 2016. The aforementioned change has occurred due to reduction in weighted average price of furnace oil from Rs. 27,943/ metric ton in the reference month to Rs. 19,458/ metric ton in March, 2016. With regard to the fuel component of power purchase cost, K-Electric submitted that major reason of the claimed variation is the increase in per unit fuel cost of Central Power Purchasing Agency Guarantee Limited (CPPA-G) from Rs. 4.268/ kWh in the reference month of December, 2015 to Rs. 5.542 /kWh in the current month.
6. 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 8 below.
7. The fuel cost variation of K-Electric's own power generation and power purchases from external sources for the month of March, 2016 works out to be around minus Rs. 163.078 million or minus Ps. 12.207/ kWh, as per the details tabulated hereunder:

Tariff Adjustment - Summary Variation in Fuel Charges	March-16 Requested	March-16 Allowed
Own Generation (Million Rs.)	(422.137)	(420.311)
External/PPP (Million Rs.)	370.528	257.233
Total (Million Rs.)	(51.609)	(163.078)
Total Units Sent Out (GWh)	1,335.969	1,335.967
Total Variation Ps/kWh	(3.863)	(12.207)

8. 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 reason for the difference between requested and allowed fuel cost of the power purchase is that K-Electric in its instant FCA request has used the fuel component invoiced by 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.
9. In view of the discussion in preceding paragraphs, the Authority has decided to pass on minus Ps. 12.207/kWh to the consumers of K-Electric as FCA for the month of March, 2016. 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.


10. The worked out amount of FCA i.e. minus Ps. 12.207/ kWh will be charged by K-Electric in the prospective billing month of June, 2016 according to the following schedule:

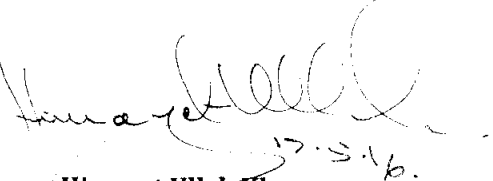
FCA to be calculated on the basis of billing for the month of	Ps/kWh	Charged in consumer bills to be issued in the month of
March, 2016	(12.207)	June, 2016

11. 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. 12.207/ kWh for March, 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 March, 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 Government of Pakistan subsidy to the extent of that amount.

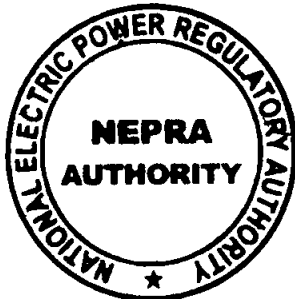
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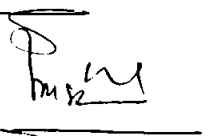

Masood ul Hassan Haqvi
Member


Maj (R) Haroon Rashid
Member


Himayat Ullah Khan
Vice Chairman/Member


Brig (R) Tariq Sadozai
Chairman




20.05.16

To Be Published in
Official Gazette of Pakistan Part-II

National Electric Power Regulatory Authority



NOTIFICATION

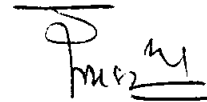
Islamabad, the 20th day of May 2016

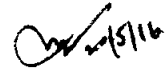
433 -
S.R.O. (I)/2016.- Pursuant to Section 31(4) of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 as amended through Regulation of Generation, Transmission and Distribution of Electric Power (Amendment) Act 2011 and as per the mechanism for monthly fuel price 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 March 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
March 2016	(12.207)	June 2016

2. The above adjustment of **minus** Ps.12.207/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 June 2016 on the basis of units billed for the month of March 2016.

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


(Syed Safer Hussain) 20/05/16
Registrar


20/5/16.

