



Registrar

National Electric Power Regulatory Authority Islamic Republic of Pakistan

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No. NEPRA/R/TRF-362/K-Electric-2016/355-59

January 11, 2023

Chief Executive Officer
K-Electric Limited (KEL)
KE House, Punjab Chowrangi,
39 – B, Sunset Boulevard, Phase-II
Defence Housing Authority,
Karachi.

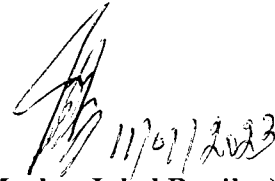
Subject: **Decision of the Authority in the matter of Monthly Fuel Charges Adjustments of K-Electric Limited for the month of November 2022 and Notification (S.R.O. 21(I)/2023 dated 10.01.2023) Thereof**

Enclosed please find herewith a copy of decision of the Authority (08 Pages) in the matter of fuel charges adjustment for the month of November 2022 in respect of K-Electric Limited, along with Notification (S.R.O. 21(I)/2023 dated 10.01.2023) thereof. This is for information and further necessary action.

2. While effecting the Fuel Adjustment Charges, K-Electric Ltd. shall keep in view and strictly comply with the orders of the court(s), if any, notwithstanding this order.

Enclosure: As above (Decision along Notification is also available on NEPRA's website)

9/24



(Engr. Mazhar Iqbal Ranjha)

CC:

1. Secretary, Ministry of Energy, Power Division, 'A' Block, Pak Secretariat, Islamabad.
2. Secretary, Cabinet Division, Cabinet Secretariat, Islamabad.
3. Secretary, Ministry of Finance, 'Q' Block, Pak Secretariat, Islamabad.
4. Secretary, Privatization Commission, 4th Floor, Kohsar Block, Constitution Avenue, New Secretariat, Islamabad

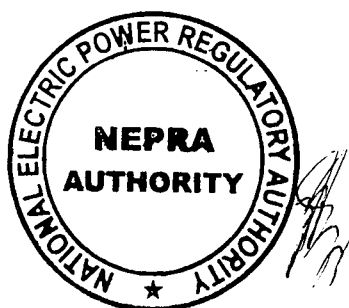
**DECISION OF THE AUTHORITY IN THE MATTER OF MONTHLY FUEL CHARGES
ADJUSTMENTS OF K-ELECTRIC LIMITED FOR THE MONTH OF NOVEMBER 2022**

1. Pursuant to the provisions of Section 31(7) of the Regulation of Generation, Transmission and Distribution of Electric Power Act 1997, and as per the mechanism for monthly, quarterly and annual adjustments provided in the tariff determination of K-Electric Limited (herein referred to as "K-Electric or KE") dated July 05, 2018, duly notified in the official Gazette vide SRO No. 576(I)/2019 dated May 22, 2019, the Authority has to review and revise the approved tariff on monthly, quarterly and annual adjustments.
2. As per the mechanism provided in the determination, impact of change in KE's own generation fuel cost component due to variation in fuel prices, generation mix & volume shall be passed on to the consumers directly in their monthly bills in the form of Fuel Charges Adjustment (FCA). Similarly, impact of change in the fuel component of Power Purchase Price (PPP) due to variation in fuel prices & energy mix shall also be passed on to consumers through monthly FCA.
3. However, the impact of monthly variations in million rupees in K-Electric's own generation's fuel cost component as well power purchase price to the extent of targeted T&D losses, not taken into account in the monthly FCAs, shall be adjusted on quarterly basis.
4. Pursuant to notification of the determined MYT, K-Electric filed its initial monthly FCA request for November 2022 and, later, revised as under;

Monthly FCA		
Month	Mln Rs.	Rs./kWh
Nov-22	(10,062)	(7.043)

Hearing

5. Since the impact of any adjustments has to be made part of the consumer end tariff, therefore, the Authority, in order to provide an opportunity of hearing to all the concerned and meet the ends of natural justice, decided to conduct a hearing in the matter.
6. The Authority scheduled hearing in the matter of FCA of K-Electric for the month of November 2022 on December 27, 2022 at NEPRA Tower and through ZOOM. Notices in this regard were published in the newspaper on December 17, 2022 and also uploaded on NEPRA's website along-with adjustment requests filed by K-Electric.



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7. Following issues relevant with the monthly FCA were framed for discussion during the hearing;

- i. Whether the requested Fuel Price Variation is justified?
- ii. Whether K-Electric has followed the merit order while giving dispatch to its power plants as well as power purchases from external sources?

8. The hearing was attended by representatives of K-Electric including its financial and technical team. Representatives from Media and General Public also attended the hearing. KE in its FCA request submitted that calculation for the current month is based on CPPA-G's requested fuel cost component for the current month and is subject to adjustment based on the final determination of XWDISCOs FCA by NEPRA.

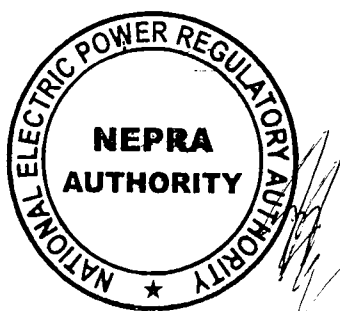
9. The Authority noted that the Power purchase agreement was signed between NTDCL and K-Electric on January 26, 2010 for five years for sale/purchase of 650 MW on basket rates. Subsequently, a decision was made by the Council of Common Interest (CCI) in its meeting held on November 08, 2012 with respect to the modalities for withdrawal of electric power from NTDCL by the Petitioner, wherein it was decided to reduce the supply of energy by 300MW from NTDCL to K-Electric. However, the aforementioned decision of the CCI has been impugned by way of suits /petitions by K-Electric in the Honorable High Court of Sindh at Karachi. No new agreement has been signed between K-Electric and NTDCL till date, and K-Electric is continuing to draw energy from the National Grid, which at present is around 1100 MW.

10. K-Electric, in its adjustment requests, has certified that it despatches as per Economic Merit Order from its own generation units (with the available fuel resources) and import from external sources. It also certified that the cost of fuel and power purchase claims do not include any amount of late payment surcharge/mark-up/interest.

11. K-Electric provided the plant wise generation statistics sheet, signed by K-Electric. The plant wise statistic sheets provide information in terms of Plant Capacity, Actual Units Generated, Actual Auxiliary consumption, Net Generation and Bus Bar sent outs, Actual Heat Rates, fuel consumption & cost of Fuel and Generation cost per unit. In addition K-Electric also provided copies of invoices raised by Fuel Suppliers and copies of invoices raised by IPPs.

12. In the FCA for September 2022 the Authority had directed K-Electric to KE to ensure that supply of RLNG is diverted to other plant only when it meets the criteria for economic merit order.

E. Malik



13. The Authority based on the information, data and record provided by K-Electric, has analyzed the FCA claim of K-Electric and issue wise discussion is given hereunder;

Issue: Whether the requested Fuel price variations are justified?

K-Electric Own Generation

14. K-Electric has provided information in terms of plant capacity, actual units generated, actual auxiliary consumption, net generation and bus bar sent outs, actual heat rates, fuel consumption & cost of fuel and generation cost per unit. While going through the data / information provided by K-Electric regarding fuel cost of energy from its own power plants, the Authority's observations are as under;

15. K-Electric, as required under the MYT, carried out heat rate test of KCCPP. Pursuant thereto, the Authority, in its decision dated 02.09.2020 decided as under;

"i. For the period from July 2016 to May 2019, the heat rate i.e. 8,250.06 Btu/kWh - net HHV, corresponding to 41.36% efficiency is approved with no further adjustment for degradation and partial loading allowed.

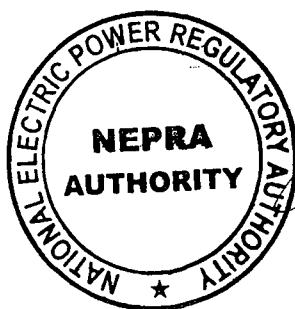
ii. For the period from June 2019 to June 2023, the heat rate i.e. 8,377.032 Btu/kWh - net HHV, corresponding to 40.732% efficiency is approved. This heat rate will be applicable for the control period on flat basis, without any additional adjustment for other parameters.

iii. KE is required to conduct maintenance including Major Overhaul of its plants / units as per prudent utility practices and recommendations of OEM.

iv. In case of non-requirement of Gas compressors - the relevant capacity and Heat rates would be adjusted. For such a scenario, relevant capacity and heat rates calculated during the present tests would be used."

16. Here it is pertinent to mention that Authority vide order dated August 4, 2022 have approved 3rd party Heat Rate Test for 248 MW KCCPP on HSD and has revised the heat rate based on Gas/RLNG as well. Based on the above heat Rate of 8,477 BTU/kWh for KCCPP operation of Gas/RLNG has been used as per the decision dated August 4, 2022.

17. The Authority observed that K-Electric has requested an amount of Rs.76.216 million for operation of KCCPP on HSD during November 2022. The Authority for the purpose of instant adjustment has considered the same amount i.e. Rs.76.216 million, as requested by K-Electric, based on heat rate of 7,921.728 btu/kWh determined by the Authority vide decision dated August 4, 2022, with same CV of HSD and auxiliaries as reported by K-Electric.



J. Malik

18. For KGTPS and SGTPS plants, pursuant to the heat rate tests conducted by K-Electric, the Authority approved the following Heat Rates for these plants vide decisions dated 18.01.2021, against the already allowed Heat Rates of 8,738 for KGTPS and 8,746 for SGTPS in the MYT;

Heat Rate for July 2016 – June 2019

Requested by KE:

Plant	Net HHV Heat Rate (Btu/kWh) at RSC	Corresponding Efficiency
KGTPS	9276 ¹	36.78%

¹ Average of 7 year Heat Rate (FY 2017-23) corresponding to 50% loading (2 sections in CC mode)

Allowed:

Plant	Net HHV Heat Rate (Btu/kWh) at RSC	Corresponding Efficiency	
KGTPS	100% loading	9041.66	37.74%
	75% loading	9092.66	37.527%

Heat Rate for July 2019 – June 2023

Requested by KE:

Plant	Net HHV Heat Rate (Btu/kWh) at RSC	Corresponding Efficiency
KGTPS	9276 ¹	36.78%

¹ Average of 7 year Heat Rate (FY 2017-23) corresponding to 50% loading (2 sections in CC mode)

Allowed:

Plant	Net HHV Heat Rate (Btu/kWh) at RSC	Corresponding Efficiency	
KGTPS	100% loading	9048.22	37.71%
	75% loading	9099.212	37.499%

Heat Rate for July 2016 – June 2019

Requested by KE:

Plant	Net HHV Heat Rate (Btu/kWh) at RSC	Corresponding Efficiency
SGTPS	9264 ¹	36.83%

¹ Average of 7 year Heat Rate (FY 2017-23) corresponding to 50% loading (2 sections in CC mode)

Allowed:

Plant	Net HHV Heat Rate (Btu/kWh) at RSC	Corresponding Efficiency	
SGTPS	100% loading	9045.93	37.72%
	75% loading	9064.794	37.642%

Heat Rate for July 2019 – June 2023

Requested by KE:

Plant	Net HHV Heat Rate (Btu/kWh) at RSC	Corresponding Efficiency
SGTPS	9264 ¹	36.83%

¹ Average of 7 year Heat Rate (FY 2017-23) corresponding to 50% loading (2 sections in CC mode)

Allowed:

Plant	Net HHV Heat Rate (Btu/kWh) at RSC	Corresponding Efficiency	
SGTPS	100% loading	9077	37.59%
	75% loading	9095.92	37.512%

19. K-Electric filed review motions against the above decisions for both KGTPS and SGTPS. The Authority vide decision dated 05.11.2021 dismissed the review Motion in the matter of KGTPS. In view thereof, and keeping in view the loading position of KGTPS in the current month, the heat rate of 9,099.212 BTU/kWh is allowed to KGTPS.



20. For SGTPS, the Review Motion has been decided, based on which, KE in its request has used a heat rate of 9,146.021 BTU/kWh, in line with the Authority's decision. The same has been considered for the purpose of instant adjustment.

21. For BQPS-I, K-Electric has conducted the heat rate test, which has been decided by the Authority, the adjustment has been made based on the approved Heat Rate.

22. During the month of November 2022 K-Electric has claimed energy based on No Gas Compressor, One Gas Compressor & Two Gas Compressors. Following is the energy sent out, auxiliaries & heat rates used by K-Electric.

Description	Units Generated	Requested Auxiliaries %	Requested Heat Rate BTU/kWh
Bin Qasim II - 560 MW with one compressor (SSGC) Gas	24.42	4.54%	8,238
Bin Qasim II - 560 MW with two compressors (SSGC) Gas	10.37	6.11%	8,381
Bin Qasim II - 560 MW with one compressor (SSGC) RLNG	68.52	4.54%	8,238
Bin Qasim II - 560 MW with two compressors (SSGC) RLNG	29.11	6.11%	8,381
Bin Qasim II - 560 MW with no compressor (PLL) RLNG	12.11	2.97%	8,101
Bin Qasim II - 560 MW with one compressor (PLL) RLNG	191.84	4.54%	8,238
Bin Qasim II - 560 MW with two compressors (PLL) RLNG	7.56	6.11%	8,381

23. KE's submissions regarding BQPS-II have been considered by the Authority on provisional basis, subject to adjustment if any.

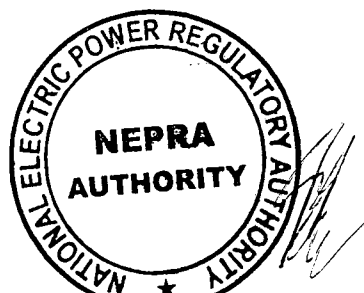
24. The generation reported by K-Electric in its adjustment requests have been checked from the plant wise generation statistics sheet; the units sent out have been worked out based on the Authority's allowed Auxiliaries. The units sent out so worked out are in agreement with the sent outs claimed by K-Electric in its adjustment requests.

Power Purchase Price- Fuel Cost

25. While going through the data / information provided by K-Electric regarding fuel cost of energy purchased from external sources, the Authority's observations are as under;

26. The Authority observed that K-Electric has been directed to provide CV test reports for both Tapal and Gul Ahmed Power Plants. KE has submitted summary in terms of Supplier CV & Own Lab CV, which were reviewed and considered by the Authority. In view thereof, for the purpose of current month FCA, the supplier's CVs have been considered for adjustment of Tapal and Gul Ahmed. This has resulted in provisional negative adjustment of Rs.3.21 million and Rs.1.61 for Tapal and Gul Ahmed power plants respectively.

27. Regarding cost of energy purchased from CPPA-G during the current month, K-Electric has used the rate of Rs.6.2700/kWh, however, the Authority's approved fuel cost



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component, in the matter of XWDISCOs for the current month is Rs.6.2654/kWh. In view thereof, while working out the instant FCA of K-Electric, rate approved by the Authority for XWDISCOs for the month under review has been incorporated for the energy purchased by K-Electric from CPPA-G during the month under review. This has resulted in decrease in total fuel cost by around Rs.3.4 million.

28. The Authority vide decision dated 04.06.2021, based on the Heat Rate tests conducted for SNPC and SNPC-II, revised their net capacities and Heat Rates. The Authority revised the net capacity and Heat Rate of SNPC-I as 51.154 MW and 8194.25 Btu/kWh - net HHV equivalent to 41.90% efficiency. Similarly, net capacity and Heat Rate of SNPC-II have been revised as 51.526 MW and 8,143.699 Btu/kWh - net HHV equivalent to 41.64% efficiency. The Authority afterwards vide decision dated 21.09.2021, granted interim relief to SNPC and SNPC-II, in relevant tariff components i.e. Fuel Cost components and Capacity charge components of generation tariff, on account of revision in heat rates and net capacities. As per the decision dated 21.09.2021, FCC of both SNPC and SNPC-II have been revised as Rs.4.0971/kWh and Rs.4.0718/kWh respectively, based on the revised heat rates and reference gas price of Rs.500/MMBTU.

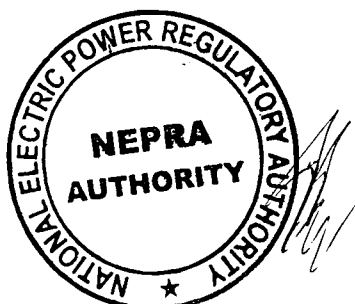
29. Here it is also pertinent to mention that the Authority determines the FCC of SNPC and SNPC-II, as & when required, owing to change in gas prices. KE in its request has claimed FCCs of Rs.7.0224/kWh for SNPC I & Rs.6.9791/kWh for SNPC II, in line with the decision dated 20.06.2022 for both for SNPC and SNPC-II. The same has been considered in the instant adjustment on provisional basis.

30. In view of the above, the cost of BQPS-III has been worked out using an auxiliary of 2.047% based on HHV combined cycle efficiency 6,381 BTU/kWh, at 100% load. This has resulted in a total cost of Rs.226 million for operation of BQPS-III in the current month which is accordingly being allowed. The cost is being allowed strictly on provisional basis, subject to final determination of price etc.

Issue: Whether K-Electric has followed the merit order while giving dispatch to its power plants as well as power purchases from external sources?

31. The Authority carried out an in-house analysis of the data provided by K-Electric for the month, to work out the financial impact due to deviation from EMO.

32. Regarding the financial impact due to underutilization of efficient plants namely KCCP, SGTPS & KGTPS on account of lower gas pressure, a letter was issued to KE on



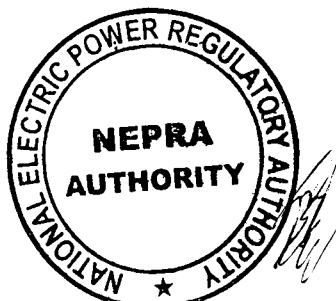
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November 16, 2021, whereby, it was directed to resolve its gas pressure/lower gas quantity issues within thirty (30) days. In response, KE has informed that it is in the process of resolving the lower gas pressure issue, however, there are certain meetings with stakeholders that will take place in due course of time. Subsequently, K-Electric has shared details of communication with SSGC and Ministry of Energy (Petroleum Division) regarding the finalization of GSA. However, during the FCA hearing for the month of January 2022, K-Electric's representatives submitted that the draft GSA between KE and SSGC does not guarantee the Gas Pressure or Quantity and the Gas/RLNG will be available with KE on "As and When" available basis even after the GSA is signed. As of now, no GSA has been finalized between KE and SSGC despite the directions of the Authority.

33. It is pertinent to mention here that KE vide its FCA claim for November 2022 had requested for the release of Rs.546 million, withheld on account of EMO violations for the period from June 2021 to September 2022. During the hearing, the Authority directed to conduct a meeting with KE to discuss the reasons for the amount withheld till date and finalize the issue accordingly. As such, the claimed amount of Rs.546 million has been withheld from the FCA claim of KE for November 2022 until the issue is finalized.

34. In view of the aforementioned discussion and after incorporating the above adjustments, the Authority has decided to allow the following negative FCA for the month of November 2022, to be passed on to the consumers in their monthly bills of January 2023;

Description		Unit	Sep-22	Nov-22
Fuel Cost	Own Generation	Rs. Mln	25,064	13,090
	External Purchases	Rs. Mln	13,249	8,954
	Deviation from EMO	Rs. Mln	(32)	-
	Previous Adjustment	Rs. Mln	-	-
	Total	Rs. Mln	38,282	22,043
Total Units	Own Generation	GWh	664	482
	External Purchases	GWh	1,010	946
	Total	GWh	1,675	1,429
Fuel Cost Component (FCC)	Own Generation	Rs./kWh	14.9666	9.1615
	External Purchases	Rs./kWh	7.9114	6.2667
	Deviation from EMO	Rs./kWh	(0.0191)	-
	Previous Adjustment	Rs./kWh	-	-
	Total	Rs./kWh	22.8589	15.4282
Fuel Charges Adjustment (FCA)	Own Generation	Rs./kWh		(5.8051)
	External Purchases	Rs./kWh		(1.6447)
	Deviation from EMO	Rs./kWh		0.0191
	Previous Adjustment	Rs./kWh		-
	Total	Rs./kWh		(7.4307)
Variation in Fuel Cost	Total	Rs. Mln		(10,617)



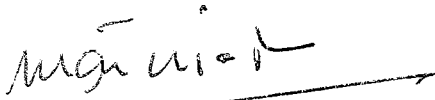
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35. Here it is pertinent to mention that the impact of monthly FCA, which is not passed on to certain categories of consumers, would be accounted for in the quarterly adjustments.

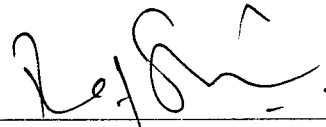
36. In the light of above, the Authority hereby directs K-Electric that the negative FCA of November 2022 as worked out above;

- a. Shall be applicable to all the consumer categories except lifeline consumers, domestic consumers consuming up-to 300 units, Agriculture Consumers and EVCS (Electric Vehicle Charging Station) consumers of K-Electric. It is hereby clarified that negative adjustment on account of monthly FCA is also applicable to the domestic consumers having Time of Use (ToU) meters irrespective of their consumption level.
- b. Shall be shown separately in the consumers' bills on the basis of units billed to the consumers in the respective month to which the adjustment pertains.
- c. K-Electric shall reflect the fuel charges adjustment in respect of November 2022, in the billing month of January 2023.
- d. While effecting the Fuel Adjustment Charges, K-Electric shall keep in view and strictly comply with the orders of the courts notwithstanding this order.

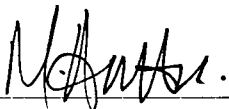
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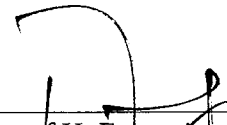
Mathar Niaz Rana (nsc)
Member



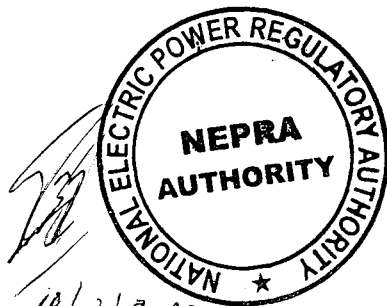
Rafique Ahmed Shaikh
Member



Engr. Maqsood Anwar Khan
Member



Tauseef H. Farooq
Chairman



To Be Published in
Official Gazette of Pakistan Part-II

National Electric Power Regulatory Authority



NOTIFICATION

Islamabad, the 10th day of January 2023

S.R.O. 21 (I)/2023.- Pursuant to Section 31(7) of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 as amended through Regulation of Generation, Transmission and Distribution of Electric Power (Amendment) Act 2011 and as per the mechanism for monthly, quarterly and annual adjustments provided in the Tariff Determination of K-Electric Ltd. dated November 05, 2018 duly notified in the official Gazette vide SRO No. 576(I)/2019 dated November 22, 2019, National Electric Power Regulatory Authority (NEPRA) makes and notifies the following adjustment in the approved tariff on account of variation in fuel charges for the month of November 2022 in respect of K-Electric Limited:

FCA to be calculated on the basis of billing for the Month of	Rs./kWh	Charged in Consumer Bills to be issued in the Billing Month of
November 2022	(7.4307)	January 2023

2. The negative FCA of November 2022:
 - a) Shall be applicable to all the consumer categories except lifeline consumers, domestic consumers consuming up-to 300 units, Agriculture Consumers and Electric Vehicle Charging Station (EVCS) consumers of K-Electric. It is hereby clarified that negative adjustment on account of monthly FCA is also applicable to the domestic consumers having Time of Use (ToU) meters irrespective of their consumption level.
 - b) Shall be shown separately in the consumers' bills on the basis of units billed to the consumers in the respective month to which the adjustment pertains.
 - c) K-Electric shall reflect the fuel charges adjustment in respect of November 2022, in the billing month of January 2023.
3. While effecting the Fuel Adjustment Charges, K-Electric Ltd. shall keep in view and strictly comply with the orders of the courts notwithstanding this order.

(Engr. Mazhar Iqbal Ranjha)
Registrar

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10/01/2023