National Electric Power Regulatory Authority
Islamic Republic of Pakistan

Registrar

NEPRA Tower, Attaturk Avenue (East), G-5/1, Islamabad
Ph: +92-51-9206500, Fax: +92-51-2600026
Web: www.nepra.org.pk, E-mail: registrar@nepra.org.pk

No. NEPRA/ADG(Tariff)/TRF-362/K-Electric-2016/ 5863-67 May 09, 2025

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 Provisional Monthly Fuel Charges Adjustments requested by K-Electric Limited for February 2025**

Enclosed please find herewith a copy of the Decision of the Authority alongwith Additional note of Mr. Rafique Ahmed Sheikh, Member (NEPRA) in the matter of fuel charges adjustment for the month of **February 2025** (total 07 pages) in respect of K-Electric Limited and Notification (S.R.O. 767(I)/2025 dated 09.05.2025) 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: **[Decision along with Notification is also available on NEPRA's website]**

Wasim Anwar
(Wasim Anwar Bhinder)

Copy to:

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 PROVISONAL MONTHLY FUEL CHARGES ADJUSTMENTS REQUESTED BY K-ELECTRIC LIMITED FOR FEBRUARY 2025.

1. The Authority determined a Multi-Year Tariff ("MYT") for K-Electric Limited (herein referred to as "K-Electric" or "KE") for a period of seven (07) years, from July 2016 to June 2023, which expired on June 30, 2023. The MYT provided a mechanism wherein the Authority had to review and revise the approved tariff through monthly, quarterly and annual adjustments. As per the mechanism, 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, the impact of change in 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.

2. Pursuant to the expiry of its MYT, K-Electric filed petitions for determination of a new MYT for the period from July 2023 to June 2030 for its Generation, Transmission, Distribution and Supply business separately. The Authority while admitting these petitions, granted K-Electric an interim tariff. The interim tariff was determined on the basis of allowed quarterly adjustments for the quarter ending in March 2023 and the same is subject to adjustment once the final MYT of KE for the control period FY 2024-30 is determined.

3. In view thereof, K-Electric filed its provisional monthly FCA request for the month of February 2025 vide its letter dated 19.03.2025. The summary of KE's FCA request for February 2025 is tabulated as hereunder;

Month	Rs. Mln	Rs. /kWh
February 2025	(6,662)	(6.62)

4. K-Electric in its instant request submitted that:

   - ✓ Provisional FCA request for February 2025 is with regard to NEPRA's decisions regarding provisional FCAs for the period from July 2023 to November June 2024, whereby provisional FCAs have been allowed based on parameters defined in MYT 2017-2023.
   - ✓ Provisional FCAs are subject to adjustment once MYT 2024-2030 is determined.
   - ✓ Provisional monthly FCA for February 2025 is being requested based on March 2023 as interim reference tariff.
   - ✓ In KE's FCA request of February 2025, calculation of CPPA-G's fuel cost is based on CPPA-G's requested rate in the matter of FCA for the month of February 2025 and is subject to actualization based on NEPRA's decision.
   - ✓ KE dispatches as per Economic Merit Order from its own generating units (with the available resources) and import from external resources.
   - ✓ Cost of fuel and power purchase claim does not include any amount of late payment surcharge/ markup/ interest.

5. In addition, KE has also submitted that pursuant to determination of Generation Tariff of Power plants of KE for the period post June 2023, it has submitted the required partial load, open cycle and degradation curves along with Startup Cost for approval and an amount of Rs.13.9 billion for

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the period July 2023 to February 2025 which is pending for adjustment out of which Authority has set aside Rs.7.4 billion in KE's FCA Decision for November 2024 and December 2024. KE has requested the Honorable Authority to also consider aforementioned adjustment of accumulated actualization of fuel cost so that the recovery can be made from the negative fuel cost variation of January 2025 and February 2025 to ensure consumers are not burdened at later stage.

6. In order to arrive at an informed decision, the Authority decided to conduct a hearing in the matter. An advertisement in this regard was published in newspapers on 09.04.2025, and also uploaded on NEPRA website, whereby hearing was scheduled on 16.04.2025. Further, individual notices were also served to the stakeholders for participation in the hearing.

7. The following issues were framed for the hearing;

   i. Whether the requested Fuel Price variation is justified?

   ii. Whether KE has followed the merit order while giving dispatch to its power plants as well as power purchases from external sources?

   iii. Whether the request of KE to consider adjustment of accumulated actualization of fuel cost on account of partial load, open cycle and degradation curves along with startup cost from July to February 2025, from the negative fuel cost variation is justified?

8. The hearing was held as per the schedule on 16.04.2025 at NEPRA Tower and through ZOOM. The hearing was attended by CEO KE along-with his financial & technical team, KE consumers, media representatives, other stakeholders and general public,

9. KE during the hearing presented the following analysis in terms of Mix and Price variances for the month of February 2025;

Company Wide Mix

Fuel	Reference		Current	
	Units Sent out (GWh)	Proportion (%)	Units Sent out (GWh)	Proportion (%)
FO	195	13%	0.02	0%
Gas	79	5%	30	3%
RLNG – SSGC	67	5%	14	1%
RLNG – PLL	310	21%	105	10%
HSD	-	-	-	-
Coal	36	2%	1	0.10%
Renewable (inc. Net Metering)	25	2%	34	3%
CPPA-G	767	52%	822	82%
Total	1,476	100%	1,007	100%

Fuel Source	Fuel Price (Reference)	Fuel Price (Current)	% Change over Reference
Furnace Oil (PKR / MMBTU)	3,122	3,737	20%
Furnace Oil (PKR / M. Ton)	125,982	150,785	
Natural Gas (PKR / MMBTU)	1,050	1,050	-
RLNG – SSGC (PKR / MMBTU)	3,807	3,544	-7%
RLNG – PLL (PKR / MMBTU)	3,479	2,938	-16%
CPPA (PKR / KWh)	9.5	8.21	-14%
FPCL (PKR / KWh)	19.48	18.13	-7%

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10. On the issue of EMO, KE submitted that it has followed the Economic Merit Order (EMO) while giving dispatch to its Power Plants as well as Power Purchase from External Sources. Relevant Data / Information including Hourly EMO Data as per the required format has been shared with NEPRA team for verification. Data with regards to monthly operations on account of EMO has been submitted.

11. Regarding issue of pending generation costs, KE highlighted that pursuant to determination of Generation Tariff of powerplants of KE for the period post June 2023, KE has submitted the required partial load, open cycle and degradation curves along with Startup Cost for approval. KE also referred to the following extract of Authority's decision:

> **11.2. The submissions of the Petitioner have been examined. With respect to Black Start and Start up Charges, KE shall be required to submit endorsement/evaluation from 3rd party / independent engineer preferably the one who carried out the test and the issue shall be decided separately along with part load and degradation. In line with the all other power plants, shut down charges have not been considered.**
>
> **10.12. Regarding degradation and part load, the Authority has decided to consider it separately. KE shall be required to submit endorsement from Independent Engineer on all curves, clearly indicating/addressing Operating Hours / Fired hours and other technical queries, if any. In line with the previous decision of the Authority, no further degradation shall be applicable in case of BQPS-I.**

12. KE, while making submissions during the hearing, re-iterated its stance that that an amount of Rs.13.9 billion from July 2023 to February 2025 is accordingly pending for adjustment out of which the Authority has set aside Rs.9.4 billion in KE's FCA Decision for November 2024 to January 2025. KE requested to also consider adjustment of aforementioned accumulated actualization of fuel cost so that the recovery can be made from the negative fuel cost variation to ensure consumers are not burdened at later stage. It also stated that similar costs are also allowed to XW-DISCOs in their monthly FCA Decisions.

13. A summary of inquiries by the Authority and concerns & comments from the commentators during the hearing is as follows:

✓ The Authority inquired during the hearing if KE has assessed the impact of new references on the FCAs and would it be possible to publish upcoming FCAs on KE's website? KE submitted that it will be sharing forecasted FCAs for the upcoming months based on interim tariff of March 2023. However, these projections may be subject to change depending on fluctuations in fuel prices, generation mix, actual demand and approved references which would be available once KE's Multi Year Tariff is determined for the period post June 30, 2023.

✓ Upon inquiry from the Authority regarding reduction in the off-take from SNPC and SNPC-II in February 2025, KE submitted that availability of SNPC and SNPC-II has remained around 60 MW due to gas curtailments by SSGC.

✓ The Authority also inquired regarding the impact and the quantum of tripping on 1600 MW supply from NTDC. KE submitted that there was no major tripping but only two such events of short duration occurred resulting in an estimated financial impact of Rs.7 million. The quantum of these events is as follows,

On 16th Feb, 500kV KKI / Jamshoro tripped at 06:51 Hours. This accounted for 0.35 GWh operation of KE Generation for a duration of 3.5 hours.

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- On 26th Feb, KE's 220kV Baldia/ NKI line tripped at 03:51 Hours due to humidity in the city accompanied with fog in Baldia grid vicinity. This accounted for 0.23 GWh operation of KE Generation for the duration of 1.5 hours.

✓ Mr. Rehan Javed inquired from NEPRA whether startup costs allowed to KE are according to the OEM manuals, actual data or data submitted by KE is relied upon. It was explained that startup cost is allowed as per OEM operational manuals even if the actual startup cost of KE plants is higher.

✓ Mr. Rehan Javed further inquired that how does NEPRA account for fuel cost of open cycle operations of KE power plants. It was explained that during the initial plant testing phase the open cycle cost of power plants are determined by the Authority as pass through. Subsequently, even if the actual open cycle cost of the plant is higher, the open cycle costs approved by the Authority during the testing phase are considered for the control period.

✓ Mr. Rehan Javed further inquired that how does NEPRA account for efficiency degradation of KE power plants over time. It was explained that degradation in efficiency of power plant over time is not part of the tariff calculations rather it is an operational matter and is addressed in PPA. It is pertinent to mention that these OEM curves address the degradation of efficiency of power plant, however, in case of a major or a minor overhaul, the degrading efficiency of power plant is improved. This improvement is also addressed in the degradation curves provided by OEM. Further, the degradation in efficiency is allowed according to OEM curves even if actual efficiency of the KE's power plants is lower.

✓ Regarding query of Mr. Arif Bilvani about appointment of independent consultants, KE clarified that appointing independent experts is a globally accepted practice and part of good corporate governance. KE paying for the services of these experts does not compromise their independence. This approach is comparable to the role of statutory auditors, who are appointed and paid by companies but are obligated to deliver impartial and independent assessments due to their professional integrity and reputational considerations. Furthermore, this model is widely adopted across industries, including environmental and technical assessments, where consultants are hired by companies but are still expected to deliver unbiased and professionally sound evaluations. KE also submitted that NEPRA prior to validating such evaluations, scrutinizes these assessments to ensure that its decisions are transparent and in the best interest of consumers.

✓ While responding to the query of Mr. Arif Bilvani regarding interest/markup earned by KE on retaining negative FCAs due to adjustments of partial load, open cycle and degradation cost, KE stated that costs on account of partial load adjustment, open cycle and degradation have already been incurred by KE during operation of its generation fleet in the respective period but the recovery through tariff is delayed.

✓ Mr. Tanveer Bari commented that partial loading has resulted due to inefficiency of KE plants which requires justification. KE explained that partial load is not an inefficiency but an operational requirement due to fluctuating demand, grid constraints, need for flexible generation to maintain supply-demand balance and adhering Economic Merit Order (EMO) from its own generating units and imports from external sources.

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generation to maintain supply-demand balance and adhering Economic Merit Order (EMO) from its own generating units and imports from external sources.

✓ Upon inquiry from Mr. Ajmal that whether negative FCA requested by KE is over and above the government's announced tariff reduction, KE responded that impact of reduction in FCA would be over and above the announced reduction by the Government.

✓ While responding to Mr. Ashfaque Mughal, regarding variation in KE's demand on year to year basis, KE explained that demand for February 2025 has declined by approximately 2% compared to February 2024. However, year to year demand has remained same.

✓ On the inquiry from Mr. Zaheer for not passing on the complete benefit of negative FCA to consumers despite, KE explained that negative FCAs retained would be offset against the costs Rs.13.9 billion on account of partial load, heat rate degradation and Startup Costs, in order to ensure consumers are not unduly burdened at a later stage. This approach results in striking a balance between immediate relief for the consumers in present and future. KE also highlighted that it does not receive subsidy from GoP for inefficiency or for operational purposes, rather it receives Tariff Differential Claims (TDC) due to subsidizing KE consumers as per Uniform Tariff Policy.

14. While reviewing the instant FCA request of KE, the Authority observed that for energy purchased from CPPA-G during February 2025, KE has used fuel cost component of Rs.8.2292/kWh as against the Authority's approved rate of Rs.8.2272/kWh. On the basis of the Authority's approved rate, the KE's claimed fuel cost for CPPA-G for February 2025 has been adjusted downwards by around Rs.1.64 million.

15. Furthermore, the Authority has revised the Fuel Cost Component (FCC) for FPCL w.e.f 31.10.2024 vide decision dated 11.03.2025. KE has used a FCC of Rs. 18.3963/kWh for the month of February 2025. On the basis of the Authority approved revised FCC of FPCL w.e.f 31.10.2024 i.e. Rs.18.1969/kWh, a negative adjustment of Rs.0.297 million has been worked out and accounted for in the FCA of February 2025.

16. Based on the aforementioned discussion, the Authority has worked out negative FCA of Rs.6.6195/kWh having impact of Rs.6.664 billion for the month of February 2025.

17. The Authority also noted that KE has claimed additional amount of Rs.13.9 billion from the Authority separately, on account of partial load, open cycle and degradation curves along with startup cost for the period from July 2023 to February 2025. KE has requested the Authority to consider adjustment of accumulated actualization of such costs from negative fuel cost variations.

18. The Authority, not to over burden the consumers at a later stage for such pending costs, has provisionally retained an amount of Rs.9.453 billion, from the FCA of November 2024 to January 2025, which is to be adjusted against the aforementioned pending costs. The Authority is cognizant of the fact that despite Rs.9.453 billion already been withheld, around Rs.4.447 billion still remains pending. In view thereof, the Authority has decided to withheld an amount of Rs. 3 billion from the worked out negative FCA of Rs.6.664 billion for the month of February 2025.

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20. The aforementioned negative FCA of Rs.3.6396/kWh is being allowed on provisional basis subject to adjustment, once the Authority determines MYT of KE for the period FY 2024-30. The difference in cost, if any based on the MYT FY 2024-30 would be allowed in future adjustments, once the same is notified.

21. In the light of above, the Authority hereby directs KE that the aforementioned negative adjustment;

    a) Shall be applicable to all the consumer categories except lifeline consumers, domestic protected consumers, Electric Vehicle Charging Stations (EVCS) and prepaid electricity consumers of all categories who opted for pre-paid tariff.

    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. In case any bills of **May 2025** are issued before the notification of this decision, the same may be applied in subsequent month.

    c) Terms & Conditions of Winter Demand Initiative decision dated 06.12.2024 needs to be considered, if applicable for the instant FCA.

    d) KE shall reflect the fuel charges adjustment in respect of February 2025 in the billing month of **May 2025**.

    e) While effecting the Fuel Adjustment Charges, KE shall keep in view and strictly comply with the orders of the courts notwithstanding this order.

AUTHORITY

Additional note is attached

Rafique Ahmed Shaikh
Member

Amina Ahmed
Member

Engr. Maqsood Anwar Khan
Member

Waseem Mukhtar
Chairman

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Waseem Anwar

Additional Note of Member (Technical)
Regarding
Fuel Charges Adjustment of K-Electric for February 2025

The successful enhancement of the interconnection between K-Electric (KE) and the National Transmission and Despatch Company (NTDC) to a safe operating limit of 1,600 MW is a commendable step. However, efforts to further increase this capacity to 2,000 MW and beyond—originally targeted for completion by June 2024—remained incomplete. In February 2025, the fuel cost in KE's generation mix stood at Rs. 20.01/kWh, significantly higher than NTDC's average of Rs. 8.23/kWh. If the interconnection capacity had been upgraded as planned, increased reliance on NTDC's lower-cost surplus power could have further reduced the Fuel Cost Adjustment (FCA), easing the financial burden on consumers. In light of the current surplus of economical generation within the NTDC system and the high cost of KE's internal generation, it is imperative that the interconnection upgrade be completed without further delay.

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To Be Published in
<u>Official Gazette of Pakistan Part-II</u>

National Electric Power Regulatory Authority
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NOTIFICATION

Islamabad, the day of May, 2025

S.R.O. 767 **(I)/2025:** – Pursuant to amendment in Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (NEPRA Act) through Regulation of Generation, Transmission and Distribution of Electric Power (Amendment) Act 2011 (Act No. XVIII of 2011), amended subsequently through Act No. XIV of 2021, the National Electric Power Regulatory Authority has been mandated to make the adjustments in the approved tariff on account of any variation in the fuel charges and notify the same in the official Gazette.

2. In exercise of power conferred by fourth proviso of sub-section 7 of Section 31 of NEPRA Act, the Authority has made the following adjustment on account of variation in fuel charges for the month of **February 2025** in the approved tariff K-Electric (KE):

FCA to be calculated on the basis of billing for the Month of	Rs./kWh	To be Charged in the Billing Month of
February 2025	(3.6396)	**May 2025**

3. The aforementioned negative FCA of Rs.3.6396/kWh is being allowed on provisional basis subject to adjustment, once the Authority determines MYT of KE for the period FY 2024-30. The difference in cost, if any based on the MYT FY 2024-30 would be allowed in future adjustments, once the same is notified.

4. In the light of above, the Authority hereby directs KE that the aforementioned negative adjustment;

a) Shall be applicable to all the consumer categories except lifeline consumers, domestic protected consumers, Electric Vehicle Charging Stations (EVCS) and prepaid electricity consumers of all categories who opted for pre-paid tariff.

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. In case any bills of **May 2025** are issued before the notification of this decision, the same may be applied in subsequent month.

c) Terms & Conditions of Winter Demand Initiative decision dated 06.12.2024 needs to be considered, if applicable for the instant FCA.

d) KE shall reflect the fuel charges adjustment in respect of **February 2025** in the billing month of **May 2025**.

e) While effecting the Fuel Adjustment Charges, KE shall keep in view and strictly comply with the orders of the courts notwithstanding this order.

Wasim Anwar

(Wasim Anwar Bhinder)
Registrar