



# National Electric Power Regulatory Authority

Islamic Republic of Pakistan

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Registrar

No. NEPRA/TRF-40/FESCO-2005/878-881

November 24, 2009

Subject: **Decision of the Authority in the Matter of Reconsideration Request of Federal Government regarding Monthly Adjustment of Power Purchase Price (PPP) for Faisalabad Electric Supply Company Ltd. (FESCO) [Case No. NEPRA/TRF-40/FESCO-2005]** - Intimation of Decision of Tariff pursuant to Section 31(4) of the Regulation of Generation, Transmission and Distribution of Electric Power Act (XL of 1997)

Reference: *Ministry of Water & Power letter No. 4(18) May&June/2009 dated 12.10.2009.*

Dear Sir,

In continuation of this office letters No. NEPRA/TRF-40/FESCO-2005/9016-9019 and No. 9088-9091 dated 11.09.2009 whereby decisions of the Authority in respect of monthly adjustment of Power Purchase Price variation for the months of May and June 2009 were sent and subsequent Federal Government's reconsideration request vide above referred letter. Please find enclosed herewith modified decision of the Authority along with Annexes-I & II (04 pages) in the matter of power purchase price adjustment for Faisalabad Electric Supply Co. Ltd. for May and June, 2009 against Case No. NEPRA/TRF-40/FESCO-2005.

2. The decision is being intimated to the Federal Government for the purposes of notification of adjustments in the Power Purchase Price through the official Gazette pursuant to Section 31(4) of the Regulation of Generation, Transmission and Distribution of Electric Power Act (XL of 1997) and Rule 16(11) of the National Electric Power Regulatory Authority Tariff (Standards and Procedure) Rules, 1998.

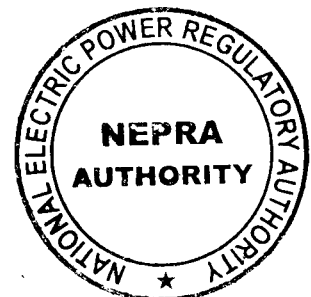
3. Please be informed that earlier decision of the Authority stands revised to the extent as detailed in Annex-I & II needs to be notified in the official Gazette.

Enclosure: As above.

( Syed Safer Hussain )

The Secretary  
Cabinet Division  
Government of Pakistan  
Cabinet Secretariat  
Islamabad

- CC: 1. Secretary, Ministry of Water & Power, Islamabad.  
2. Secretary, Ministry of Finance, Islamabad  
3. Secretary, Privatization Commission, Islamabad.



**Decision of the Authority in the Matter of Monthly Adjustment of Power Purchase Price (PPP) for Faisalabad Electric Supply Company Limited (FESCO)**

The Authority while deciding the monthly power purchase price adjustment for the months of May and June 2009 dated 11<sup>th</sup> September 2009 observed that PPP included Rs. 6.80 billion and Rs. 6.835 billion respectively, charged by Central Power Purchasing Agency (CPPA) on account of difference between the marginal cost charged to KESC and the revised rate subsequent to Authority's decision giving KESC the status of a DISCO for charging pool price for the electricity supplied from NTDC. The Authority also noted that CPPA included markup on delayed payment to IPPs to the tune of Rs. 3.31 billion and Rs. 177.31 million under Energy charge and Rs. 300.744 million and Rs. 49.042 million under Capacity charge for May and June 2009 respectively. These charges were shown as previous months' adjustment. Having substantial amount of adjustments, the Authority decided to defer the adjustment on this account and directed CPPA to seek guidelines from GOP in this regard.

The GOP in terms of Section 31(4A) of Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 sought reconsideration of the Authority's decision in this regard. The GOP requested to allow adjustment of KESC marginal cost difference and markup on delayed payment to IPPs on the grounds that these were the legitimate costs and were related to fuel cost component.

The Authority has carefully examined the GOP's request for reconsideration of its earlier decisions for the months of May and June 2009. The Authority is of the opinion that the GOP's request does merit reconsideration. In view thereof, the Authority has decided to allow KESC marginal cost difference and markup on delayed payment to IPPs relating to the fuel charges only while the markup on delayed payment to IPPs of Rs. 300.744 million and Rs. 49.042 million pertaining to capacity charge would be considered at the time of quarterly determination. The earlier decision of the Authority for the months of May and June 2009 has been modified to this extent. The revised power purchase price adjustment attached as Annex-I and Annex-II for May and June 2009 respectively is being intimated to the Federal Government for notification in the official gazette in accordance with Section 31(4) of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 [XL of 1997].



AUTHORITY

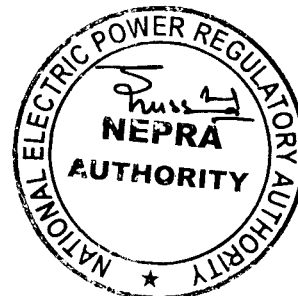
(Separate note attached)  
 (Shaukat Ali Kundi)  
 Member  
 20/11/09

(Zafar Ali Khan)  
 Member  
 11/11/09

(Ghiasuddin Ahmed)  
 Member  
 23/11

(Maqbool Ahmad Khawaja)  
 Vice Chairman

(Khalid Saeed)  
 Chairman

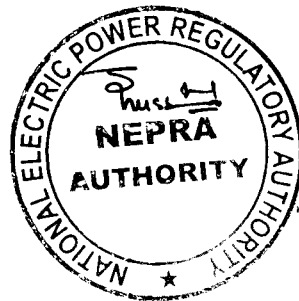


**Decision of Shaukat Ali Kundi, Member (NWFP) in the matter of  
Request of Government of Pakistan for Reconsideration of Authority's Decision  
with respect to Monthly PPP Adjustment for the  
Months of May and June 2009 (FESCO)**

In my judgment the GoP's reconsideration request regarding Authority's decision with respect to monthly Power Purchase Price (PPP) Adjustment for the months of May and June 2009 does not merit admission and reconsideration on the following grounds:

- The request being time barred under sub-section (4A) of Section 31 of the NEPRA Act, with no provision in the NEPRA Act empowering the Authority for condonation of such delay.
- It is the responsibility of the power purchaser (CPPA) to ensure timely payments to the power producers. Therefore, payment of any consequential cost like mark up on delayed payments to IPPs would burden the consumers for no fault of theirs and is against the spirit of section 31(2) (d) of the NEPRA Act, hence not justified.

*Shaukat Ali Kundi*  
(Shaukat Ali Kundi)  
Member (CA) 20.11.2009



**Faisalabad Electric Supply Company Limited**  
**Adjustment for Power Purchase Price**  
**For the Month of May 2009**

$$\Delta PPP = \pm \frac{(PPP_{(Act)} - PPP_{(Ref)})}{(1 - L)}$$

Where:

$\Delta PPP$  is the variation in Power Purchase Price including fuel price variation in terms of Rs./kWh purchased occurred in a month against the reference PPP.

$PPP_{(Act)}$  is the actual PPP (Rs. 6.3503/kWh purchased for May 2009) during the month for which the adjustment is required to be made.

$PPP_{(Ref)}$  is the reference power purchase price (PPP) of Rs. 5.4496/kWh.

$L$  is the target losses which are 11.23% for FY 2008-09.

Replacing values in the formula we get,

$$\Delta PPP = (6.3503 - 5.4496) / (1 - 11.23\%)$$

$$\Delta PPP = \text{Rs. } 1.0147/\text{kWh}$$

According to the decision of the Authority, the impact of variation in the power purchase price shall not be passed on to the lifeline residential consumers. The ratio of lifeline residential consumers in FESCO's total sales is around 2.23%. The adjusted  $\Delta PPP$  shall be calculated as under:

$$\Delta PPP = 1.0147 / (1 - 2.23\%)$$

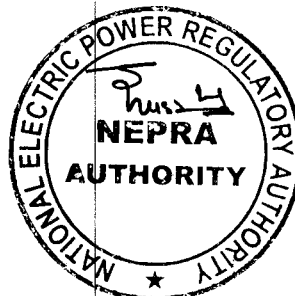
$$\Delta PPP = \text{Rs. } 1.04/\text{kWh}$$

The impact of change in the power purchase will be calculated according to the following formula:

$$\text{PPP Adjustment} = \pm \Delta PPP \times U(C)$$

Where:

$U(C)$  are units consumed by the consumer during the month for which the adjustment is required to be made.



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**Faisalabad Electric Supply Company Limited**  
**Adjustment for Power Purchase Price**  
**For the Month of June 2009**

$$\Delta PPP = \pm \frac{(PPP_{(Act)} - PPP_{(Ref)})}{(1 - L)}$$

Where:

$\Delta PPP$  is the variation in Power Purchase Price including fuel price variation in terms of Rs./kWh purchased occurred in a month against the reference PPP.

$PPP_{(Act)}$  is the actual PPP (Rs. 6.4099/kWh purchased for June 2009) during the month for which the adjustment is required to be made.

$PPP_{(Ref)}$  is the reference power purchase price (PPP) of Rs. 5.4496/kWh.

$L$  is the target losses which are 11.23% for FY 2008-09.

Replacing values in the formula we get,

$$\Delta PPP = (6.4099 - 5.4496) / (1 - 11.23\%)$$

$$\Delta PPP = \text{Rs. } 1.0818/\text{kWh}$$

According to the decision of the Authority, the impact of variation in the power purchase price shall not be passed on to the lifeline residential consumers. The ratio of lifeline residential consumers in FESCO's total sales is around 2.23%. The adjusted  $\Delta PPP$  shall be calculated as under:

$$\Delta PPP = 1.0818 / (1 - 2.23\%)$$

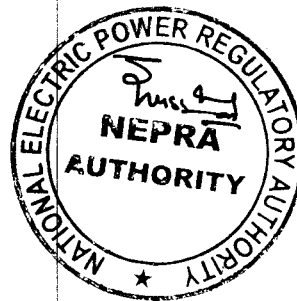
$$\Delta PPP = \text{Rs. } 1.11/\text{kWh}$$

The impact of change in the power purchase will be calculated according to the following formula:

$$\text{PPP Adjustment} = \pm \Delta PPP \times U(C)$$

Where:

$U(C)$  are units consumed by the consumer during the month for which the adjustment is required to be made.



Sd/-