



Engr. Mazhar Iqbal Ranjha,  
Registrar,  
National Electric Power Regulatory Authority (NEPRA),  
NEPRA Tower, Attaturk Avenue,  
G-5/1, Islamabad.

Ref No. KE/RA&GR/NEPRA/2023/411

Forwarded please:

For nec action

for information

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9. LA	10. Dir. (IT)

For kind information please

1. Chairman

2. M (Tech.)

3. M (Lic.)

4. M (Trf. & Fin.)

**SUBJECT: COMMENTS ON APPLICATIONS FILED BY RASHAKAI SPECIAL ECONOMIC ZONE DEVELOPMENT AND OPERATIONS COMPANY (RSEZDOC) FOR GRANT OF DISTRIBUTION & ELECTRIC POWER SUPPLIER LICENSE**

Dear Sir,

This is with reference to notice for comments published on NEPRA website regarding the application filed by Rashakai Special Economic Zone Development and Operations Company (RSEZDOC) ('Applicant') for grant of Electric Power Supplier License ('Application').

In this regard, KE would like to place on record its comments in the subject matter, as similar applications may be filed by other entities within KE's service territory, and hence would request for Honorable Authority's kind consideration.

**a) Procurement of Power from Competitive Supplier and Supplier of Last Resort (SoLR) Simultaneously**

KE understands that the existing Notified Regulatory Framework does not allow the arrangement where a BPC can procure electric power from SoLR and from a Competitive Supplier at the same time i.e., once an eligible consumer opts for open market, such a consumer remains no longer part of the regulated market and this arrangement is prohibited under Regulation 4(f) and 6 of the NEPRA Consumer Eligibility Criteria (Electric Power Suppliers) Regulations, 2022.

Moreover, as per the current Notified Regulatory Framework, a consumer of a Competitive Supplier shall only be eligible to get supply from SoLR either when the Competitive Supplier has defaulted in its obligation to supply power and a notice of termination of the arrangement between the eligible consumer and Competitive Supplier has been served by such eligible consumer, or the eligible consumer has terminated the arrangement with the Competitive Supplier in accordance with the bilateral supply agreement between the Competitive Supplier and such eligible consumer.

Therefore, it is humbly requested that supply from SoLR cannot be procured if a BPC opts for a Competitive Supplier under the existing Notified Regulatory Framework.

**b) Supplier-to-Supplier Sale of Electric Power**

Emphasis is humbly drawn to regulation 9 (9) of the NEPRA Licensing (Electric Power Supplier) Regulations 2022, which disallows sale transactions between electric power suppliers. Relevant excerpt reproduced below for ease of reference:

REGISTRAR OFFICE  
Diary No. 9623  
Date: 27/6/23

*An electric power supplier shall not sell electric power to any other electric power supplier except as may be required for settlement of imbalances in accordance with the Commercial Code.*

Accordingly, it is humbly requested that all such applications seeking such arrangements, which involve sale/purchase of electric power transactions between different electric power suppliers are holistically evaluated in line with the applicable regulatory provisions to ensure consistency and compliance.

**c) BPCs as consumers eligible to opt for supplier of their choice under the existing notified regulatory framework**

As per the NEPRA Act, consumer is defined as 'person or his successor-in-interest **who purchases or receives electric power for consumption and not for delivery or re-sale to others**, including a person who owns or occupies a premises where electric power is supplied';.

Under the existing Notified Regulatory Framework, Bulk Power Consumers (BPC) are eligible to opt for supplier of their choice. In this regard, it is humbly submitted that as per the NEPRA Act a BPC is defined as '**a consumer who purchases or receives electric power, at one premises, in an amount of one megawatt or more** or in such other amount and voltage level and with such other characteristics as the Authority may specify and the Authority may specify different amounts and voltage levels and with such other characteristics for different areas.'

Accordingly, it is humbly requested that a holistic evaluation is made in respect of all applications pertaining to one point supply in alignment with the applicable regulatory framework and the approved CTBCM design.

**d) Stranded Cost and Cross-Subsidy Surcharge**

Under the existing Notified Regulatory Framework, only BPCs i.e., consumers with load 1MW or above are eligible to enter into a bilateral contract with a Competitive Supplier. As per the Indicative Generation Capacity Expansion Plan (IGCEP) approved by NEPRA in February 2023, it is envisaged that the generation capacity surplus based on peak demand, which is around 12,000 MW (as of 2022), will increase to around 25,000 MW by 2031. Accordingly, once an eligible consumer opts to shift from the regulated market to the non-regulated market, this would result in stranded costs. Therefore, allowing eligible consumers / BPCs to procure power through bilateral contracts or directly from the market without any recovery of costs arising due to advent of open access / stranded costs, would exacerbate the issue of idle capacity and further increase the cost for regulated consumers, as long-term capacity commitments have already been made/planned.

Moreover, it is pertinent to highlight that under the GoP's existing policy for consumer-end tariff, high-end consumers including BPCs cross-subsidize low-end consumers. By allowing BPCs (*currently eligible consumers to enter into bilateral contract with supplier of their choice*) to procure power directly from the market, BPCs will be able to avoid cross-subsidy payments. Here, it is also important to note that the cross subsidy is a social obligation imposed on DISCOs and KE as per GoP policy and has no nexus with the efficiency or performance of DISCOs or KE.



In this regard, attention is drawn to Para 5.6.7 of the National Electricity Policy 2021 and Principle (vi) of the CCoE approved principles for Competitive Markets, which state that the Regulator will provide for recovery of costs arising due to advent of the competition, as decided by the Government. *(Relevant extracts reproduced below for ease of reference)*

***National Electricity Policy (5.6.7)***

*The Regulator will provide for recovery of costs arising on account of distributed generation and open access in the consumer-end tariff, as decided by the Government. Further, the Government may announce, from time to time, various concessional packages to incentivize additional consumption to minimize such costs.*

***CCoE Approved Principles for establishing Competitive Wholesale Market (vi)***

*The Regulator should account for stranded fixed costs that arise due to advent of the competition. The Federal Government should decide whether such costs will be paid through Government subsidy or otherwise charged to consumers through regulatory process (Accounting for fixed costs that become stranded)*

In view of the above, KE humbly requests the Honorable NEPRA Authority that to avoid any additional cost to regulated consumers, a mechanism is devised and finalized in consultation with all stakeholders to ensure recovery of costs associated with opening up of the market including stranded costs and lost cross subsidy surcharge, which would be critical to send the correct signal to the market as well as facilitating a sustainable transition towards open markets.

**e) CTBCM Model as a single framework for Open Market / Bilateral Transactions**

It is humbly submitted that the CTBCM Model should be the single framework for all bilateral / open market transactions. KE understands that as per the approved CTBCM design, competition is to be introduced at the supply end, and network of existing network licensees shall be utilized to wheel the power. Accordingly, laying of new / additional network by another network operator in jurisdictions where a network already exists will not be prudent.

Therefore, KE humbly requests that while competition / choice of supplier is for supply business, for the purpose of open market / bilateral transactions, network of the existing network licensee for the particular service area should be utilized for wheeling of power in accordance with NEPRA Open Access Regulations, 2022.

The CTBCM model is a major change to Pakistan's power sector landscape, aimed at bringing efficiency in the power sector and structural changes directed towards development of an efficient liquid power market. KE appreciates market reforms for an efficient competitive power market and is confident that appropriate regulatory and policy decisions for implementation as envisaged under the National Electricity Policy 2021 would help shape a resilient Pakistan power market for the future.



KE humbly requests the Honorable Authority for consideration of the above comments.

Sincerely,

A handwritten signature in black ink, appearing to read 'Muhammad Imran Qureshi'.

**Muhammad Imran Qureshi**  
Chief Regulatory Affairs &  
Government Relations Officer