



National Electric Power Regulatory Authority

Islamic Republic of Pakistan

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Registrar

No. NEPRA/TRF-133/KESC-2009/3314-3317

October 28, 2010

Subject:- **Decision of the Authority in the matter of Monthly Adjustment of Karachi Electric Supply Co. Ltd. for Fuel and Power Purchase Cost Variation Due to Changes in the Fuel Prices for the Month of July 2010 [Case No. NEPRA/TRF-133/KESCL-2009(6)]**
- Intimation of Decision of Tariff pursuant to Section 31(4) of the Regulation of Generation, Transmission and Distribution of Electric Power Act (XL of 1997)

Dear Sir,

Please find enclosed the Decision of the Authority (04 pages) applying the Tariff Adjustment Mechanism specified in Case No. NEPRA/TRF-133/KESC-2009(6) notified vide SRO 11(I)/2010 dated January 01, 2010.

2. The Decision is being intimated to the Federal Government for the purpose of notification of the approved tariff in the official gazette pursuant to Section 31(4) of the Regulation of Generation, Transmission and Distribution of Electric Power Act (XL of 1997) and Rule 16(11) of the National Electric Power Regulatory Authority Tariff (Standards and Procedure) Rules, 1998.
3. Pursuant to the orders of Honorable High Court of Sindh, Karachi, passed in Writ Petition No. 1380 of 2009 titled the Law Foundation and 16 others Vs NEPRA and 9 others on 25.06.2010, the Fuel Adjustment Charges (FAC) of KESC shall not be passed on to the consumers till final orders are passed in the Petition. Copy of orders of Sindh High Court is enclosed for reference.
4. Please note that paras 9-10 of the Authority's Decision are required to be notified in the official Gazette. However, prior to the notification of the subject decision, Ministry of Water & Power may like to consult Law, Justice and Parliamentary Affairs Division for legal opinion in the light of order of the Sindh High Court as referred in para 3 above.

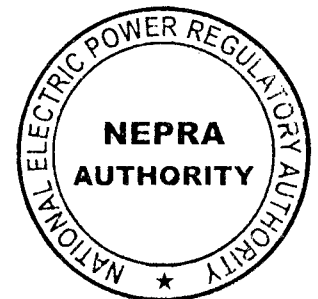
Enclosure: As above

Secretary,
Ministry of Water & Power,
'A' Block, Pak Secretariat,
Islamabad

CC:

1. Secretary, Cabinet Division, Cabinet Secretariat, Islamabad.
2. Secretary, Ministry of Finance, Islamabad.
3. Secretary, Privatization Commission, Islamabad.

(Syed Safer Hussain)

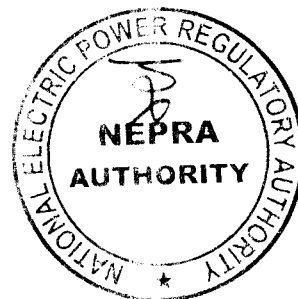


**DECISION OF THE AUTHORITY IN THE MATTER OF MONTHLY
ADJUSTMENT OF KESCL FOR FUEL AND POWER PURCHASE COST
VARIATION DUE TO CHANGES IN THE FUEL PRICES FOR THE MONTH
OF JULY 2010.**

Pursuant to the amendment made in Section 31(4) of the Regulation of Generation, Transmission and Distribution of Electric Power Act 1997 , NEPRA is required to review the fuel charges on monthly basis in the approved tariff on account of any variation. Further the monthly adjustments on account of fuel cost variation is to be done in accordance with the monthly adjustment mechanism for Karachi Electric Supply Company Limited (KESCL) fuel cost and the power purchase cost determined by the Authority in case No. NEPRA/TRF-133/KESCL-2009(6) dated December 23, 2009, duly notified by Government of Pakistan vide S.R.O No. 11(I)/2010 dated January 01, 2010. As per said mechanism KESCL was allowed the monthly adjustment in the fuel cost component of its own generation as well as power purchase cost from external sources without taking into account the effect of T&D losses. The aforesaid variation in cost is to be passed on to the consumers in their monthly bills as Fuel Surcharge Adjustment (FSA).

2. KESCL submitted its request for adjustment in fuel cost component of its own generation and the power purchase cost from external sources for the month of July 2010 vide letter No.CMF/NEPRA/071/267 dated August 11, 2010. In that request, as usual, the cost of power purchased from NTDC was taken on provisional basis by taking into account the rates for the month of June 2010 as the invoice of July 2010 was not received by KESCL till then. The request was advertised in the major national dailies on August 26, 2010. KESCL then submitted July, 2010 updated data vide letter No.CMF/NEPRA/071/288 on August 27, 2010 based on the actual power purchase rate from NTDC. In order to consider the proposed adjustments the Authority held public hearing in Karachi on September 02, 2010 along with the hearing of quarterly adjustments for the quarter ended June 2010.

3. In this regard, no intervention request was received by the Authority from any stakeholder. However, some objections were raised from the commentators during the hearing regarding the increase of around Ps. 11.877/kWh for the said month as claimed by KESCL. In this regard, KESCL representatives replied that the request published in the newspaper was based on provisional rates of NTDC as the actual invoice was not received by



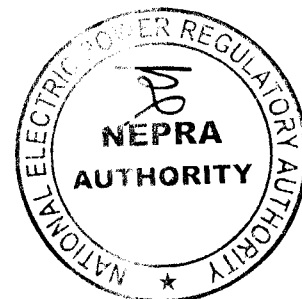
that time to KESCL. KESCL further explained that the latest request with the actual rates of NTDC has been submitted to the Authority, NEPRA, in which a decrease of Ps. 3.368/kWh is proposed.

4. The summary of the requested adjustment as provided in the latest letter is indicated below:

Description	July-10 (Requested)
1, Fuel Cost of Own Generation (Million Rs)	167.3
2, Fuel Cost of Power Purchase (Million Rs)	(218.03)
3, Total Monthly Variation (1+2)-(Million Rs)	(50.7)
Total Units Sent Out(GWh)	1,506.5
Total Variation Ps/kWh	(3.4)

5. According to the information provided by KESCL, the Authority noted that KESCL has reduced its furnace oil cost by Rs 1.097 billion due to the subsidy given to KESCL by GOP which has reduced its furnace oil price (on weighted average basis) to approximately Rs 28,531/metric ton. To confirm final amounts to be paid to PSO by GoP for the Month of July 2010, the Authority sent a letter vide letter No. NEPRA/TRF-133/KESCL-2009/2453 dated September 09, 2010 to Ministry of Water and Power. It was mentioned in the letter to the Ministry to submit its response within three working days otherwise the Authority would be constrained to accept the amount claimed by KESCL as correct and full and final amount for calculating fuel price and corresponding adjustment for the relevant month in KESCL's electricity tariff. In this regard no reply from the Ministry has been received till date. Consequently Authority considered KESCL's provided figures as correct.

6. External generation data of IPPs for the month of July 2010 was scrutinized in KESCL Head Office with respective invoices and general ledgers, on test check basis and cross verified with KESCL's internal documentation, in order to ensure that the amounts booked reconcile with the invoices raised. After detailed scrutiny of both self and external generation data, the Authority observed that NTDC has charged different rate to KESCL for the month of July 2010 than XW-Discos, despite the fact the Authority had decided vide its decision September 29, 2008 that NTDC shall treat KESCL at par with XW-Discos for the purpose of sale of power and shall charge on the basis of similar mechanism as approved for XW-Discos



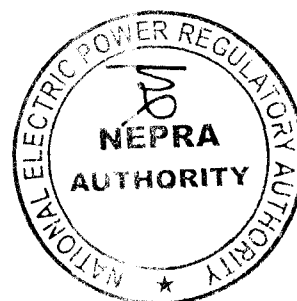
7. While deciding the adjustment for the current month, the Authority observed that NTDC charged KESCL Rs. 4.61/kWh against the Authority's approved energy transfer rate of Rs. 4.35/kWh for all Discos for the month of July 2010 vide its decision No.NEPA/TRF-100/MFPA/2005-2007 dated August 26, 2010. A letter has also been dispatched by the Authority to NTDC for explanation/clarification of this discrepancy. However, the Authority has decided to apply the same rate i.e. Rs4.35/kWh as energy transfer charge for calculating KESCL's monthly fuel adjustment for the month of July 2010.

8. Consequently, the fuel cost variation of KESCL's own power generation and power purchases from external sources for the month of July 2010 works out to minus Rs. 138.39 million (Ps 9.19/kWh), details are indicated hereunder:

Tariff Adjustments Summary	Jul-10	
	Requested	Allowed
Variation in Fuel Price		
Own Generation (Million Rs)	167.29	167.29
External/PPP (Million Rs)	-218.03	-305.67
Total (Rs In Million)	-50.74	-138.39
Total Unit Sent Out (GWh)	1506.54	1506.54
Total Variation Ps/kWh	-3.37	-9.19

9. In order to allow KESCL for variation in fuel cost component of its own generation as well power purchased from external sources for the month of July, the Authority has decided to pass on a decrease of Ps.9.19/kWh to be charged by KESCL from the consumers as Fuel Surcharge Adjustment (FSA). The paisa per kWh, rounded off after taking into account its effect on consumption of life line consumers and agriculture consumers (D1 & D2 categories), to be charged by KESCL in the prospective billing month of November-10 from each consumer shall be according to the following schedule:

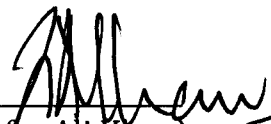
Monthly Consumer bill	Fuel surcharge Adjustment (FSA)	Ps/kWh
November 2010	July 2010	(9.00)




10. The adjustment as referred to in para 9 above;

- i. shall be applicable to all the consumer categories except lifeline consumers and agriculture consumers (D1 & D2 categories) of KESCL
- ii. shall be shown separately in the consumers bill on the basis of consumption for the month of July, 2010


Authority:



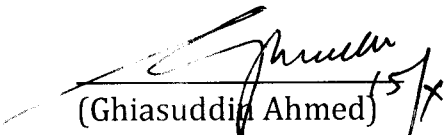
(Zafar Ali Khan) 13/10/10
Member



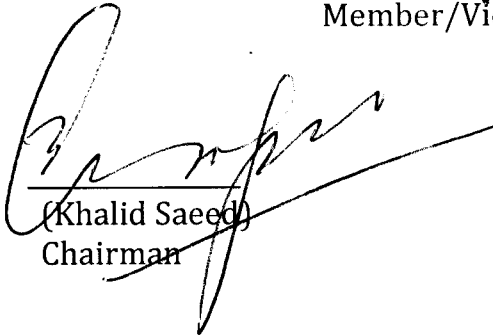
(Maqbool Ahmad Khawaja)
Member

I did not attend this meeting -


(Shaukat Ali Kundi)
Member
Shaukat Ali Kundi
27.10.2010



(Ghiasuddin Ahmed) 15/10
Member/Vice Chairman



(Khalid Saeed)
Chairman

