



Registrar

# National Electric Power Regulatory Authority

## Islamic Republic of Pakistan

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No. NEPRA/R/ADG(Tariff)/TRF-100/XWDISCOs/43673-43675

December 1, 2020

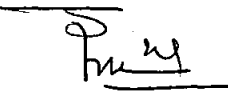
**Subject: Decision of the Authority in the matter of Motion filed by the Ministry of Energy (Power Division) with respect to recommendations of Support Package for Additional Consumption and Abolishment of Time of Use Tariff Scheme for Industrial Consumers of XWDISCOs**

Dear Sir,

Please find enclosed herewith subject Decision of the Authority (07 pages).

2. The Decision of the Authority is being intimated to the Federal Government for the purpose of notification in the official gazette pursuant to Section 31(7) of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997.

Enclosure: As above

  
01 12 20  
( Syed Safer Hussain )

Secretary  
Ministry of Energy (Power Division)  
'A' Block, Pak Secretariat  
Islamabad

CC:

1. Secretary, Cabinet Division, Cabinet Secretariat, Islamabad.
2. Secretary, Ministry of Finance, 'Q' Block, Pak Secretariat, Islamabad.

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National Electric Power Regulatory Authority  
(NEPRA)

DECISION OF THE AUTHORITY IN THE MATTER OF MOTION FILED BY THE MINISTRY  
OF ENERGY (POWER DIVISION) WITH RESPECT TO RECOMMENDATION OF SUPPORT  
PACKAGE FOR ADDITIONAL CONSUMPTION AND ABOLISHMENT OF TIME OF USE  
TARIFF SCHEME FOR INDUSTRIAL CONSUMERS OF XWDISCOS

Islamabad

December 01, 2020

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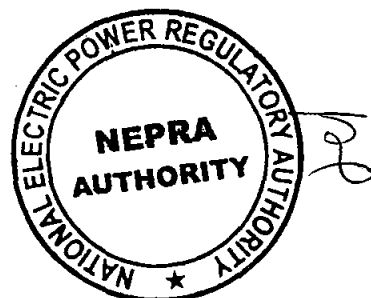

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1. **Background**

- 1.1. The Ministry of Energy Power Division vide letter dated November 26<sup>th</sup>, 2020 has submitted a Motion with respect to the recommendation of Support Package for additional consumption & abolishment of Time of Use (ToU) Tariff for Industrial consumers of XWDISCOs (the Motion).
- 1.2. The Ministry in the Motion submitted that Economic Coordination Committee (ECC) of the Cabinet considered the summary submitted by the Power Division regarding Revised Support Package for industrial electricity consumers and extended Industrial Support Package to the industrial consumers of the country.
- 1.3. The Ministry further submitted that CCoE considered the summary submitted by the Power Division regarding abolishment of Time-of-Use Tariff Scheme for Industrial Consumers and decided for the abolishment of the Time-of-Use scheme up till April 30, 2021, subsequently ratified by Cabinet.
- 1.4. In view of above and pursuant to, inter alia, Section 7 & 31 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, the Ministry requested for incorporation of the above Cabinet approved industrial package in the tariff structure of the XWDISCOs industrial consumers for subsequent notification by the Federal Government.
- 1.5. The Ministry along with the Motion communicated the following decision of the ECC.

**ECC OF THE CABINET DECISION NO. ECC-403/53/2020 DATED 2<sup>nd</sup> NOVEMBER, 2020**

- 1.6. The Economic Coordination Committee (ECC) of the Cabinet considered the summary dated 2<sup>nd</sup> November, 2020 submitted by the Power Division regarding Revised Support Package for Industrial Electricity Consumers and decided as follows:
- 1.7. **Industrial consumers of ex-WAPDA Distribution Companies:**
- i. Rate of Rs.12.96/kWh may be charged for industrial consumer categories (B1, B2 & B3) from 1st July 2021 to 31st October 2023 for off peak hours on incremental consumption basis over their consumption in corresponding months of the period March 2019 to February 2020. In this case, there is no subsidy requirement.
  - ii. Discount of Rs 4.96/kWh would be offered from the incremental marginal rate (Rs. 12.96/kWh) for industrial consumer categories (B1, B2 & B3) from 1<sup>st</sup> November 2020 to 30<sup>th</sup> June 2021 for off-peak hours on incremental consumption basis over their consumption in corresponding months of the period March 2019 to February 2020 (the reference period is adjusted to exclude COVID months). In this case, an estimated subsidy requirement shall be approximately Rs.14 billion which shall be provided by the Finance Division from COVID Economic Stimulus Package on actual consumption basis for each month.
  - iii. Rate of Rs.12.96/kWh may be charged for industrial consumer category B4 from 1<sup>st</sup> November 2020 to 31<sup>st</sup> October 2023 for off-peak hours on incremental consumption basis over their consumption in corresponding months of the period March 2019 to February 2020. In this case, there is no subsidy requirement.



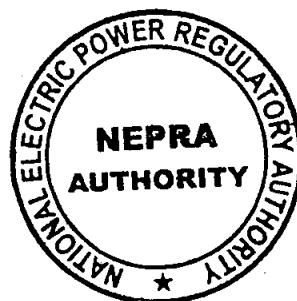
- iv. New industrial consumers having no reference consumption available in the period of March 2019 to February 2020 shall be offered the same package through slab-wise consumption structure.
- v. Impact of the Fuel Price Adjustment (FPA) shall be passed on to the industrial consumers on incremental consumption basis.

**1.8. CCOE DECISION VIDE CASE NO. CCE-61/19/2020 DATED: 2ND NOVEMBER, 2020:-**

- i. The Cabinet Committee on Energy (CCoE) considered the summary dated 2nd November, 2020 submitted by the Power Division regarding abolishment of Time of Use Tariff for Industrial consumers and endorsed the proposal, in principle, at para-4 of the summary, with the following directions to the Power Division:-
  - a) Abolishment of peak and off-peak tariff structure may be implemented only till 30<sup>th</sup> April 2021 and a review be carried out by 31<sup>st</sup> March 2021, for its continuation or other-wise beyond April 2021.
  - b) The expected impact on Circular Debt shall be evaluated in the light of data of actual consumption by the industrial sector and presented to Cabinet in the forthcoming meeting. The actual impact on Circular Debt shall be reported to the CCoE on monthly basis."

**1.9. CABINET DECISION CASE NO.846/43/2020 DATED: 6<sup>TH</sup> NOVEMBER, 2020:-**

- i. The Cabinet considered the summary titled "Ratification of the decisions taken in the Cabinet Committee on Energy (CCoE) in its meeting held on 02.11.2020" submitted by Cabinet Division and ratified the decision taken by CCoE.
2. Based on the above the Ministry in its Motion has pleaded the following issues;
- i. Rate of Rs.12.96/kWh may be charged from B1, B2, B3 & B4 industrial consumers categories from November 1, 2020 to October 31, 2023 for incremental consumption in off peak hours over their consumption in corresponding period i.e. March 2019 to February 2020 (to exclude COVID months impact).
  - ii. Rate of Rs.12.96/kWh be reduced to Rs.8/kWh (discount of Rs.4.96/kWh) on incremental consumption basis for off peak hours for B1, B2 & B3 industrial consumers from November 1, 2020 to June 30, 2021 (8 months).
  - iii. Abolishment of ToU Tariff Scheme for Industrial consumer till April 30, 2021.
  - iv. The rate of Rs.12.96/kWh on incremental consumption basis will be applicable for all hours of the day during the period when ToU tariff for industrial users is discontinued.
  - v. Impact of FCA to be passed on the industrial consumer on incremental consumption basis.
  - vi. Reference consumption for new industrial consumers be set through slab wise consumption structure. The Ministry in this regard provided the following formula;



Reference Consumption Of New Industrial Connection for Specific Month	=	Maximum of (S.L OR MDI) * Hrs *	(Load Factor(%) of Particular Industrial consumer category)
Where: S.L= Sanctioned Load of the respective industrial consumer MDI= Maximum Demand Indicator of the respective industrial consumer for the given month Hrs= No. of Hours in the given month Load Factor of Particular Category may be derived from Consumer Service Manual (as updated from time to time)			

- 2.1. The Ministry in this regard quoted the following load factors for reference as mentioned in the NEPRA Consumer Service manual, determined by NEPRA on July 8, 2020;

B INDUSTRIAL SUPPLY	% age
B-1 except for ice factories, Cold Storage, Plastic Molding, Rice Shellers	40%
B-2 except for ice factories, Cold Storage, Plastic Molding, Rice Shellers	50%
Ice Factory, Cold Storage	70%
Plastic Molding, Rice Shellers	50%
B-3 Textile Mills and Steel Furnaces Melting Industry and all other continuous industry	60%
Other normal Industry like Engineering Works	50%
Flour Mills B-2 & B-3	40%
B-4	50%

3. **Abolishment of ToU Tariff Scheme for Industries:**

- 3.1. The Authority observed that while considering the proposal, the competent authority took cognizant of the fact that the decision would result in additional subsidy, which has not been budgeted as of today. Thus, decided to evaluate its impact on Circular Debt in the light of actual consumption data by the industrial sector on monthly basis.
- 3.2. In view of foregoing, the Authority has no objection in approving the instant proposal for industrial consumers, as it does not have any impact on NEPRA determined tariff, as the Federal Government intends to further reduce the Peak Rate for industrial consumer through provision of additional subsidy. Hence, the Authority approves the proposal as submitted by GoP whereby, during peak hours the off peak rate along with applicable quarterly adjustments would be charged w.e.f. November 01, 2020 till April 30, 2021 and the difference in this regard would be picked up by the GoP as subsidy.

4. **Rate of Rs.12.96/kWh for incremental consumption for B1, B2, B3 and B4 Industrial Consumers**

- 4.1. The Authority observed that the Ministry in its Motion has submitted that rate of Rs.12.96/kWh may be charged from B1, B2, B3 & B4 industrial consumers categories from November 1, 2020 to October 31, 2023 for incremental consumption in off peak hours over their consumption in corresponding period i.e. March 2019 to February 2020 (to exclude COVID months impact). The Government further submitted that rate of Rs.12.96/kWh be reduced to Rs.8/kWh (discount of Rs.4.96/kWh) on incremental consumption bases for off peak hours for B1, B2 & B3 industrial consumers from 1<sup>st</sup> November 2020 to 30<sup>th</sup> June 2021 (8 months period).



- 4.2. The Authority has considered the proposal of the Federal Government whereby the Federal Government has decided that there is no subsidy requirement to the extent of Rs.12.96/kWh, however for the period from 1<sup>st</sup> November, 2020 to 30<sup>th</sup> June, 2021, whereby the rate of Rs.12.96/kWh is to be reduced to Rs.8/kWh for B1, B2 and B3 consumers, the impact on subsidy would be around Rs.14 billion. The Authority does not see any issue in this regard as it is a subsidy neutral proposition in general to the extent of Rs. 12.96/kWh, however, for the specific period of eight months i.e. 1<sup>st</sup> November, 2020 to 30<sup>th</sup> June, 2021 as mentioned above, the Government has already decided to meet up the subsidy requirement of around Rs.14 billion for the reduced rate of Rs.8/kWh from COVID Economic Stimulus Package on actual consumption basis for each month.
- 4.3. The Authority further endorses the proposal of the Federal Government that rate of Rs.12.96/kWh on incremental consumption basis shall be applicable for all hours of the day till 30<sup>th</sup> April, 2021.
- 4.4. However, in future in order to streamline its approach with the proposal, the Authority has decided to modify its calculations methodology for subsequent periodic adjustments. The main principles in this regard would be as follows;
- No Quarterly adjustments would be passed on to B1, B2, B3 and B4 industrial consumers to the extent of incremental sales till continuation of the instant package, as the capacity charges would be actualized from the previous level of corresponding months sales.
  - Positive monthly FCA would be applicable to B1, B2 and B3 industrial consumers on the incremental sales till continuation of the instant package, however, negative FCA would not be allowed to B1, B2 and B3 industrial consumers i.e. consumers paying Rs.8/kWh subsidized rate on incremental sales, from 1<sup>st</sup> November 2020 to 30<sup>th</sup> June 2021. The amount so retained by DISCOs, if any, would be off-set against the overall GoP subsidy.
  - B4 consumers, who are paying Rs.12.96/kWh for the incremental sales would be allowed the impact of ~~the~~ positive monthly FCAs, till continuation of the instant package. *note*

5. **Reference consumption for new industrial consumers**

- 5.1. The Authority has considered the proposal of the Federal Government and considers the same as satisfactory for calculation of reference consumption for new consumers.

6. **Order**

- 6.1. The Authority has no objection in approving the instant proposal for industrial consumers, as it does not have any impact on NEPRA determined tariff, as the Federal Government intends to further reduce the Peak Rate for industrial consumer through provision of additional subsidy. Hence, the Authority approves the proposal as submitted by GoP whereby, during peak hours the off peak rate along with applicable quarterly adjustments would be charged w.e.f. November 01,



2020 till April 30, 2021 and the difference in this regard would be picked up by the GoP as subsidy.

- 6.2. The Authority has considered the proposal of the Federal Government whereby the Federal Government has decided that there is no subsidy requirement to the extent of Rs.12.96/kWh, however for the period from 1<sup>st</sup> November, 2020 to 30<sup>th</sup> June, 2021, whereby the rate of Rs.12.96/kWh is to be reduced to Rs.8/kWh for B1, B2 and B3 consumers, the impact on subsidy would be around Rs.14 billion. The Authority does not see any issue in this regard as it is a subsidy neutral proposition in general to the extent of Rs. 12.96/kWh, however, for the specific period of eight months i.e. 1<sup>st</sup> November, 2020 to 30<sup>th</sup> June, 2021 as mentioned above, the Government has already decided to meet up the subsidy requirement of around Rs.14 billion for the reduced rate of Rs.8/kWh from COVID Economic Stimulus Package on actual consumption basis for each month. Thus, the Authority approves both proposal.
- 6.3. The Authority endorses the proposal of the Federal Government that rate of Rs.12.96/kWh on incremental consumption basis shall be applicable for all hours of the day till 30<sup>th</sup> April, 2021.
- 6.4. The Authority on the proposal of the Federal Government for calculation of reference consumption for consumers having no reference consumption available during the period March 2019 to February 2020 considers the proposal as satisfactory.
- 6.5. No Quarterly adjustments would be passed on to B1, B2, B3 and B4 industrial consumers to the extent of incremental sales till continuation of the instant package, as the capacity charges would be actualized from the previous level of corresponding months sales.
- 6.6. Positive monthly FCA would be applicable to B1, B2 and B3 industrial consumers on the incremental sales till continuation of the instant package, however, negative FCA would not be allowed to B1, B2 and B3 industrial consumers i.e. consumers paying Rs.8/kWh subsidized rate on incremental sales, from 1<sup>st</sup> November 2020 to 30<sup>th</sup> June 2021. The amount so retained by DISCOs, if any, would be off-set against the overall GoP subsidy.
- 6.7. B4 consumers, who are paying Rs.12.96/kWh for the incremental sales would be allowed the impact of positive monthly FCAs, till continuation of the instant package. *Malik*
7. The Decision of the Authority along with order part is intimated to the Federal Government for notification in the official gazette in terms of section 31(7) of NEPRA Act, 1997.

