



Registrar

National Electric Power Regulatory Authority
Islamic Republic of Pakistan

2nd Floor, OPF Building, G-5/2, Islamabad
Ph: 9206500, 9207200 Fax : 9210215
E-mail: registrar@nepra.org.pk

No. NEPRA/TRF-40/FESCO-2005/7251-7254
August 3, 2009

Subject: **Decision of the Authority in the Matter of 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)**

Dear Sir,

Please find enclosed decision of the Authority along with Annex-I (02 pages) in respect of monthly adjustment of Power Purchase Price variation for the month of April 2009 for FESCO in Case No. NEPRA/TRF-40/FESCO-2005 as notified by the Federal Government vide SRO 960(I)/2008.

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 note that only Annex-I attached with the decision needs to be notified in the official Gazette.

Enclosure: As above.

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.


(Arshad Mehmood)



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

The Authority considered FESCO's request for monthly adjustment of power purchase price (PPP) variation for the month of April 2009 pursuant to paragraph II of the order of the Authority dated 23rd August 2008, notified by the Federal Government vide SRO 960(I)/2008. According to the information/evidence placed before the Authority, the actual PPP for the month of April 2009, charged to FESCO by Central Power Purchasing Agency (CPPA), was Rs. 6.1915/kWh. The Authority observed that in April 2009 CPPA charged a substantial amount of Rs. 2.685 billion in energy charge and Rs. 683 million in the capacity charge on account of previous months' adjustment. According to the information provided by CPPA, the major component of this adjustment pertain to markup on delayed payment to IPPs which was Rs. 2.495 billion in energy charge and Rs. 413.24 million in capacity charge. The Authority considers that the markup on delayed payment to IPPs is not covered under monthly power purchase price adjustment mechanism and needs to be considered separately. The Authority has, therefore, decided not to allow Rs. 2.908 billion on account of markup on delayed payment to IPPs.

The Authority hereby directs CPPA to revise the invoices for the month of April 2009 accordingly. After excluding the impact of markup on delayed payment, the actual PPP has been worked out Rs. 5.7253/kWh, which was Rs. 0.2757/kWh higher than the reference PPP of Rs.5.4496/kWh. After incorporating the impact of target distribution losses of 11.23%, the required upward per unit adjustment in the determined tariff has been assessed as Rs. 0.32 (Annex I). This adjustment shall apply to all consumer categories except life line residential consumers.

Authority

Zafar Ali Khan
Member

[Signature]
29/7/09

Ghiasuddin Ahmed
Member

[Signature]
2/8

Shaukat Ali Kundi
Member

[Signature]
31.07.09

Maqbool Ahmad Khawaja
Acting Chairman

[Signature]



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

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

Where:

ΔPPP 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. 5.7253/kWh purchased for April 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,

$$\Delta PPP = (5.7253 - 5.4496) / (1 - 11.23\%)$$

$$\Delta PPP = (+) \text{Rs. } 0.3106/\text{kWh}$$

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 consumers in FESCO's total sales is around 2.23%. The adjusted ΔPPP shall be calculated as under:

$$\Delta PPP = 0.3106 / (1 - 2.23\%)$$

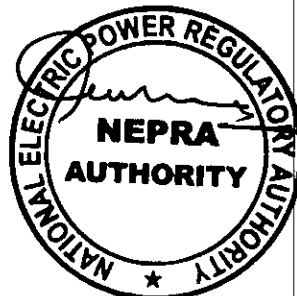
$$\Delta PPP = (+) \text{Rs. } 0.32/\text{kWh}$$

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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