

List of Issues
Framed for the Public Hearing in the matter of Mid-Term Review of the Multi Year Tariff (MYT) of K-Electric Limited (KEL)

1. KEL has stated that its actual investment was lower than the allowed investment by NEPRA of PKR 203,258 million for the period July 2016 to December 2019. KEL needs to justify its claim that reduction in investment was mainly due to delayed tariff notification. Actual efforts made by KEL specifically for implementing 900 MW and TP (1000 and TP2) be provided.
2. The Authority did not allow KEL additional investment, if it out-performs the regulatory targets in T&D segments. KEL has however stated that it is not claiming additional investment on account of T&D losses and sent-out growth. According to KEL, it's claimed additional investments, are required for safe and reliable supply to its consumers, necessitating a revised overall investment requirement of Rupees 442,783 million (against NEPRA allowed investment of Rupees 298,915 million). What is the criteria used by KEL to categorize investments required to meet regulatory targets or otherwise for reliability of supply. Whether KEL was not required to meet its obligations under Applicable Documents for providing safe and reliable supply and NEPRA allowed investment already catered for that. Whether reliability and T&D losses are mutually exclusive?
3. What is the incentive for KEL to make investments to outperform NEPRA regulatory targets as it failed to achieve NEPRA performance targets while it has claimed additional investments?
4. KEL has also claimed revision in the future targets whereas it has not met the milestones targets up to the Mid-Term. Whether its claims for future adjustments are justified under Mid-Term review petition and whether the Mid-Term Review has been filed as per the scope defined in the MYT determination or otherwise?
5. What will be the impact of CCOE decisions dated 19 June 2020 on the Mid-term review petition?
6. How can KEL prove that investment has been actually made?

Generation

7. The petitioner has stated increase in generation capacity through own and external resources to the tune of 420 MW. Exact details of the said addition in capacity are required to be provided as the same are not traceable from the petition of KEL;
8. Considering the planned additional power supply from national grid to KEL by 2021 and request of KEL to Ministry of Energy for long-term solutions/supply from national grid what will be the fate of the proposed 700 MW imported coal project? Further, what is the exact quantum and timeline of the additional power proposed to be supplied to KEL from the national grid to justify the additional links proposed in the mid-term review petition?
9. Whether the request of KEL to allow additional investment of PKR 2721 Million in terms of Generation Long Term Investment plan is justified bearing in mind the fact that the Authority in its earlier Determinations dated March 20, 2017 and October 09, 2017 disallowed it considering the same unjustified and declared it KEL's commercial decision to be done through its own resources and allowed it to retain the benefits of the improved efficiencies of BQPS-I?
10. Whether the request of KEL to allow additional investment of PKR 16016 Million for O&M purposes is justified bearing in mind that during its MYT petition KEL itself requested PKR 25066 Million for the same and the Authority approved it without any changes? How can KEL justify its request for such substantial increase in the O&M investment?
11. Whether the request of KEL to allow additional investment of PKR 1844 Million in terms of "Impact of Exchange Rate & Inflation is justified?
12. Whether the submission of KEL that delay in tariff finalization resulted in the consequential delay in the implementation of 900 MW BQPS-III project, which resulted in the increased project cost due to impact of Exchange Rate and Inflation is justified? It is pertinent to mention here that KEL itself vide its letter dated September 18, 2017 during MYT submitted the following deadlines for commercial operations of BQPS-III:-

Unit	Simple Cycle	Combined Cycle
Unit-I	July 2018	July 2019
Unit-II	April 2019	December 2019

However the plant is still not operational resulting in unscheduled load shedding. Foregoing in view, whether the Base Rate Adjustment Component needs to be revised? KEL must provide details of additional amount collected due to inclusion of BQPS-III in the MYT;

13. The allowed project cost of USD 730.5 Million for BQPS-III was benchmarked with Haveli Bahadur Shah (HBS) an IPP with H Class gas Turbines having net LHV efficiency of 62.445%. However, KEL has opted for the cheaper F Class Gas Turbines of lower efficiency of 59.23% (which is 3.215% lower than the efficiency of benchmarked IPP of HBS) for the project cost of USD 658 Million. In this scenario, can the claim of KEL that differential of cost allowed by the Authority i.e. USD 730.5 (benchmarked with 62.445% efficient IPP) and actual cost incurred by KEL i.e. USD 658 Million (for 59.23% efficient project) cannot be adjusted in the base rate component of its MYT is justified?
14. Whether the claim of KEL to allow exchange rate variation for BQPS-III on the allowed cost of USD 730.5 Million instead of on the actual cost of USD 658 Million is justified?
15. In terms of MYT KEL was required to invest PKR 87,028 Million till Mid-term of MYT. However, it has invested PKR 11,926 Million only. Does it attract the Para-34.1(XXIII)(vii) of the Determination of the Authority dated July 05, 2018 reproduced as under?:-

“In case of under investment /performance by K-Electric, the base rate adjustment component may be adjusted, keeping in view the amount of Investment allowed vis a vis actual investment made by K-Electric during the period, after thorough analysis and review by the Authority.”

16. What are the planned deadlines of KEL for de-commissioning of Units-3&4 of the BQPS-I?

Transmission

17. Whether the request of KEL for additional investment of PKR 24055 Million for 500kV Grids to off take power from national grid is justified bearing in mind that it has not signed any formal agreement for the same?
18. Whether the request of KEL to allow additional investment of PKR 11, 799 Million in terms of “Impact of Exchange Rate & Inflation is justified?
19. The exact time-line of investment and progress made in the transmission capacity (i.e. increase of 1,200 MVA, through addition of 5 new grid stations, 29 power transformers, and 38 km lines) is required to be provided to justify its claim in this regard;
20. In terms of MYT KEL was required to invest PKR 105,759 Million till Mid-term of MYT. However, it has invested PKR 54,343 Million only and failed to achieve the corresponding targets. Does it attract the Para-34(vii) of the Determination of the Authority dated July 05, 2018 reproduced as under?:-

“In case KEL does not carry out committed investment and does not meet the regulatory benchmarks set in transmission and distribution segment then the base rate adjustment component would be revised accordingly to reflect the under investment made by KEL”.

21. In consideration of the above scenario of under investment by KEL, whether the request of KEL to allow additional investment of PKR 7325 Million for upgrade and rehabilitation of 66kV line in Baluchistan and overall additional investment of 22828 in the name of “Necessary Revision in Scope” is justified bearing in mind that during its MYT petition KEL itself requested total investment of PKR 115773 Million (including PKR 95307 Million for network growth and PKR 20466 Million for overhaul/rehabilitation of the existing network) and the Authority approved it without any changes? How can KEL justify its request for such substantial increase in its proposed investment?

Distribution

22. In terms of MYT KEL was allowed to invest PKR 35,132 Million till Mid-term of MYT. However, it has invested PKR 50,323 Million and failed to achieve the

corresponding targets. Does it attract the Para-34(vii) of the Determination of the Authority dated July 05, 2018 reproduced as under?:-

“In case, KEL does not meet the T&D segments targets and still end up making additional investment then such additional investment would be construed as inefficient for which again no adjustment shall be made in the base rate adjustment component. Thus consumers would be protected from any such decisions with non-attainment of required targets”.

23. In terms of MYT KEL requested the Authority an investment of PKR 73,667 Million till Mid-term of MYT quoting its certain benefits including secure & uninterrupted supply of power and increase in the quality and reliability of supply by reduction in the SAIFI (from 22.21 to 8.03) and SAIDI (from 1330 to 481) around 64%. However, in Mid-term review Petition it has submitted to reduce it to just 45% with a total additional investment of PKR 45,747 Million in the name of “Necessary Revision in Scope”. How can KEL justify it?
24. KEL has requested for additional Capex due to (a). Necessary revision in scope of safety and protection projects (e.g. Earthing & grounding, replacement of bare conductors etc.) and (b). Necessary revision in scope of maintenance projects (e.g. Corrective and preventive maintenance, Rehabilitation of ABC Projects etc.). In this regard, it is considered that the said aspects of safety, protection and maintenance fall in the scope of routine matters and should be covered within the allowed cost. Foregoing in view, whether the request of KEL to allow additional investment of PKR 45,747 Million in the name of “Necessary Revision in Scope” for Distribution Segment is justified bearing in mind that during its MYT petition KEL itself requested PKR 73, 667 Million against certain improvements mentioned Para-26.23 of the Determination of the Authority dated March 20, 2017 and the Authority approved it without any changes? How can KEL justify its request for such substantial increase in the investment against the same improvements? What is the rationale for such revision of scope?
25. In the distribution segment KEL has stated that 750 km of HT lines over 300 feeders and 5,400 PMTs have been deployed in its distribution system. Year

wise progress details of the same is required to be provided to justify the said claim to be considered. Further, KEL has mentioned 56% reduction in transformer tripping from June 2016 to December 2019. How this claim can be justified as during the said period KEL has been penalized for frequent tripping of the system including failure of transformers?

26. At one end KEL has claimed adding 677,735 new consumers resulting in additional requirement of 996 MW on the other hand it claims 24% reduction in unserved energy. How this claim can be correlated considering the lack in required addition in capacity and the obvious load shedding in KEL area?

27. Whether the request of KEL to allow additional investment of PKR 7,754 Million in terms of "Impact of Exchange Rate & Inflation is justified?"

Working Capital

28. KEL claims considerable (4.1%) improvement in recovery ratio of its receivable and at the same time it is asking for more in the head of working capital. How the said facts are correlated? Whether receivables from Government entities can be termed as 'uncontrollable'. Consequently, whether KEL request for additional working capital is justified?

Other factors Beyond KEL Control

29. Whether actualization of fixed charges compared to projected fixed charges by NEPRA as part of quarterly tariff adjustment for the July 2016 to December 2019, may be linked to KEL's request for revision in sent out growth projections? Justification may be provided with a view that KEL made presentation to a Committee constituted by CCOE on a rationalized growth rate of 4.7%?

30. Does the KEL's request for adjustment in the assumed Debt/Equity ratio merits consideration, keeping in view that the Authority already decided this issue in the MYT?

31. Whether request for revision in cost of debt and Normal cost of working capital are justified?