



National Electric Power Regulatory Authority
Islamic Republic of Pakistan

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**OFFICE OF THE
REGISTRAR**

No. NEPRA/CAD/TCD-09/16608-10

November 13, 2015

Chief Executive Officer
K-Electric Limited
KE House No. 39-B, Sunset Boulevard, Phase-II,
Defense Housing Authority, Karachi.

Subject: **DECISION IN THE MATTER OF COMPLAINT FILED BY MR. JAMAL RASHEED, CHAIRMAN PUBLIC SECTOR UTILITIES, POWER AND GAS SUB-COMMITTEE - KCCI ON BEHALF OF M/S HOMECARE TEXTILE UNDER SECTION 39 OF THE REGULATION OF GENERATION, TRANSMISSION AND DISTRIBUTION OF ELECTRIC POWER ACT, 1997 AGAINST K-ELECTRIC LIMITED REGARDING SPONSORED DEDICATED DISTRIBUTION SYSTEM (SDS) CHARGES**
COMPLAINT NO. KE-178/2015

Please find enclosed herewith the decision of NEPRA regarding the subject matter for necessary action and compliance within thirty (30) days.

Encl: As above


(Iftikhar Ali Khan)
Deputy Registrar

Copy to:

M/s Homecare Textile
D-115, S.I.T.E, Area
Karachi

Mr. Jamal Rasheed
Chairman Public Sector Utilities
Power and Gas Sub-Committee - KCCI,
KCCI Building, Aiwan-e-Tijarat Road
Karachi



BEFORE THE
NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
(NEPRA)

Complaint No: KE-178/2015

M/s Homecare Textile,
Through Mr. Jamal Rasheed, **Complainant**
Chairman Public Sector Utilities,
Power & Gas Sub-Committee-KCCI
KCCI's Building Aiwane-Tijarat Road,
Karachi.

Versus

K-Electric Limited, **Respondent**
(Formerly Karachi Electric Supply Company, KESC)
KE House No.39-B,
Sunset Boulevard Phase-II,
Defense Housing Authority, Karachi.

Date of Hearing: August 04, 2015

Date of Decision: November 12, 2015

On behalf of:

Complainant: 1) Mr. Gulfam (Chief Accountant)
2) Sheikh Nasimuddin (Accountant)

Respondent: Mr. Rafique Ahmed Sheikh, GM (Regulations)

Subject: **DECISION IN THE MATTER OF COMPLAINT FILED BY MR. JAMAL RASHEED, CHAIRMAN PUBLIC SECTOR, UTILITIES, POWER & GAS SUB-COMMITTEE - KCCI ON BEHALF OF M/S HOMECARE TEXTILE UNDER SECTION 39 OF THE REGULATION OF GENERATION, TRANSMISSION AND DISTRIBUTION OF ELECTRIC POWER ACT, 1997 AGAINST K-ELECTRIC LIMITED REGARDING SPONSORED DEDICATED DISTRIBUTION SYSTEM (SDDS) CHARGES**


DECISION

1. This decision shall dispose of the complaint dated February 21, 2015 filed by Mr. Jamal Rasheed, Chairman Public Sector, Utilities, Power & Gas Sub-Committee – KCCI on behalf of M/s Homecare Textile (hereinafter referred to as the “Complainant”) under Section 39 of the Regulation of Generation, Transmission

and Distribution of Electric Power Act, 1997 against K-Electric Limited (hereinafter referred to as the "Respondent" or "KE").

2. The Complainant in his complaint stated that KE issued a letter/notice on December 09, 2013 to them, wherein it was stated that they are using higher load than the sanctioned load of 320 kW. Accordingly, they applied to KE for extension of load from 320 kW to 748 kW on December 20, 2013. In April, 2014, the Complainant was informed by KE that the case is at final stages and until creation of case ID, the security deposit amounting to Rs. 12,36,920/- @ Rs. 2,890 per kW is required to be paid for sanctioning of additional 428 kW load. Accordingly, the Complainant deposited the same on April 15, 2014. The Complainant received case ID and approval letter on April 30, 2014 from KE. The Complainant further added that on May 10, 2014, they received demand notice from KE for payment of Rs.31,95,556/- as service charges (SDDS Charges).
3. The matter was taken up with KE for submission of para wise comments. In response, KE vide letter dated April 14, 2015 reported that a notice was issued to the Complainant on December 09, 2013 against illegal extension of 428 kW load. Thereafter, the Complainant submitted an application on March 31, 2014 for regularization of load. In this regard, a demand notice amounting to Rs. 1,236,920/- (Rs. 2890 Per kW) was issued to the Complainant against security deposit for incremental load of 428 kW which was paid by the Complainant. Further, the Complainant was informed that in order to accommodate the unauthorized extension of load in existing system, sharing cost of new 11kV feeder will be charged to bring down the over loading of the network within permissible limits. He was also informed that these Sponsored Dedicated Distribution System (SDDS) charges are against the rehabilitation and augmentation work, and the same will be carried out by KE to maintain the continuous supply of electricity. Subsequently, an estimate of Rs. 3,199,556/- (Rs. 7466 x 428 kW + Rs. 100/- courier charges + Rs. 8/- bank charges) was worked out and conveyed to the Complainant. KE further informed that if the Complainant does not want to pay system rehabilitation cost then the Complainant has the option to restrain their load within the permissible limits of sanctioned load i.e 320 kW and thereupon KE would return the paid security deposit amount to the Complainant.
4. In order to probe further into the matter, a hearing was held on August 04, 2015 which was attended by both the parties. During the course of hearing, both parties advanced arguments on the basis of their earlier versions.
5. The case has been examined in detail in light of documents made so available by both the parties, arguments advanced during the hearing and applicable law. Following has been observed:
 - i. The Complainant is an industrial consumer of KE with sanctioned load of 320 kW. KE issued a notice to the Complainant on December 09, 2013 wherein it was informed that the Complainant's MDI and billing record reveals that they have been utilizing load higher than the permissible sanctioned load. In response, the Complainant applied to KE for extension of load from 320 kW to 748 kW (i.e. 428 kW net extension) on December 20, 2013. Thereupon, KE issued a demand notice amounting to Rs 12,36,920/- in April, 2014 on account of security deposit, which was paid by the Complainant on April 15, 2014. Later, on May 10, 2014, KE issued another demand notice amounting to Rs. 31,95,556/- on account of SDDS charges @ Rs. 7,466/- per kW for additional 428 kW load.

- ii. KE's Common Distribution System (CDS) and the Complainant's Dedicated Distribution System (DDS) are already available i.e. 1000 kVA transformer with allied material installed at the Complainant's premises which can easily cater to the required additional load of the Complainant i.e. 748kW. Therefore, SDDS charges have no relevance, as CDS and DDS are already available in the area. Further, the consumer is only responsible for payment of DDS charges upto interconnection point. Therefore, issuance of Demand Notice amounting to Rs. 31,95,556/- to the Complainant on account of SDDS charges by KE has no justification and is void & illegal and the same is in violation of NEPRA Consumer Eligibility Criteria, 2003.
- iii. NEPRA made amendments in Consumer Eligibility Criteria, 2003 vide S.R.O No. 308(I)/2011 dated April 14, 2011 and introduced Sponsored Dedicated Distribution System (SDDS) for areas where a Common Distribution System (CDS) does not exist and SDDS is required to be developed for the supply of power for the sole consumption of a specified area and it shall be developed either by the Sponsor itself as per the approved standards of the distribution company or through the concerned distribution company subject to mutually agreed terms and conditions
- iv. As per Section 4 (1) of the Consumer Eligibility Criteria, 2003, it is responsibility of Licensee to carry out the extension and reinforcement in CDS at its own cost. Section 4 (1) also provides that if the extension/reinforcement does not fall within the approved development plan of the Licensee then the Licensee shall arrange for provision of required extension/reinforcement in accordance with the least cost system expansion plan. Furthermore, the Section 4 (3) of Consumer Eligibility Criteria, 2003 envisages that if the applicant offers to deposit the cost to be incurred for extension/reinforcement of the CDS, then the Licensee shall provide the required extension/reinforcement services upon deposit of such costs by the applicant subject to the agreement of the reimbursement of costs incurred by the applicant.
- v. Whereas in contradiction to above, K-Electric has demanded SDDS charges from the Complainant on account of extension of load which is void and illegal.
6. Foregoing in view, the demand notice amounting to Rs. 31,95,556/- issued to the Complainant on account of SDDS charges has no legal justification, therefore KE is hereby directed to withdraw the said demand notice and provide extension of load to the Complainant after fulfillment of all codal formalities.
7. Compliance report be submitted within 30 days.


(Maj. (R) Haroon Rashid) 12/11/15
Member (Consumer Affairs)

Islamabad, November 12, 2015