



National Electric Power Regulatory Authority
Islamic Republic of Pakistan

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Registrar

No. NEPRA/TRF-40/FESCO-2005/9016-9019
September 11, 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 May 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.

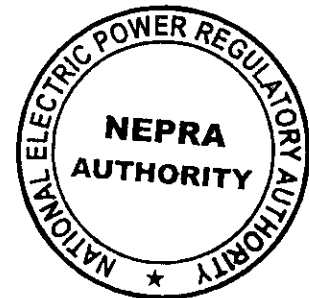
3. Please note that only Annex-I attached with the decision needs to be notified in the official Gazette.

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 May 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 May 2009, charged to FESCO by Central Power Purchasing Agency (CPPA), was Rs. 6.3890/kWh. The actual PPP was higher by Rs. 0.9394/kWh against the reference PPP of Rs. 5.4496/kWh. Having gone through the documentary evidence, it was noted that in May 2009 CPPA charged a substantial amount of Rs. 10.528 billion in the energy charge and Rs. 428.457 million in the capacity charge on account of previous months' adjustment. Clarification in the matter was sought from the CPPA accordingly. CPPA informed that the major components of this adjustment pertain to KESC marginal cost differential of Rs. 6.800 billion and markup on delayed payment to IPPs of Rs. 3.31 billion in energy charge and Rs. 300.744 million in capacity charge. The Authority is of the opinion that such kind of adjustment is not covered under the monthly power purchase price adjustment mechanism and needs to be considered separately. The Authority has, therefore, decided not to allow the amount of Rs. 10.411 billion on account of KESC marginal cost differential and markup on delayed payment to IPPs.

The Authority hereby directs CPPA to revise the invoices for the month of May 2009 accordingly. After excluding the amount of Rs. 10.411 billion, the actual PPP has been worked out Rs. 5.0312/kWh, which was Rs. 0.4184/kWh lower than the reference PPP of Rs. 5.4496/kWh. After incorporating the impact of target distribution losses of 11.23%, the required downward per unit adjustment in the determined tariff has been assessed as Rs. 0.53 (Annex I). This adjustment shall apply to all consumer categories except life line residential and agricultural consumers.

Authority

Zafar Ali Khan
Member

Zafar Ali Khan
29/8/09

Ghiasuddin Ahmed
Member

Ghiasuddin Ahmed
31/8

Shaukat Ali Kundi
Member

Shaukat Ali Kundi
02.09.09

Maqbool Ahmad Khawaja
Member

Maqbool Ahmad Khawaja

Khalid Saeed
Chairman

Khalid Saeed



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:

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. 5.0312/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,

$$\Delta PPP = (5.0312 - 5.4496) / (1 - 11.23\%)$$

$$\Delta PPP = (-) \text{Rs. } 0.4713/\text{kWh}$$

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 and agricultural consumers. The ratio of lifeline residential and agricultural consumers in FESCO's total sales is around 10.91%. The adjusted ΔPPP shall be calculated as under:

$$\Delta PPP = (-) 0.4713 / (1 - 10.91\%)$$

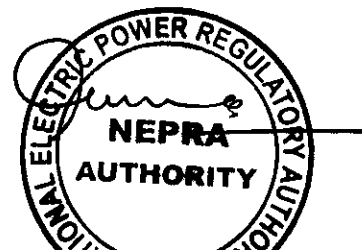
$$\Delta PPP = (-) \text{Rs. } 0.53/\text{kWh}$$

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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