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No. NEPRA/R/ADG(Trf)/TRF-362/K-Electric-2016/530-532
January 12, 2023

Subject: **Decision of the Authority in the matter of Motion filed by the Federal Government under Section 7 & 31 of the NEPRA Act 1997 read with Rule 17 of the NEPRA (Tariff Standards and Procedure) Rules 1998 with respect to Recommendation of Consumer-end-Tariff for K-Electric [Case # NEPRA/TRF-362/K-Electric-2016]**


Dear Sir,

Please find enclosed herewith the subject decision of the Authority along with Annex-I (08 Pages).

2. The instant Decision of the Authority along with Annex-I 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. The instant decision, once notified shall supersede the earlier notification of the Authority in the matter of Quarterly Adjustment of K-Electric determined for the same period, if any.

Enclosure: As above

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


(Engr. Mazhar Iqbal Ranjha)

CC:

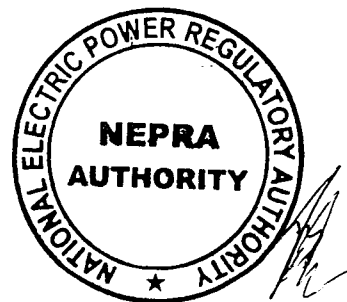
1. Secretary, Cabinet Division, Cabinet Secretariat, Islamabad.
2. Secretary, Ministry of Finance, 'Q' Block, Pak Secretariat, Islamabad.



DECISION OF THE AUTHORITY IN THE MATTER OF MOTION FILED BY THE FEDERAL GOVERNMENT UNDER SECTION 7 & 31 OF THE NEPRA ACT 1997 READ WITH RULE 17 OF THE NEPRA (TARIFF STANDARDS AND PROCEDURE) RULES, 1998 WITH RESPECT TO RECOMMENDATION OF CONSUMER END TARIFF FOR K-ELECTRIC

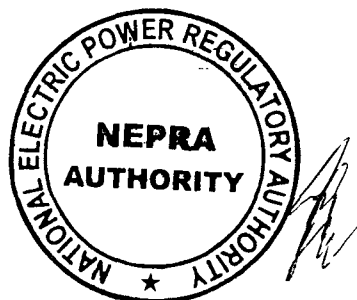
1. The Federal Government vide letter No.PIII-3(2)/2009 dated December 16, 2022, has submitted a Motion with respect to recommendation of consumer end tariff of K-Electric (**the Motion**), under Sections 7 & 31 of NEPRA Act, read with Rule 17 of NEPRA Tariff (Standards and Procedure) Rules, 1998.
2. The Federal Government in the Motion submitted that NEPRA determined Multi Year Tariff of K-Electric vide its decision dated July 05, 2018, duly notified by the Federal Government on May 22, 2019. Subsequently, various quarterly tariff adjustments for KE were determined by the Authority. The last quarterly adjustment was notified by Federal Government vide SRO 1037(1)/2020 as amended vide SRO Nos.192(1)/2021, 1429(1)/2021, 1004(1)/2022, 1175(1)/2022, 1419(1)/2022 and 2041(1)/2022 to maintain uniform tariff in Country.
3. It has further been submitted that the Authority has determined Periodic Adjustment in Tariff for the 4th Quarter of FY 2021-22 for XWDISCOs for four months period and the same has been notified vide SRO No. 1932(1)/2022 dated 20th October 2022.
4. The Ministry further submitted that in accordance with the National Electricity Policy, 2021, the Government may maintain a uniform consumer-end tariff for K-Electric and state-owned distribution companies (even after privatization) through incorporation of direct / indirect subsidies. Accordingly, KE applicable uniform variable charge is also required to be modified so as to recover the revenue requirements of KE, determined by the Authority consistent with the XWDISCOs. The same has been approved by the Federal Government and it was decided that the same be submitted to the Authority for consideration in terms of the provisions of the Act.
5. In light of the above, instant Motion is being filed by the Federal Government with respect to Consumer End Tariff Recommendations of K-Electric, under section 7, 31 (4) and 31 (7) of the Act read with Rule 17 of the Rules so as to reconsider and issue for K-Electric, modified uniform variable charge, to maintain uniform tariff across the country, to recover the revenue requirements of KE determined by the Authority keeping in view the proposed targeted subsidy and cross subsidies.

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6. In view thereof, the Authority has been requested to issue separate SoT with prospective application of applicable uniform rates after incorporating tariff rationalization as attached with the Motion. Such adjustment shall be applicable on the consumption of October 2022, November 2022, December 2022 and January 2023 to be recovered from consumers in January 2023, February 2023, March 2023 and April 2023 respectively. The Federal Government also requested an opportunity of hearing in the matter for providing detailed submissions.
7. Here it is pertinent to mention that NEPRA determined quarterly tariff adjustments of XWDISCOs for the 4th quarter of FY 2021-22, vide decision dated October 14, 2022, whereby the Authority allowed the positive quarterly adjustments of Rs.93,957 million pertaining to the 4th quarter of the FY 2021-22, to be recovered from all categories of consumers except life line consumers, in a period of 04 months w.e.f. 01.10.2022. The said determination was notified by the Authority vide SRO. 1932(1)/2022 dated 20th October 2022.
8. The Authority in order to provide a fair opportunity to the Federal Government to present its case, and all the relevant stakeholders involved, decided to conduct a hearing in the matter, which was held on 27.12.2022 at NEPRA Tower Islamabad and through ZOOM. Notice of hearing was published in newspapers on 21.12.2022; Individual notices were also sent to the relevant stakeholders.
9. During the hearing, the Federal Government was represented by Joint Secretary (PF), Ministry of Energy (MoE) (Power Division), along-with other representative from MoE and CPPA-G. K-Electric, and general public were also present during the hearing.
10. The Federal Government during the hearing reiterated its submissions made in the Motion and submitted that NEPRA determined Quarterly adjustment of XWDISCOs for the 4th quarter of FY 2021-22. Pursuant to notification of XWDISCOs, the MoE has filed the Motion with respect to recommendation of consumer end tariff, to charge the same amount from the consumer of K-Electric to make tariff uniform.
11. Upon inquiry from the Authority to apply the quarterly adjustments determined for XWDISCOs, automatically to K-Electric at the time of its determination, the MoE submitted that XWDISCOs quarterly adjustments are determined and notified by the Authority, so the same is applied automatically. However, in case of K-Electric, for the purpose of making the tariff uniform, approval is sought from the Federal Government. The Authority directed the Ministry to streamline the process of application of quarterly adjustments on K-Electric³



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Consumers, in order to avoid the timing differences, so that tariff across the country is made uniform in true sense.

12. Written comments were received from Mr. Arif Bilwani vide email dated 26.12.2022. A brief summary of the comments of Mr. Bilwani is as under;

- ✓ MR. Bilwani did not support the Motion by submitting that K-Electric is not a Disco in strict sense as it is engaged in all 3 activities of power i.e. Generation, Transmission & Distribution and was never part of erstwhile WAPDA. It has its own tariff setting mode since 2002 governed by NEPRA. Tariff setting of the rest of the Discos is governed by NEPRA only to the extent of Distribution. If the GOP/Federal Government intends to pass on all the quarterly & any other adjustments of NTDC/CPPA-G on KE consumers then in all fairness it should first take over the generation segment of KE with all its assets & liabilities and any residue be adjusted against the 24% share capital which it owns in K-Electric.
- ✓ The Motion of the Federal Government (FG) to pass on the burden of Rs.93,957 million also includes CPP of Rs.55,258 million & UOSC of Rs.14,167 million. These charges have been occurred due to underutilization & non-utilization of the installed capacity for which the consumers are being penalized for no fault. It is the GoP/FG which allowed setting up of so many generation plants without any policy or farsightedness about the future demand scenario. Even to-day, in the winter months, when demand is at its lowest, full demand is not being met & load shedding is prevalent in KEs jurisdiction as well as in other DISCOs. The aforementioned amount also includes Rs.35,704 million on account of T&D Losses, whereas T&D losses of K-Electric are already incorporated in its MYT and are at present at 15.36% which are already very high. Further, burdening of KE consumers with additional T&D Losses, amounts to double whammy which is totally unjustifiable.
- ✓ Mr. Bilwani also requested to rework the amount of quarterly adjustment by including therein the projected sales of 4 months of K-Electric, which will slightly reduce the overall burden on all the consumers of the 11 Discos.

13. FPPCI also submitted written comments vide letter dated 26.12.2022. A summary of the concerns raised by FPPCI is as under;

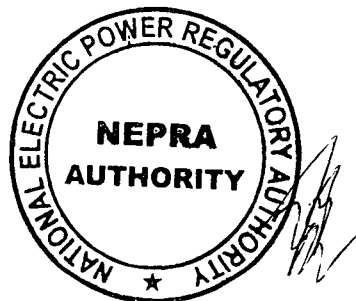
- ✓ The Motion is not supported as status of K Electric, is not a DISCO.



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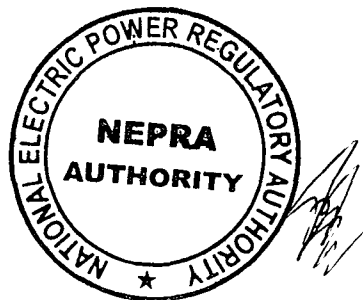
- ✓ Due consideration of unbundling of K-Electric is necessary before any change in its operating character including privatization. Tariff for KE was set in terms of circumstances surrounding all of its activities, whereas DISCOs activities are limited to distribution.
 - ✓ Considering to pass on the quarterly and other adjustments sought by NTDC/CPPA on K-Electric consumers should only be possible by unbundling K-Electric.
 - ✓ K-Electric share over the generation also needs to be settled and consumed in the whole process, before considering the subject Motion.
 - ✓ Capacity charges have remained controversial & have been termed to the constituency of circular debt.
 - ✓ Clear picture in respect of working of uniform average determined tariff needs to be clarified, if the same are exclusive to pass on price components.
14. Mr. Zubair Motiwala, submitted during the hearing, that cost of doing business/ cost of manufacturing has increased, resulting in decrease in exports by 9%, which are expected to further go down by 25-30% in December. K-Electric is not a DISCO by any means, therefore, it would not be justified to pass on the proposed quarterly adjustment on K-Electric consumers. He also stated that K-Electric has obtained stay order against the Incremental consumption package from the Honorable Sindh High Court (SHC), whereas in the rest of the country, the industrial consumers are getting the benefit of the Incremental package.
15. Mr. Tanvir Bari, representing KCCI also did not support the Motion.
16. Different commentators also showed their concerns regarding non-application of Incremental consumption package. Pakistan Association of Large Steel Producers (PALSM), Korangi Association of Trade & Industry (KATI) and Pakistan Leather Garments Manufacturers & Exporters Association (PLGMEA) in their written comments requested that matter of charging any additional amount from K-Electric consumers should be deferred till application of Incremental consumption package to industrial consumers by K-Electric.
17. On the pint of non-application of Incremental consumption package by K-Electric to its Industrial consumers, the Legal Advisor NEPRA explained during the hearing that matter was referred by the honorable Sindh High Court (SHC), to NEPRA Appellate Tribunal and no stay has been granted by the NEPRA Appellate Tribunal in the matter.



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18. Mr. Hammad Hashmi, DG MIRAD TESCO, opposed the idea of including expensive generation of K-Electric in the total generation basket of the system, as this would increase the generation cost of XWDISCOs.
19. On the concerns raised by the commentators, the MoE explained during the hearing that subsidy of K-Electric is around Rs.293 billion. The purpose of levying category wise rates as proposed in the Motion is to reduce the subsidy of the Federal Government towards K-Electric and to make the tariff uniform across the country.
20. On the point of legitimacy of the Motion, it was explained by the Federal Government that the Motion has been filed under Section 7 and 31 of NEPRA Act read with Rule 17 of the Tariff Rules.
21. On the point of Mr. Bilwani to rework the amount of Rs.93,957 million calculated for the 10 XWDISCOs, by including therein the projected sales of K-Electric, it was explained during the hearing that the said amount was determined by the Authority for the 10 XWDISCOs. The mechanism of determination of K-Electric's quarterly adjustment is separate. The purpose of levying the same amount of quarterly adjustment as applicable for the consumers of XWDISCOs is to make the applicable tariff uniform across the country and at the same time reduce the subsidy of the Federal Government towards K-Electric. It was further explained that levying of instant quarterly adjustment, will not result in any additional burden of T&D losses on K-Electric consumers.
22. The Authority has considered the submissions made the Federal Government in the Motion and comments of the stakeholders during the hearing and in writing. The Authority noted that the instant Motion has been filed by the Federal Government to make the tariff uniform across the country, keeping in view the National Electricity Policy 2021. The Authority further observed that despite the proposed increase in tariff for all categories of the consumers except life line, the Federal Government would be picking up substantial amount of subsidy, as explained by the Ministry of Energy during the hearing. In view thereof, the Authority has decided to accept the Motion filed by the Federal Government.
23. The Authority has also accepted the request of the Federal Government to issue a separate SoT for the allowed increase in tariff for all categories of consumers except life line. Accordingly, the required SoT is attached herewith as **Annex-I**, which would be applicable for a period of four months i.e. from January 2023 till April 2023, on the consumption of October 2022, November 2022, December 2022 and January 2023, respectively. The amount so allowed to K-3



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Decision of the Authority regarding motion filed by the Federal Government under Section 7 & 31 of the NEPRA Act 1997 read with Rule 17 of the NEPRA (Tariff standards and procedure) Rules, 1998 with respect to recommendation of Consumer end tariff for K-Electric

Electric through instant decision shall be accounted for by K-Electric in its subsidy claims and the Federal Government shall take into account this amount while processing the subsidy claims of K-Electric.

24. The instant decision along-with **Annex-I** is intimated to the Federal Government for notification in terms of Section 31(7) of the Act. The instant decision, once notified shall supersede the earlier notification of the Authority in the matter of Quarterly Adjustment of K-Electric determined for the same period, if any.

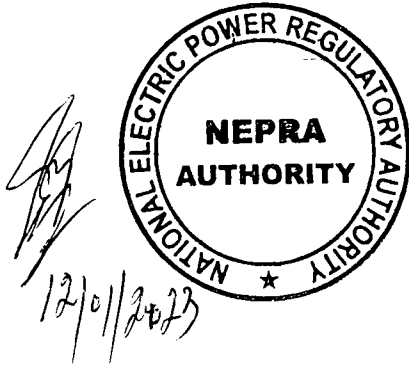
AUTHORITY

Mathar Niaz Rana (nsc)
Member

Rafique Ahmed Shaikh
Member

Engr. Maqsood Anwar Khan
Member

Tauseef H. Farooqi
Chairman



**SCHEDULE OF ELECTRICITY TARIFF
FOR K-ELECTRIC LIMITED**

Annex I

Sr. No.	TARIFF CATEGORY / PARTICULARS	TOTAL VARIABLE CHARGES Rs/kWh		
		Peak	Off-Peak	
Protected	a) For Sanctioned load less than 5 kW			
	i Up to 50 Units - Life Line		-	
	ii 51 - 100 Units - Life Line		-	
	iii 001 - 100 Units		1.4874	
	iv 101 - 200 Units		1.4874	
	Unprotected	v 001- 100 Units		1.4874
		vi 101- 200 Units		1.4874
		vii 201- 300 Units		1.4874
		viii 301- 400 Units		3.2116
		ix 401- 500 Units		3.2116
		x 501- 600 Units		3.2116
		xi 601- 700 Units		3.2116
xii Above 700 Units			3.2116	
b) For Sanctioned load 5 kW & above				
Time Of Use		3.2116	3.2116	

A-2 GENERAL SUPPLY TARIFF - COMMERCIAL

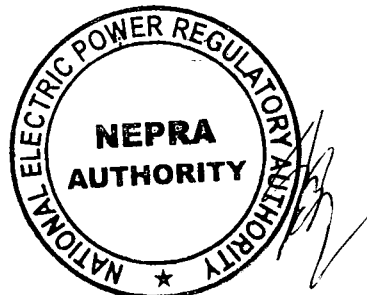
Sr. No.	TARIFF CATEGORY / PARTICULARS	TOTAL VARIABLE CHARGES Rs/kWh	
		Peak	Off-Peak
a)	For Sanctioned load less than 5 kW		2.6847
b)	For Sanctioned load 5 kW & above		4.4547
c)	Time Of Use	4.4547	4.4547
d)	Electric Vehicle Charging Station		4.4547

A-3 GENERAL SERVICES

Sr. No.	TARIFF CATEGORY / PARTICULARS	TOTAL VARIABLE CHARGES Rs/kWh
a)	General Services	4.4547

B INDUSTRIAL SUPPLY TARIFFS

Sr. No.	TARIFF CATEGORY / PARTICULARS	TOTAL VARIABLE CHARGES Rs/kWh	
		Peak	Off-Peak
B1	Upto 25 kW (at 400/230 Volts)		4.4547
B2(a)	25-500 kW (at 400 Volts)		4.4547
B3(a)	For all loads upto 5000 KW (at 11,33 kV)		4.4547
B4(a)	For all loads upto 5000 KW (at 66,132 kV)		4.4547
	Time Of Use		
B1(b)	Upto 25 kW (at 400/230 Volts)	4.4547	4.4547
B2(b)	25-500 kW (at 400 Volts)	4.4547	4.4547
B3(b)	For All Loads up to 5000 kW (at 11,33 kV)	4.4547	4.4547
B4(b)	For All Loads (at 66,132 kV & above)	4.4547	4.4547
B5	For All Loads (at 220 kV & above)	4.4547	4.4547



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C - SINGLE-POINT SUPPLY

Sr. No.	TARIFF CATEGORY / PARTICULARS	TOTAL VARIABLE CHARGES Rs/kWh	
		Peak	Off-Peak
C -1	For supply at 400/230 Volts		
a)	Sanctioned load less than 5 kW		4.4547
b)	Sanctioned load 5 kW & up to 500 kW		4.4547
C -2(a)	For supply at 11,33 kV up to and including 5000 kW		4.4547
C -3(a)	For supply at 132 and above, up to and including 5000 kW		4.4547
	Time Of Use		
C -1(c)	For supply at 400/230 Volts 5 kW & up to 500 kW	4.4547	4.4547
C -2(b)	For supply at 11,33 kV up to and including 5000 kW	4.4547	4.4547
C -3(b)	For supply at 132 kV up to and including 5000 kW	4.4547	4.4547

D - AGRICULTURE TARIFF

Sr. No.	TARIFF CATEGORY / PARTICULARS	TOTAL VARIABLE CHARGES Rs/kWh	
		Peak	Off-Peak
D-1	For all Loads		4.4547
	Time of Use		
D-2	For all Loads	4.1447	4.1447

E - TEMPORARY SUPPLY TARIFFS

Sr. No.	TARIFF CATEGORY / PARTICULARS	TOTAL VARIABLE CHARGES Rs/kWh	
		Peak	Off-Peak
E-1(i)	Residential Supply		4.4547
E-1(ii)	Commercial Supply		4.4547
E-2 (i)	Industrial Supply		4.4547
E-2 (ii)	Bulk Supply		
	(a) at 400 Volts		4.4547
	(b) at 11 kV		4.4547

G. PUBLIC LIGHTING

Sr. No.	TARIFF CATEGORY / PARTICULARS	TOTAL VARIABLE CHARGES Rs/kWh	
		Peak	Off-Peak
	Street Lighting		4.4547

H - RESIDENTIAL COLONIES ATTACHED TO INDUSTRIAL PREMISES

Sr. No.	TARIFF CATEGORY / PARTICULARS	TOTAL VARIABLE CHARGES Rs/kWh	
		Peak	Off-Peak
	Residential Colonies attached to industrial premises		4.4547



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