National Electric Power Regulatory Authority
Islamic Republic of Pakistan

Registrar

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No. NEPRA/ADG(Tariff)/TRF-362/K-Electric-2016/4866-70 March 28, 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 January 2025**

Enclosed please find herewith a copy of the Decision of the Authority along with Additional note of Mr. Rafique Ahmed Sheikh, Member(NEPRA) in the matter of fuel charges adjustment for the month of **January 2025** (total 08 pages) in respect of K-Electric Limited and Notification (S.R.O. 460(I)/2025 dated 28.03.2025) 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]**

Waseem 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 JANUARY 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 January 2025 vide its letter dated 19.02.2025. The summary of KE's FCA request for January 2025 is tabulated as hereunder;

Month	Rs. Mln	Rs. /kWh
January 2025	(4,695)	(4.84)

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

- ✓ Provisional FCA request for January 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 January 2025 is being requested based on March 2023 as interim reference tariff.
- ✓ In KE's FCA request of January 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 January 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 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

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degradation curves along with Startup Cost for approval and an amount of Rs.13.5 billion for the period July 2023 to January 2025 which is pending for adjustment out of which Authority has set aside Rs.5.4 billion in KE's FCA Decision for November 2024. KE has requested the 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 December 2024 and January 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 13.03.2025, and also uploaded on NEPRA website, whereby hearing was scheduled on 20.03.2025. 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 January 2025, from the negative fuel cost variation is justified?

8. The hearing was held as per the schedule on 20.03.2025 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 January 2025;

Company Wide Mix

Fuel	Reference		Current	
	Sent out (GWh)	Proportion (%)	Sent out (GWh)	Proportion (%)
FO	195	13%	-	0%
Gas	79	5%	24	3%
RLNG – SSGC	67	5%	0.2	0%
RLNG – PLL	310	21%	42	4%
HSD	-	-	-	0%
Coal	36	2%	-	0%
Renewable (inc. Net Metering)	25	2%	31	3%
CPPA-G	767	52%	871	90%
Total	1,478	100%	**970**	**100%**

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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 subject to technical limits and fuel agreements. 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.13.5 billion from July 2023 to January 2025 is accordingly pending for adjustment out of which the Authority has set aside Rs.7.4 billion in KE's FCA Decision for November 2024 and December 2024. 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. Various commentators raised concerns during the hearing and in writing afterwards. A summary of comments relevant to the FCA is as under:

✓ Upon inquiry from the Authority regarding 8% reduction in sent outs, year on year basis, KE submitted that decline in KE's unit sent outs is owing to recession in industrial activity resulting in lower electricity demand, increase in solarization: net metering installed

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capacity increasing from 266 MW in January 2024 to 483 MW in January 2025 and lower average temperature in January 2025 (20.72°C) as compared to January 2024 (21.00°C). KE also submitted during the hearing that a detailed report on this matter will be submitted to NEPRA in due course of time.

✓ The Authority also inquired from KE, the impact in FCA had the entire power supply been obtained from NTDC as KE only generated around 4% from its own power plants during January 2025. Mr. Tanveer Bari and Mr. Bilvani also inquired regarding the status of KE's operational NTDC interconnections and further interconnection to increase KE's capability to have more power from National grid.

✓ KE explained that currently, the interconnection works by KE has been completed however, development work on interconnection on part of NTDC is underway. Once completed, KE will have the ability to transfer more than 2,000 MW from the national grid. Further, any future expansion in interconnection capacity would depend on commitment of firm availability of power from NTDC and KE is in discussion to ensure that firm capacity of 2000 MW is agreed with NTDC.

✓ KE also submitted that it is currently optimizing supply from NTDC, however in some winter months, during peak hours, electricity demand peaks above 1600 MW. This necessitates utilization of KE's own generation as per technical limits and fuel agreements. KE also stated that generation during January 2025 from KE's BQPS-III (RLNG) is due to Take or Pay obligation with PLL.

✓ On inquiry from the Authority regarding retention of amount payable to net metering consumers, KE submitted that it does not have any working capital benefit on account of units purchased from net metering consumers as these units are considered in monthly FCAs without claiming any fuel cost. Hence, KE does not retain any financial benefit from the quarterly adjustment of net metering on account of working capital.

✓ Regarding startup, degradation, and partial load costs claimed by KE, KCCI, Korangi Association of Trade and Industry (KATI), Site Association of Industry (SAoI) and APTMA emphasized that a defined margin for such costs should be included in MYT instead of claiming such costs through FCAs.

✓ KATI, SAoI and APTMA also submitted that allowing KE to recover unverified costs from negative FCAs is unjustified. It is NEPRAs mandate to protect both consumers and Industry interest with transparency and impartiality. Accordingly, it was requested to pass on the full negative FCA of January 2024 to the consumers without any deductions. Mr. Rehan Javed also submitted that entire benefit of negative FCAs should be passed on to the consumers just like positive FCAs are fully charged from the consumers.

✓ KE, on the issue, submitted that NEPRA has set aside partial amounts in KE's FCA Decisions for November 2024 and December 2024 to balance out positive adjustments in the coming months with regards to Part Load, Degradation and Startup Costs, ensuring consumers are not unduly burdened at a later stage. This approach also allows businesses to manage operational costs more effectively, striking a balance between immediate relief with future

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stability. If these adjustments are not offset against negative FCAs, it will result in significantly higher positive FCAs in the future.

- ✓ KE further explained that it operates in a regulated environment where tariffs are set and approved by the Authority, unlike unregulated industries like printing where prices are set by the seller itself. Startup, partial load, and degradation costs represent unavoidable and essential costs for plant operations and therefore approved by NEPRA under tariff framework. Additionally, these costs are also being allowed to other power plants across the country and are considered part of fuel cost of XW-DISCOs in their monthly FCAs.

- ✓ Regarding inquiry from Mr. Aleem Malik on total TDS received by KE so far, KE submitted that it being a privatized entity does not receive any subsidy from Government of Pakistan for its in-efficiency or for operational purposes, rather it receives Tariff Differential Claims (TDC) due to subsidizing consumers of Karachi as per Uniform Tariff Policy of GoP. Total releases by GoP on account of TDS claims of KE since privatization up to FY 2023 amounts to Rs.804 billion. KE further added that TDS could have been lower if local gas is provided to KE as it would reduce KE's EPP significantly and thereby reducing TDS significantly.
- ✓ Mr. Arif Bilwani inquired about the startup and standby costs claimed by KE during January 2025. KE stated that in January 2025, its start-up cost was around Rs. 53 million, however, no standby costs have been claimed.

- ✓ FPCL representative emphasized a transparent EMO mechanism in order to have an easy comparison of plants to be operated on EMO.

- ✓ KE explained that it dispatches as per EMO from its own generation fleet as well as from external sources subject to technical limits and fuel agreements. KE generates electricity on low fuel cost plants (with the available fuel resources) before going onto expensive fuel sources. EMO schedules are available on KE's website. Additionally, the FPCL plant was under annual outage during January 2025. KE further submitted that during the month of January 2025, the generation from BQPS-III was due to Take or Pay obligation with PLL.

- ✓ While responding to the query of Mr. Ashfaq Mughal regarding per unit fuel costs of KE's own generation and external purchases, KE submitted that its own fuel cost was approximately Rs.18.71/kWh, while the fuel cost from power purchases including CPPA-G was approximately Rs.10.56/kWh. The cost of electricity in KE system when compared with CPPA-G is higher because unlike CPPA-G, KE does not have availability of Nuclear or Hydro based power plants in its fleet, nor does KE is provided sufficient supply of Indigenous/Low Btu gas to operate its own plants. However, it is worth mentioning here that if indigenous gas was provided to KE as committed, KE's fuel cost would have been significantly lower.

14. While reviewing the instant FCA request of KE, the Authority observed that for energy purchased from CPPA-G during January 2025, KE has used fuel cost component of Rs.11.0081/kWh as against the Authority's approved rate of Rs.10.9943/kWh. On the basis of the Authority's approved rate, the KE's claimed fuel cost for CPPA-G for January 2025 has been adjusted downwards by around Rs.12.03 million.

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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. This revision requires adjustment of fuel costs allowed to KE for FPCL for the period from October 2024 to December 2024. Accordingly, on the basis of the Authority approved revised FCC of FPCL w.e.f 31.10.2024, a negative adjustment of Rs.7.40 million has been worked out, which has been accounted for in the FCA of January 2025.

16. The Authority also noted that KE has requested for Rs.213.731 million on account of heat rate revision of KCCP on HSD fuel based on the Authority decision dated 12.02.2025. The said claim is under technical verification therefore, has not been included in the instant FCA working of January 2025. Once the same is verified, the same shall be allowed in the subsequent monthly FCAs.

17. Based on the aforementioned discussion, the Authority has worked out negative FCA of Rs.5.0847/kWh having impact of Rs.4.930 billion for the month of January 2025.

18. The Authority also noted that KE has claimed additional amount of Rs.13.5 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 January 2025. KE has requested the Authority to consider adjustment of accumulated actualization of such costs from negative fuel cost variations.

19. The Authority, not to over burden the consumers at a later stage for such pending costs, has provisionally retained an amount of Rs.7.453 billion, from the FCA of November 2024 and December 2024 which is to be adjusted against the aforementioned pending costs. The Authority is cognizant of the fact that despite Rs.7.453 billion already been withheld, around Rs. 6 billion still remains pending. In view thereof, the Authority has decided to withheld an amount of Rs. 2 billion from the worked out negative FCA of Rs.4.930 billion for the month of January 2025. The Authority also considered the fact that KE has filed negative FCA request of negative Rs.6.662 billion i.e. negative Rs.6.62/kWh for February 2025, which would provide further margin for adjustment of any remaining pending claims, if required.

20. In view thereof, and based on the aforementioned adjustments, the Authority has decided to allow a negative FCA of Rs.3.0218/kWh (negative Rs. 2.930 billion) for January 2025, to be passed on to the consumers in the billing month of April 2025.

21. The aforementioned negative FCA of Rs.3.0218/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.

22. 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

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April 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 January 2025 in the billing month of April 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

My additional note is attached

Mathar Niaz Rana (nsc)
Member

Rafique Ahmed Shaikh
Member

Engr. Maqsood Anwar Khan
Member

Amina Ahmed
Member

Waseem Mukhtar
Chairman

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Additional Note of Member Technical – January 2025

In January 2025, KEL experienced an 8% decline in overall electricity sales compared to January 2024. The most significant drop occurred in industrial sales, which saw a notable reduction of 8.3%. This sharp decline warrants immediate investigation and attention from all relevant stakeholders to understand the underlying causes and take corrective action.

Furthermore, the ongoing delay in the execution of the interconnection arrangement between NTDC and KEL is adversely impacting the fuel costs associated with KEL's generation mix. In January 2025, KEL's own power plants contributed 4% to the energy mix, while 7% of electricity came from purchases from IPPs, with NTDC supplying the remaining 89%. Notably, the cost of generation from the NTDC system is significantly lower, at Rs. 11.15/kWh, compared to KEL's own generation cost of Rs. 23.83/kWh.

Given that NTDC has surplus generation capacity and its facilities are in close proximity to KEL, it is essential for both parties to prioritize the completion of the interconnection works and associated studies. This would not only improve cost efficiency but also enhance the overall performance of the power system.

As highlighted in my additional note accompanying the FCA decision for December 2024, expediting the interconnection process and addressing the contractual RLNG obligations are pivotal to optimizing operational costs and ensuring long-term sustainability for both KEL and NTDC.

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