



National Electric Power Regulatory Authority

Islamic Republic of Pakistan

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Registrar

No. NEPRA/TRF-40/FESCO-2005/1464-1467
April 10, 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 February 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.


(Arshad Mehmood)

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.



April 10, 2009

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

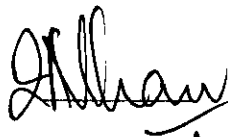
The Authority considered FESCO's request for monthly adjustment of power purchase price (PPP) variation for the month of February 2009 pursuant to paragraph II of the order of the Authority dated 23rd August 2008, notified by the Federal Government vide SRO 960(I)/2008. According to the information/evidence placed before the Authority, the actual PPP for the month of February 2009, charged to FESCO by Central Power Purchasing Agency (CPPA), was Rs. 6.4567/kWh. The Authority observed that in February 2009 CPPA charged a substantial amount of Rs. 2.536 billion on account of previous months' adjustment. CPPA was asked in the Regulatory Meeting to justify said adjustment; however, they were unable to substantiate the adjustment of Rs. 2.536 billion before the Authority. The Authority directed CPPA to provide proper documentary evidence for its claim, in response CPPA could only provide the following breakup:

LSFO-HSFO difference for KAPCO paid directly to PSO	Rs.	1,092 Million
IPPs adjustment of energy charge for previous month	Rs.	126 Million
GENCO II adjustment of energy charge for Sep. 08	Rs.	427 Million
GENCO II adjustment of energy charge for Oct. 08	Rs.	474 Million
GENCO II adjustment of energy charge for Nov. 08	Rs.	502 Million
GENCO I adjustment of energy charge	Rs.	(38) Million
GENCO III adjustment of energy charge	Rs.	(45) Million
GENCO IV adjustment of energy charge	Rs.	(1) Million
Total Adjustment	Rs.	<u>2,536 Million</u>

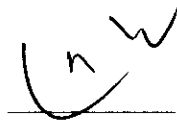
The Authority decided to defer the adjustments totaling Rs. 1.403 billion relating to GENCO II which would be considered in the succeeding month. Accordingly, CPPA revised invoices for the month of February 2009 for all the distribution companies. As per the revised invoice, the actual PPP was Rs. 6.2044/kWh, which was Rs. 0.7548/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. 0.87 (Annex I). This adjustment shall apply to all consumer categories except life line residential consumers.

Authority

Zafar Ali Khan
Member



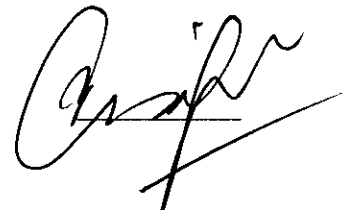
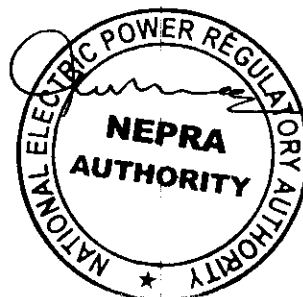
Maqbool Ahmad Khawaja
Member



Ghiasuddin Ahmed
Member



Khalid Saeed
Chairman

Faisalabad Electric Supply Company Limited
Adjustment for Power Purchase Price
For the Month of February 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. 6.2044/kWh purchased for February 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,

$$\Delta PPP = (6.2044 - 5.4496) / (1 - 11.23\%)$$

$$\Delta PPP = (+) \text{Rs. } 0.8502/\text{kWh}$$

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:

$$\Delta PPP = 0.8502 / (1 - 2.23\%)$$

$$\Delta PPP = (+) \text{Rs. } 0.87/\text{kWh}$$

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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