

Government of Pakistan  
Ministry of Energy  
Power Division

No. F. 4(1)/2021-Policy

Islamabad, 14<sup>th</sup> September, 2021

The Registrar,  
NEPRA, Islamabad

Subject: FEDERAL GOVERNMENT MOTION WITH RESPECT TO RECOMMENDATION OF EXTENSION OF INCREMENTAL CONSUMPTION PACKAGE FOR K-ELECTRIC INDUSTRIAL CONSUMERS

Economic Coordination Committee (ECC) of the Cabinet approved the proposal of Power Division vide case No ECC-310/27/2021 dated 16<sup>th</sup> August 2021 wherein, the incremental consumption package for industrial consumers of the K-Electric has been extended with the direction to NEPRA for verification of marginal cost of K-Electric and provision of appropriate adjustment mechanism. The summary along with the decision is attached as **Annex-A**

2. The above decision of the ECC has also been ratified by Cabinet vide Case No. 773/27/2021 dated August 24, 2021 and same is placed at **Annex-B**.

3. In view of above and pursuant to, inter alia, Section 7 & 31 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, the Authority is requested to verify/determine the marginal cost of K-Electric and provide appropriate adjustment mechanism to implement incremental consumption package for industrial consumers of K-Electric for subsequent notification by the Federal Government.

*Ehtisham*  
14/09/2021

(M. Ehtisham ul Haq)  
Section Officer (Policy)

Tajir Division Record  
By No: 5493  
Date: 16-9-21  
REGISTRAR  
By No: 15185  
Date: 15/9/21

*For info & n. a. P?*  
*16/9 - ADG CT*  
*copy to:*  
*- SA (Tech)*  
*- SA (M&E)*  
*- DRO - I*  
*- LA (KIP)*  
*- M.F.*  
*cc:*  
*Chairman*  
*- v.c/m (M&E)*  
*- m (CA/T)*  
*- m (Ops)*  
*N 15/9/21*



# SECRET

Item No.3

Case No.ECC-310/27/2021

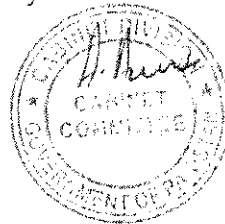
Dated: 16<sup>th</sup> August, 2021

APPROVAL FOR EXTENSION OF INCREMENTAL CONSUMPTION PACKAGE FOR K-ELECTRIC INDUSTRIAL CONSUMERS, ABOLISHMENT OF TOU TARIFF SCHEME FOR INDUSTRIAL CONSUMERS OF XWAPDA DISCOs & K-ELECTRIC AND APPLICATION OF INCREMENTAL CONSUMPTION PACKAGE FOR B1 (NON TOU) CONSUMERS OF XWAPDA DISCOS AND K ELECTRIC

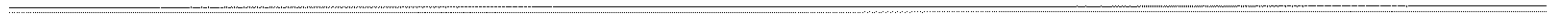
## DECISION

The Economic Coordination Committee (ECC) of the Cabinet considered the summary dated 9<sup>th</sup> August, 2021 submitted by the Power Division titled "Approval for Extension of Incremental Consumption Package for K-Electric Industrial Consumers, Abolishment of TOU Tariff Scheme for Industrial Consumers of XWAPDA DISCOs & K-Electric and application of Incremental Consumption Package for B1 (Non TOU) Consumers of XWAPDA DISCOs and K-Electric" and approved the proposals at Para 8 of the Summary.

\*\*\*



*me*  
14/09/2021



F. No.4(01)/2021-Policy  
Government of Pakistan  
Ministry of Energy (Power Division)

**SUMMARY FOR THE ECC OF THE CABINET**

Subject: **APPROVAL FOR EXTENSION OF INCREMENTAL CONSUMPTION PACKAGE FOR K ELECTRIC INDUSTRIAL CONSUMERS, ABOLISHMENT OF TOU TARIFF SCHEME FOR INDUSTRIAL CONSUMERS OF XWAPDA DISCOS & K ELECTRIC AND APPLICATION OF INCREMENTAL CONSUMPTION PACKAGE FOR B1 (NON TOU) CONSUMERS OF XWAPDA DISCOS AND K ELECTRIC**

Economic Coordination Committee (ECC) on 2<sup>nd</sup> Nov 2020 (**Annex-I**) approved support package for industrial electricity consumers at rate of Rs 12.96/Kwh and approved its application for **ToU industrial consumers of Ex WAPDA DISCOs (XW-DISCOs)** from Nov-20 till Oct-23. However, the applicability of the same for industrial consumers of **K-Electric** was limited **till 30<sup>th</sup> June-2021 (Annex-I)**. The decision for K-Electric is reproduced as under:

*"Discount of Rs. 4.96/kWh from the base rate, will be offered for industrial consumer categories (B1, B2 & B3) from 1<sup>st</sup> November 2020 to 30<sup>th</sup> June 2021 for off-peak hours on incremental consumption in corresponding months of the period March 2019 to February 2020. In this case, an estimated subsidy requirement for K-electric shall be approximately Rs 7 billion which shall be provided by the Finance Division from COVID Economic Stimulus Package on actual consumption basis for each month."*

2. The Federal Cabinet ratified the above-mentioned decision, with inclusion of industrial consumer category B4 and B5 for K-Electric at rate of Rs. 12.96/Kwh with applicability w.e.f Nov 2020 till June 2021 (**Annex-II**).
3. Incremental consumption package for industrial consumers yielded an average growth of 9.9% in off-peak hours during the period from Nov-20 to Apr-21 against the reference months. K-Electric has witnessed higher incremental sales growth compared to XW-DISCOs (**Annex-III**). At the same time, the spurred growth of industrial consumption, on account of the offered incentive scheme, also showed positive correlation with the economic indicators of the country.
4. Extension of incremental consumption package for industrial consumers of K-Electric requires consideration of, inter-alia, technical and commercial dynamics of power system. With planned addition of BQPS III power plant in KE's fleet and additional supply of power from the national grid, KE expects to meet the incremental growth without any load management. However, extreme weather conditions and exceptional growth scenario may result in constrained load shedding for K-Electric consumers.
5. At present, the marginal cost of K-Electric (as provided by K-Electric at existing fuel prices) is Rs. 14.61/kwh. Accordingly, extension of incremental consumption package for industrial consumers of K-Electric, at the rate of Rs. 12.96 /kwh (as approved by Cabinet under incremental consumption package for industrial consumers of XW-DISCOs till Oct-23) will generate a subsidy requirement of approximately Rs. 11.2 bln. from Jul-21 till Oct-23, on account of difference between the K-Electric's

*me*  
14/09

proposed marginal cost of Rs. 14.61/kwh and approved rate of Rs. 12.96 /kwh for XW-DISCOs. It is pertinent to mention here that the existing tariff for K-Electric is based on price cap mechanism with multi-year horizon.

6. In addition to Industrial Support Package for incremental consumption as above, Cabinet Committee for Energy (CCoE) on 15th April 2021 approved abolishment of Time-of-Use tariff scheme for industrial consumers and extended the existing TOU tariff package from **1st May 2021 to June 2022** with the subsequent evaluation in May 2022 across the country (**Annex-IV**). Approval also reflected that abolishment of ToU tariff scheme for industrial consumers of both K-Electric & XW-DISCOs will generate a cumulative subsidy requirement of Rs. 26 Bln **from May-21 till Jun-22** (**Annex-V**). Following CCoE decision, the petition was filed with NEPRA by the Power Division (**Annex-VI**) & K-Electric (**Annex-VII**). With respect to the recommendations of CCoE, NEPRA shared its decision on the proposals regarding the extension of Time-of-Use (ToU) tariff scheme till 30th June, 2022, for industrial consumers of XW-DISCOs & K-Electric (**Annex-VIII**).

7. NEPRA in its decision dated 17<sup>th</sup> June, 2021, (**Annex-VIII**) also extended incremental consumption package to B-1 (non-ToU) industrial consumers of both XW-DISCOs & K-Electric. Keeping in view the direction in field for conversion of Industrial Non-ToU consumers to ToU metering arrangement, the incremental consumption package may be extended to B1(Non-ToU) consumers till Dec-21 with the provision that such conversion shall be completed by Dec-21. For XW-DISCOs, the incentivized rate for incremental consumption is subsidy neutral however, for K-electric consumers, implementation of this package for B1 (Non-ToU) consumers will generate an estimated subsidy requirement of Rs. 4.1 Mln. till Dec-21 with reference to the claimed marginal cost of Rs. 14.61 /kWh.

8. In view of the above, ECC may consider approval of the following proposals

- A. Rate of Rs 12.96 / Kwh shall be charged to industrial consumer categories (B1, B2, B3, B4 & B5) of K-Electric from 1st July, 2021 to 31st October, 2023, for off-peak incremental consumption basis over their consumption in corresponding months of period March 2019 to February 2020. New consumers having no reference consumption available in period of March 2019 to February 2020 shall be offered the same package through slab-wise consumption structure (**Annex-IX**). The package will be applicable to all hours of the day, during the period in which time of use tariff for industrial users remains discontinued.
- B. Budget the additional cumulative subsidy of approx. Rs. 11.2Bln. on account of difference of Rs 12.96 /kwh and claimed marginal cost of Rs 14.61 /kwh, for extension of incremental consumption package for industrial consumers K-Electric (1st July 2021 till 31st October 2023). The marginal (variable) cost of Rs 14.61 /kWh, to be utilized for computation of subsidy, shall be verified by NEPRA. Further, NEPRA shall provide appropriate mechanism for adjustment, keeping in view existing NEPRA determinations for K-Electric.
- C. For Industrial Consumers of K Electric & XWAPDA DISCOs, , only positive fuel price adjustments shall be passed on incremental consumption to the consumers availing the incremental consumption package.
- D. Rate of Rs. 12.96 /Kwh shall be charged to existing B1 (Non-ToU) industrial consumers of XW-DISCOs & K-Electric from 1st July, 2021 to 31st December, 2021 for incremental consumption basis over their consumption in corresponding months of period July 2019 to December 2019. B1 (Non-ToU) consumers having no reference consumption available in period of July 2019 to December 2019 shall be offered the same package through slab-wise consumption structure (**Annex-IX**).

- E. Existing B1 (Non-ToU) consumers converting to ToU metering arrangement, shall be offered the same package at the concessionary rate of Rs. 12.96/Kwh for off-peak incremental consumption through slab-wise consumption structure (Annex-XII) till the applicability of incremental consumption package for XW-DISCOs and K-Electric respectively. The package will be applicable to all hours of the day, during the period in which time of use tariff for industrial users remains discontinued.
- 
- F. Budget the cumulative subsidy of approx. Rs. 4.1 Mln. as a result of application of incremental consumption package for B1 (Non-ToU) industrial consumers of K-Electric (1st July 2021 till 31st December 2021).
- G. For Zero Rated Industrial (ZRI) consumers categories, the incremental consumption package shall not be applicable from FY 22.
- H. The subsidy requirement for extension of industrial packages has been computed using existing applicable tariffs for industrial consumers, and any increase/amendments in tariff would lead to change in subsidy requirements. Resulting subsidy amount on account of extension of incremental consumption package & time of use tariff scheme, shall be reconciled every month on actual basis between Power Division and Finance Division, the same shall be timely paid by the Finance Division.
- I. Actual subsidy realized for given proposals shall be independent of all the other budgeted subsidies for the power sector.
9. Summary was circulated to Finance Division, NEPRA, KE and CPPA for Comments. K-Electric has suggested to increase the subsidy from Rs 11.2 Billion to Rs 32.87 Billion for the period July 2021 to October 2023. For B1 non ToU consumers they have proposed subsidy of Rs 20 million instead of Rs 4.1 million (Annex-X). Finance Division has observed that the proposed industrial package may be kept within the approved subsidy allocation and additional requirement for subject subsidy for FY 2022-23 and FY 2023-24 will be considered at the time of budget preparation for the respective fiscal year (Annex-XI). Response of NEPRA is attached at Annexure XII.
10. Approval of the ECC of the Cabinet is solicited for the proposals contained in para 08 above.
11. Minister for Energy has seen and authorized submission of the summary.

(Ali Raza Bhutta)  
SECRETARY

Islamabad, 9<sup>th</sup> August, 2021

  
14/09





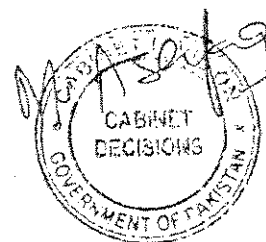
Case No. 773/27/2021 Dated: 24.08.2021	<b>Ratification of the Decisions Taken by the Cabinet Committee on Economic Coordination Committee (ECC) in its Meeting Held on 16.08.2021.</b>
Presented by: Cabinet Division	

### DECISION

The Cabinet considered the summary titled '**Ratification of the Decision Taken by the Economic Coordination committee (ECC) of the Cabinet in its meeting held on 16.08.2021**' dated 23<sup>rd</sup> August, 2021, submitted by the Cabinet Division, and ratified the decision taken by ECC in the following cases:

S. No.	Title	Divisions
1.	Continuation of Concessional Rates of Electricity and RLNG to Export Oriented Sectors	Commerce
2.	Non-Payment of GST and Fixed Charges by Agriculture Tube Well Consumers in Punjab, Sindh and KPK	Power
3.	Approval for Extension of Incremental Consumption Package for K-Electric Industrial Consumers, Abolishment of TOU Tariff Scheme for Industrial Consumers of XWAPDA DISCOs & K-Electric and application of Incremental Consumption Package for B1 (Non TOU) Consumers of XWAPDA DISCOs and K-Electric	Power

\*\*\*\*\*



*Handwritten signature*  
14/09

