

National Electric Power Regulatory Authority

Islamic Republic of Pakistan

Registrar

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> No. NEPRA/R/TRF-40/FESCO-2005/9077-80 July 20, 2010

Subject: Decision of the Authority in the matter of Faisalabad Electric Supply Company Ltd. Pursuant to the Amendment in Section 31 of NEPRA Act through Ordinance No. XVIII & XXIX of 2009 and Ordinance No. XIV of 2010 [Case # 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 the subject decision of the Authority along with Annexure-I & II (11 pages) in Case No. NEPRA/TRF-40/FESCO-2005.

- 2. The Decision is being intimated to the Federal Government for the purpose of notification of the approved tariff in 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 revised Schedule of Tariff (Annex-II) annexed with the decision needs to be notified in the official Gazette which will replace the Schedule-I of the SRO 379(I)/2010 dated 02.06.2010.

Enclosure: As above

(Syed Safeer Hussain)

Secretary
Ministry of Water & Power
'A' Block, Pak Secretariat
Islamabad

CC:

- 1. Secretary, Cabinet, Cabinet Secretariat, Islamabad.
- 2. Secretary, Ministry of Finance, Islamabad.
- 3. Secretary, Privatization Commission, Islamabad.





DECISION OF THE AUTHORITY IN THE MATTER OF FAISALABAD ELECTRIC SUPPLY COMPANY (FESCO), PURSUANT TO THE AMENDMENT IN SECTION 31 OF NEPRA ACT THROUGH ORDINANCE NO. XVIII & XXIX OF 2009 AND ORDINANCE NO. XIV OF 2010

1. Background

- 1.1 A multi-year tariff of Faisalabad Electric Supply Company (hereafter "FESCO") was determined by the Authority on February 23, 2007, which was notified in the official Gazette vide SRO NO. 155(I)/2007 dated 24th February 2007. In the said determination, the Authority had prescribed a mechanism of biannual adjustment in Power Purchase Price due to variation in fuel price and generation mix. The mechanism being part of the Order of the Authority was also notified through the aforementioned S.R.O.
- 1.2 However, subsequent to an amendment in section 31(4) of the NEPRA Act through Finance Bill, 2008, the biannual PPP adjustment mechanism provided in the said multi-year tariff was modified by the Authority in exercise of its suo moto powers vide order dated 23rd August 2008. Said order was assailed before the Honorable Lahore High Court, Lahore by All Pakistan Textile Mills Association etc and vide order dated 17th April, 2009 the matter was remanded back to NEPRA for a decision afresh after publication of due notice in the press and permitting the Interveners and Commentators to participate in the proceedings.
- 1.3 Accordingly in compliance of the orders of the Honorable Lahore High Court, Lahore, fresh proceedings in the matter were initiated. Filing of objections etc was solicited by the interested parties and a hearing was also conducted by the Authority. Vide its decision dated 5th September, 2009, the matter was decided which resulted in upholding of earlier decision of Authority dated 23rd August, 2008.
- 1.4 NEPRA Act was further amended through Ordinance No. XVIII & XXIX of 2009 and Ordinance No. XIV of 2010, whereby NEPRA is obligated to review the fuel charges in the approved tariff on a monthly basis and to notify the same in the official gazette.
- In terms of the above mentioned amendments in NEPRA Act, the Authority considered it just and appropriate to amend the monthly Power Purchase Price (PPP) adjustment mechanism for FESCO because FESCO purchases its electricity from CPPA at basket price, like any other DISCO. Therefore, vide order dated 17th of December, 2009, the Authority had modified the monthly PPP adjustment mechanism for FESCO. It was decided to make the adjustments in two stages; at first stage the fuel part component of CpGenE (CPGENCO Energy) will be determined on monthly basis without taking into account the impact of T&D.









- losses, which would be directly reflected in the consumer bills as fuel cost adjustment and at the second stage the impact of T&D losses will be taken care of on quarterly basis in addition to variation in PPP on account of, generation mix, CpGenCap (CPGENCO Capacity) and USCF (Use of System Charge Fixed).
- In the perspective of above mentioned background and with reference to para IV of the decision of the Authority dated 17th of December, 2009, Faisalabad Electric Supply Company (FESCO), hereinafter called "FESCO", being a Distribution Licensee of NEPRA filed a request for the Adjustment of its consumer- end tariff pertaining to the 3th Quarter (January March 2010) of the FY2009-10 and through the instant decision, said request of FESCO is being adjudicated upon by the Authority.
- 1.7 For making the adjustments in question, no formal proceedings such as inviting reply, comments, intervention requests and conduct of hearing etc is required. However, considering the above referred directions of the Honorable Court that in order to meet with the ends of natural justice, the interested persons should have been provided with an opportunity of filing objections etc., the Authority published the salient features of the request of adjustment of FESCO in the national newspapers on 9th and 10th of May, 2010, inviting filing of reply, comments, intervention on petition and objections etc by the interested/affected persons within 15 days of the publication.

2. Intervention Request

- 2.1 In response to the publication above referred, Pakistan Cotton Ginners Association filed an intervention request wherein following issues were raised:-
 - The industrial and commercial consumers are cross subsidizing the domestic and agricultural consumers since last many years but while giving proposed increase in tariff, again the burden is put on commercial and industrial consumers. NEPRA should reduce the difference in their determination by reducing Industrial Tariff rates.
 - FESCO is neither social nor charitable organization rather is a commercial entity. If government wants to give electricity on rebated price to agriculture and life line consumers and to any other consumer, the difference of cost price and sales price should be borne by the Govt instead of passing it on to the commercial and industrial consumers who are already in a very bad condition due to economic crisis in the world.











- Power Factor Penalty to be reduced to the extent of 80% till the up-gradation of the system of FESCO.
- The O&M cost for industrial consumers is very much less than Average Sales, therefore, while calculating the rates, only 50% of the O&M cost should be added in industrial Tariff B-2, B-3.
- The seasonal charges should be decreased to 10% and these should be only charged on Variable charges and not on the fixed charges.

3. Framing of Issue/Hearing

- 3.1 As no fresh determination of tariff was involved rather the petition is only for the purposes of making adjustments in the already determined multi-year tariff for the 3rd Quarter (Jan-March 2010) of the FY 2009-10, however, considering the fact of filing of an intervention request, the Authority did consider it appropriate to conduct a hearing to arrive at a just and informed decision. The Authority decided to hold the hearing in the matter on 16th June, 2010 and a fourteen days notice was published on 26th May, 2010 inviting participation of the interested parties. The following issues were also framed to be considered during the course of hearing:-
 - Whether the objections raised by the intervener are justified?
 - Whether the quarterly adjustment, pursuant to the para. IV of the Authority's decision dated 17th December, 2009 with respect to PPP, T&D losses, DM and Prior quarter adjustment, as requested by FESCO is justified and properly calculated?
- 3.2. On 16th of June, 2010, hearing was conducted which was attended by the representatives of FESCO and the Intervener. On the basis of pleadings, evidence/record produced and arguments raised during the hearing, issue-wise finding of the Authority is given as under:

4. Issue #1. Whether the objections raised by the intervener are justified?

4.1 The Authority is gradually minimizing cross- subsidies among different consumer categories. But the intervener's contention in this regard is not valid as it is still paying the subsidized rates as per Schedule – II of SRO. 594 (I)/2010 dated 1st July 2010. The comparison of applicable industrial rates with the determined Average sale rate of FESCO reveals that all the industrial consumers are paying substantially less than its determined Average Sale Rate. FESCO vide its letter # 348/CEx/M(CS)/DMC/ dated 15th June ,2010 rejected intervener's contention on the grounds that it was paying higher fixed and variable charges to CPPA as









compared to the billing made to Cotton Ginning Factories. Thus, intervener's contention in this regard is not maintainable.

- 4.2 The Authority notes that the argument by the intervener regarding the up gradation of DISCO's system is not relevant in the context of lower power factor imposed on the system by the consumer's equipment. The power factor penalty is imposed on the consumers using inferior quality equipment. Since the requirement of more reactive energy at the lowest end (consumer end) travels to the higher levels, the consumers responsibility is therefore, critical in the matter. The Authority therefore dose not accept the request of the intervener.
- 4.3 The Intervener's request to determine its tariff on the basis of 50% O&M cost was without any rationale or working. The Petitioner while opposing the Intervener's contention stated that it has to incur more time and O&M cost because senior level officers are deputed for maintaining the system and taking the meter readings. The Authority considers that Intervener's request in this regard is without any basis; therefore cannot be considered.
- 4.4 The intervener's request for reducing seasonal charges from 25% to 10% being without any rationale and basis is not considered valid; therefore is not accepted.
- 5. Issue # 2. Whether the quarterly adjustment, pursuant to the para. IV of the Authority's decision dated 17th December, 2009 with respect to PPP, T&D losses, DM and Prior quarter adjustments, as requested by FESCO is justified and properly calculated?

5.1 Adjustment with respect to Power Purchase Price (PPP)

- 5.1.1 According to the existing mechanism, the impact of T&D losses is required to be accounted for on quarterly basis in addition to variation in PPP on account of Capacity payments and Use of System Charge. The impact of T&D losses pertaining to the Fuel part of the PPP not passed on to the consumer in monthly fuel price adjustments has been assessed as Rs.190 million. Moreover, the impact of monthly deferred payments and the impact of Life line consumer works out to the tune of Rs. 107 million and Rs. 30 million respectively. Based on the aforementioned working, the overall quarterly impact of Energy Purchase Price (CpGenE) has been assessed as Rs. 327 million. During the quarter there has been a decrease in the Capacity Payments (CpGenCap) to the extent of Rs. 1,024 whereas in Use of System Charge (USCF) an increase of Rs. 31 million has been observed.
- 5.1.2 During 3rd quarter there was a decrease of 421 GWh in units purchased as against the reference purchases of 2,175 GWh indicated in Annex IV of the Authority's determination



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dated 17th December 2009. The impact on this account has been worked out as Rs. 3,456 million. This decrease in purchases has reduced the revenue requirement to this extent.

5.1.3 For 3rd quarter of the FY 2009-10 the overall decrease in PPP has been worked out as Rs. 4,122 million. For future adjustments the same Annex- IV of the 1st quarterly determination will be used as reference.

5.2 Adjustment with respect to DM and PYA

5.2.1 Due to the less units sold to the extent of 375 GWh from the Authority's reference sales, the Petitioner under recovered Rs. 368.06 million and Rs. 208.14 million on account of DM and PYA respectively during the 3rd quarter of the FY 2009-10, hence the adjustment on this account is being made in the revenue requirements of the petitioner Company.

5.3. Revenue Requirement for the 3rd quarter of the FY 2009-10

5.3.1 Based on the revenue requirement determined in the 1st quarterly determination for the FY 2009-10 and subsequent adjustment in the 2nd quarter, the revenue requirement for the 3rd quarter of the FY 2009-10 after PPP adjustment of Rs. 4,122.59 million works out as Rs 15,837.71 million. The Petitioner however during the same period on the basis of notified rates was able to recover Rs. 16,441.82 million thus indicating over recovery of Rs. 604.12 million. The revenue requirement for the fourth quarter of the FY 2009-10 is being adjusted accordingly.

5.4 Net Revenue Requirement for the 4th quarter of the FY 2009-10.

Net Revenue Requirement for the last quarters of the FY 2009-10 after adjusting the impact of variations pertaining to the Quarter – I, Quarter- II and Quarter – III works out as follows;

0	Annual Revenue Requirement	Rs. 80,192 million
0	Add: Impact of Quarterly PPP Adj. Qrt-I	Rs. 106 million
0	Less: Revenue earned in quarter – I	Rs. 19,407 million
0	Less; Revenue earned in quarter- II	Rs. 14,770 million
0	Less; Impact of Quarterly PPP Adj. Qrt-II	Rs. 206 million
0	Less, Impact of Quarterly PPP Adj. Qrt-III	Rs. 4,122 million
0	Less, Revenue earned in quarter- III	Rs. 16,442 million
0	Net Revenue Requirement	Rs. 25,351 million
	-	4,









- - This net revenue requirement would be recovered from the remaining units of the fourth quarter (April - June 2010) of the FY 2009-10 i.e. 2,516 GWh as per Annex-I of this determination.
 - Average Sale Rate of FY 2009-10 (fourth quarter of the FY 2009-10) works out asRs. 10.0758/kWh.
- 5.5 The revised Schedule of Tariff (Annex-II) annexed with the determination are intimated to the Federal Government for notification in the official gazette under Section 31(4) of the NEPRA Act which will replace the Schedule-I of the SRO. 379(I)/2010 dated 2nd June, 2010.

AUTHORITY

(Shaukat Ali Kundi) 13. 07. 2010

Member

Member/Vice Chairman

(Maqbool Ahmad Khawaja) Member



Faisalabad Electric Supply Company (FESCO) Estimated sales revenue for the fourth quarter (Apirl - Jun 2010) of the FY 2009-10

				New Tariff	(NEPRA)	Reve	enue (as per N	EPRA)
	Sales	Sales	Load	Fixed	Variable	Fixed	Variable	
Description				Charge	Charge	Charge	Charge	Total
-	GWh	Mix	Factor	Rs./kW/ Month	Rs./ kWh	Rs.Million	Rs.Million	
Residential			I BCCOI	Month	Rai, ava	Rananion	A CONTRACT	
Up to 50 Units	56	2.23%			2.00		112	1
For peak load requirement less than 5	kW					'		
01-100 Units	441	17.52%			8.00		3,527	3,5
101-300 Units	411	16.34%			11.00		4,523	4,5
301-700Units	116	4.61%			13.25		1,536	1,5
Above 700 Units	89	3.56%			15.00		1,342	1,3
For peak load requirement of 5 kW and	l above							
Time of Use (TOU) - Peak					14.50			
Time of Use (TOU) - Off-Peak	_	:			8.00			
Total Residential	1,113	44.26%					11,039	11,0
Commercial - A2						 -		
For peak load requirement less than 5	110	4.35%			14.50		1,588	1,5
•							_	
For peak load requirement of 5 kW and	l above							
Regular	13	0.50%	38.00%	400.00	12.00	18	152	1
Time of Use (TQU) - Peak					14.50	į		
Time of Use (TOU) · Off-Peak				400.00	8.00	:		
Total Commercial	122	4.86%				18	1,740	1,7
Industrial								
B1	263	10.44%			10.70		2,810	2,8
B2	332	13.20%	43.01%	400.00	9.50	123	3,156	3,5
B2 - TOU (Peak)	0	0.01%			14.50	_ !	5	- / -
B2 - TOU (Off-peak)	6	0.23%	47.50%	400.00	8.00	673	47	
B3 - TOU (Peak)	41	1.63%	11.00	100.00	14.40		589	5
B3 - TOU (Off peak)	209	8.32%	55.00%	380.00	7.50	198	1,570	1.7
B4 - TOU (Peak)	16	0.63%			14.30		227	2
B4 - TOU (Off-peak)	88	3.48%	62.00%	360.00	7.00	70	613	6
Total Industrial	955	37.95%	02.0078		110707	698	9,017	9,7
Single Point Supply for further dis	l	01.50%				020	2,017	
C1(a) Supply at 400 Volts - less	 	ı						
han5 kW	0	0.01%			11.20		4	
C1(b) Supply at 400 Volts -5 kW and								
bove	7	0.29%	48.00%	400.00	10.50	8	76	
Time of Use (TOU) - Peak	-				1∔.50			
Time of Use (TOU) - Off-Peak	-			400.00	8.00			
C2 Supply at 11 kV	30	1.17%	50.00%	380.00	10.40	3:	307	3
Time of Use (TOU) - Peak	-				14.40			
Time of Use (TOU) - Off-Peak	-			380.00	7.50			
C3 Supply above 11 kV	37	1.47%	67.00%	360.00	10.30	27	382	4
Time of Use (TOU) - Peak	-				14.30	!		
Time of Use (TOU) - Off-Peak	-			360.00	7.00			
Total Single Point Supply	74	2.95%				66	768	8
Agricultural Tube-wells - Tariff D								-
D1 Scarp	27	1.06%			10.00	,	268	2
D2 Agricultual Tube-wells	218	8.68%	45.00%	200.00	7.00	1.3.3	1,529	1,6
Time of Use (TOU) - Peak	-				14.50			
Time of Use (TOU) - Off-Peak	-			200.00	6.00			
Total Agricultural	245	9.75%				133	1,797	1,9
Public Lighting - Tariff G	4	0.15%			12.00		45	
Tariff H	2	0.10%			12.00	:	29	
Total	2,516	100%				915	24,436	25,3





SCHEDULE OF ELECTRICITY TAI FOR FAISALABAD ELECTRIC SUPPLY COMP

A-1 GENERAL SUPPLY TARIFF - RESIDENTIAL

		FIXED		
Sr. No.	TARIFF CATEGORY / PARTICULARS	CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	
a)	For Sanctioned load less than 5 kW			
i	Up to 50 Units	-		2.00
	For Consumption exceeding 50 Units			
ii	01-100 Units	-		8.00
iii	101-300 Units	-		11.00
iv	301-700Units	-		13.25
v	Above 700 Units	-		15.00
b)	For Sanctioned load 5 kW & above			
			Peak	Off-Peak
	Time Of Use	- [14.50	8.00

Under this tariff, there shall be minimum monthly charges at the following rates even if no energy is consumed.

a) Single Phase Connections:

Rs. 75/- per consumer per month

b) Three Phase Connections:

Rs. 150/- per consumer per month

A-2 GENERAL SUPPLY TARIFF - COMME



	TARIFF CATEGORY / PARTICULARS	FIXED	VARIABLE	CHARGES
Sr. No.		CHARGES Rs/kW/M	Rs/1	
a)	For Sanctioned load less than 5 kW	· · · · · · · · · · · · · · · · · · ·	14.50	
b)	For Sanctioned load 5 kW & above	400.00		12.00
			Peak	Off-Peak
c)	Time Of Use	400.00	14.50	8.00

Under this tariff, there shall be minimum monthly charges at the following rates even if no energy is consumed.

- a) Single Phase Connections;
- b) Three Phase Connections:

Rs. 175/- per consumer per month

Rs. 350/- per consumer per month





SCHEDULE OF ELECTRICITY TAR FOR FAISALABAD ELECTRIC SUPPLY COMP.

A (MDSCO)

I	B INDUSTRIAL SUPPLY TARRES						
9	Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED	VARIABLE	CHARGES		
	51. NO.	TAKIT CATEGORY TAKTICOLARS	CHARGES				
			Rs/kW/M	Rs/I	kWh		
	B1	Less than 5 kW (at 400/230 Volts)	-		10.70		
	B2(a)	5-500 kW (at 400 Volts)	400.00		9.50		
		Time Of Use		Peak	Off-Peak		
	B2(b)	5-500 kW (at 400 Volts)	400.00	14.50	8.00		
	вз	For All Loads up to 5000 kW (at 11,33 kV)	380.00	14.40	7.50		
	В4	For All Loads (at 66,132 kV & above)	360.00	14.30	7.00		

For B1 consumers there shall be a fixed minimum charge of Rs. 350 per month.

For B2 consumers there shall be a fixed minimum charge of Rs. 2,000 per month.

For B3 consumers there shall be a fixed minimum charge of Rs. 50,000 per month.

For B4 consumers there shall be a fixed minimum charge of Rs. 500,000 per month.

C - SINGLE-POINT SUPPLY FOR PURCHASE IN SECREBY A DEPOSITION LICENSEE AND MIXED LOAD CONSUMERS NOT FALLING IN ANY OTHER CONSUMER CLASS

	TARIFF CATEGORY / PARTICULARS	FIXED		
Sr. No.			VARIABLE CHARG	
	·	CHARGES		
		Rs/kW/M	Rs/kWh	
C -1	For supply at 400/230 Volts			
a)	Sanctioned load less than 5 kW	-		11.20
	Sanctioned load 5 kW & up to 500 kW			
b)		400.00		10.50
C -2(a)	For supply at 11,33 kV up to and including	l I		
	5000 kW	380.00		10.40
C -3(a)	For supply at 66 kV & above and			
	sanctioned load above 5000 kW	360.00		10.30
	Time Of Use		Peak	Off-Peak
C -1(c)	For supply at 400/230 Volts 5 kW & up to			
	500 kW	400.00	14.50	8.00
C -2(b)	For supply at 11,33 kV up to and including		14.40	7.50
	5000 kW	380.00	14.40	7.50
C -3(b)	For supply at 66 kV & above and	260.00	14.20	7.00
	sanctioned load above 5000 kW	360.00	14.30	7.00





SCHEDULE OF ELECTRICITY TAR FFS FOR FAISALABAD ELECTRIC SUPPLY COMPANY (FESCO)

D - AGRICULTURE TARIEF

		FIXED		
Sr. No.	TARIFF CATEGORY / PARTICULARS		VARIABLE	CHARGES
		CHARGES		
		Rs/kW/M	Rs/I	kWh
D-1(a)	SCARP less than 5 kW	-	10.00	
D-2	Agricultural Tube Wells	200.00	7.00	
			Peak	Off-Peak
D-1(b)	SCARP and Agricultural more than 5 kW	200.00	14.50	6.00

Note:- The consumers having sanctioned load less than 5 kW can opt for TOU metering.

E - TEMPORARY SUPPLY FARITES

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED	VARIABLE CHARGES
	•	CHARGES	D - /1-W1
		Rs/kW/M	Rs/kWh
E-1(i)	Residential Supply	-	15.00
E-1(ii)	Commercial Supply	-	14.50
E-2	Industrial Supply	-	10.70

For the categories of E-1(i&ii) above, the minimum bill of the consumers shall be Rs. 50/- per day subject to a minimum of Rs.500/- for the entire period of supply, even if no energy is consumed.

F - SEASONAL INDUSTRIAL SUPPLY TAI

125% of relevant industrial tariff

Note:

Tariff-F consumers will have the option to convert to Regular Tariff and vice versa. This option can be exercised at the time of a new connection or at the beginning of the season. Once exercised, the option remains in force for at least one year.

C- PUBLICACIENT

		FIXED	
Sr. No.	TARIFF CATEGORY / PARTICULARS		VARIABLE CHARGES
	, , , , , , , , , , , , , , , , , , , ,	CHARGES	
		Rs/kW/M	Rs/kWh
	Street Lighting		12.00

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SCHEDULE OF ELECTRICITY TAIL HES FOR FAISALABAD ELECTRIC SUPPLY COMPA

There shall be a minimum monthly charge of Rs.500/- per month per kW of lamp capacity installed.

	H - RESIDENTIAL COLONIES ATTACHED	O INDUST	AU PREMISES
		FIXED	
Sr. No.	TARIFF CATEGORY / PARTICULARS		VARIABLE CHARGES
	,	CHARGES	
		Rs/kW/M	Rs/kWh
	Residential Colonies attached to industrial		
	premises	-	12.00



