



National Electric Power Regulatory Authority

Islamic Republic of Pakistan

2nd Floor, OPF Building, G-5/2, Islamabad

Ph: 9206500, 9207200, Fax : 9210215

E-mail: registrar@nepra.org.pk

Registrar

No. NEPRA/TRF-133/KESC-2009/161-164

January 13, 2011

Subject:- **Decision of the Authority in the matter of Monthly Adjustment due to Changes in Fuel Prices of Karachi Electric Supply Co. Ltd. for the Month of November 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)**

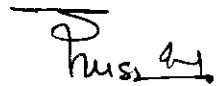
Dear Sir,

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 11-12 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.

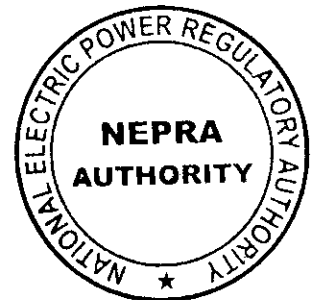
Enclosure: As above

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


(Syed Safer Hussain)

CC:

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



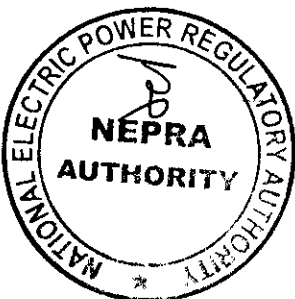
**DECISION OF THE AUTHORITY IN THE MATTER OF
MONTHLY ADJUSTMENT DUE TO CHANGES IN FUEL PRICES OF KARACHI
ELECTRIC SUPPLY COMPANY LIMITED FOR THE MONTH OF NOVEMBER, 2010**

Pursuant to the amendment made in Section 31(4) of the Regulation of Generation, Transmission and Distribution of Electric Power Act 1997, National Electric Power Regulatory Authority (herein after referred to as the "Authority") 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 variations is to be done in accordance with the monthly adjustment mechanism for Karachi Electric Supply Company Limited (hereinafter referred to as "KESCL") determined by the Authority in case No. NEPRA/TRF-133/KESCL-2009(6) dated December 23, 2009, duly notified by the Government of Pakistan vide S.R.O No. 11(I)/2010 dated January 01, 2010. As per the said mechanism, KESCL is allowed monthly adjustment in fuel cost component for its own generation as well as power purchase cost from external sources on account of fuel price variation without taking in to account the effect of transmission and distribution 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 with regards to adjustment of its fuel cost and power purchase cost variation due to changes in fuel prices for the month of November, 2010 vide letter No.CMF/NEPRA/071/467 dated December 14, 2010. In this request overall decrease of 10.559 ps/kwh on account of fuel price variation for the month of November 2010 was claimed. In the data enclosed with the above referred letter, the cost of power purchase from NTDC/CPPA was accounted for on the basis of rate charged by NTDC/CPPA for October 2010, as the invoice of NTDC/CPPA for November 2010 was not received by KESCL till then. KESCL, in accordance with the directions of the Authority, had also certified through its request that the cost of fuel and power purchase claimed by it did not include any amount of late payment surcharge/mark-up/interest.

3. Based on the actual invoice of NTDC/CPPA for November 2010, KESCL resubmitted its request of monthly adjustment in its tariff for the month of November, 2010 due to changes in fuel prices vide letter No. CMF/NEPRA/071/488 dated December 22, 2010. In this request, the fuel component of the cost of power purchase from NTDC/CPPA has been claimed as Rs. 1,834.398 million as against the figure of Rs. 2,209.227 million previously claimed in the first request detailed above. The summary of the adjustments as requested/proposed by KESC based on actual rates of NTDC is tabulated herein below:

Tariff Adjustments Summary	November -10
Variation in Fuel Price	Requested
Own Generation (Million Rs.)	(382.317)
External/PPP (Million Rs.)	27.641
Total (Rs. in Million)	(354.676)
Total Units Sent Out (GWh)	1100.835
Total Variation Ps/kWh	(32.219)



[Handwritten signature]

4. Notice of hearing of KESCL request was advertised on December 22, 2010 in the leading daily newspapers whereby information provided by KESCL in its first request made vide letter no. CMF/NEPRA/071/467 dated December 14, 2010 was published. Notices to the main stakeholders were also sent inviting thereby their comments and/or objections.

5. In response to the advertisement, no comments relevant to the subject of hearing were received by the Authority. In accordance with the notice of hearing, the Authority held a public hearing at its Main Office, Islamabad on December 29, 2010 to consider the proposed adjustments by KESCL.

6. During the hearing, KESCL explained that the average cost of furnace oil has decreased during the month of November 2010 due to subsidy amounting to Rs. 342.70 million provided by the Government of Pakistan to KESCL in accordance with the decision of Economic Coordination Committee (ECC) for the furnace oil purchased from November 03, 2010 to November 07, 2010. This subsidy has reduced the fuel cost of KESCL's own generation. The Authority vide letter no. NEPRA/TRF-133/KESC-2009/4849 dated December 29, 2010 requested the Ministry of Water and Power to confirm the amount of subsidy allowed to KESCL for the month of November 2010 within 3 working days otherwise the Authority would be constrained to accept the amount claimed by KESCL as correct, complete and final for calculating fuel price and corresponding adjustment for November 2010. In this regard no response from the ministry has been received to date, consequently the Authority has decided to treat subsidy amount as reported by KESCL to be correct and final.

7. KESCL in its requests as discussed in the preceding paragraphs had used 10,000 btu/kWh as the heat rate for Site Gas Turbine-2, a KESCL owned power plant, for calculation of variation of fuel price. The Authority in its decision in the matter of monthly adjustment for the month of October 2010 had directed that heat rate of 9,500 btu/kWh should be applied on provisional basis subject to adjustment based on report of heat rate test for both Korangi Gas Turbine-2 and Site Gas Turbine-2, as both the plants are of the same make and model. KESCL vide its letter no. CMF/NEPRA/071/496 dated December 27, 2010 revised its request on the basis of heat rate of 9,500 btu/kWh allowed by the Authority. Although, the revised request was submitted by KESCL by using heat rate of 9,500 btu/kWh for Site Gas Turbine-2, however in that request KESCL also changed the heat rate of that plant for the reference month i.e. September, 2010 from 10,000 btu/kWh to 9,500 btu/kWh. The Authority considers that the heat rate of September, 2010 cannot be changed for computing the variation for November 2010 as on the basis of heat rate of 10,000 btu/kWh tariff for the reference month i.e. September, 2010 was determined. The Authority further noted that above mentioned heat rates have been allowed on provisional basis which are subject to adjustment based on report of heat rate tests.

8. The Authority while taking notice of continuous decrease in generation of KESCL from its own power plants for the last three months observed that KESCL is not fully utilizing its available capacity on furnace oil and noted that effects of this under-utilization have eventually to be borne by the consumers in the shape of load shedding. KESCL in response to this observation submitted that the decrease in self-generation of KESCL in the last three months is due to decrease in demand. With regards to load shedding, KESCL submitted that load shedding in a particular area is linked with the percentage of line losses of that particular area. KESCL further submitted that it has categorized different areas on the basis



[Handwritten signature and initials]

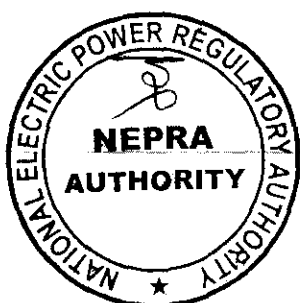
of line loss percentage: no load shedding is being carried out for industrial consumers and in areas where line losses are upto 20%; load shedding of 3 hours per day is being carried out in areas with line losses ranging between 20% and 35% ; and load shedding of 4.5 hours per day is being carried out in areas with more than 35% line losses. The Authority did not agree with this argument of KESCL. By this way even those consumers who pay their electricity bills regularly are subjected to extra hours of load shedding.

9. The generation data, rates etc. of KESCL (both from self generation and power purchased from external sources) for the month of November 2010 were scrutinized with respective invoices and other underlying documents. After detailed scrutiny of both self and external generation data, the Authority observed that NTDC/CPPA had charged a different rate to KESCL from the energy transfer rate approved by the Authority for monthly fuel adjustments of DISCOS. The Authority noticed that NTDC/CPPA, for the month of November 2010, charged Rs. 4.24/kWh as against the energy transfer rate of Rs. 3.94/kWh approved by the Authority in the monthly fuel price adjustment for DISCOS. The Authority in its decision dated September 29, 2008 had directed that NTDC/CPPA shall treat KESCL at par with XWDISCOS for the purpose of sale of power and shall charge on the basis of similar mechanism as approved for XWDISCOS.

10. In view of decision of the Authority referred to hereinabove, the Authority has decided to apply the same energy transfer rate to KESCL as approved by the Authority for XWDISCOS for the month of November, 2010. Consequently, the fuel cost variation of KESCL's own power generation and power purchases from external sources for the month of November 2010 works out to be minus Rs. 493.090 million (Ps. 44.915/kWh), as per the details tabulated hereunder:

Tariff Adjustments Summary	November -10	November -10
Variation in Fuel Price	Requested	Allowed
Own Generation (Million Rs)	(382.317)	(392.344)
External/PPP (Million Rs)	27.641	(100.746)
Total (Rs In Million)	(354.676)	(493.090)
Total Units Sent Out (GWh)	1100.835	1097.834
Total Variation Ps/kWh	(32.219)	(44.915)

11. In order to allow KESCL for variation in fuel cost of its own generation as well as power purchased from external sources for the month of November 2010, the Authority has therefore decided to pass on minus Ps.44.915/kWh to consumers of KESCL as Fuel Surcharge Adjustment. The paisa per kWh, rounded off after taking into account its effect on consumption of life line consumers and agriculture consumers of D1 and D2 categories, to be charged by KESCL in the prospective billing month of February, 2011 from each consumer works out to be minus Ps. 46/kWh and shall be charged by KESCL according to the following schedule:



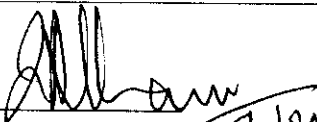
[Handwritten signature]


FSA to be calculated on the basis of the billing for the month of	Ps/kWh	To be Charged in Monthly Consumer bill of
November 2010	(46.00)	February 2011


12. The adjustment as referred to in para 11 above shall be:

- i. applicable to all the consumer categories except lifeline consumers of KESCL and agriculture consumers of D1 and D2 categories; and
- ii. shown separately in the consumer bills on the basis of units billed for the month of November, 2010.

Authority:

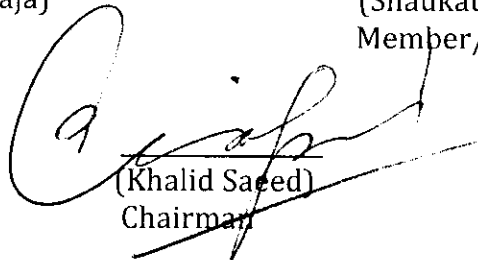

 (Zafar Ali Khan) 5/1/2011
 Member



 (Ghiasuddin Ahmed) 10/1
 Member


 (Maqbool Ahmad Khawaja)
 Member

on leave on the day AM (hearing)
 (Shaukat Ali Kundi) 10-59 was held on
 Member/Vice Chairman 29.12.2010.

Shaukat Ali Kundi
 12.01.2011


 (Khalid Saeed)
 Chairman

 During Nov. 2010, KESC own generation was almost 50% of available capacity, whereas load shedding on average for whole month was more than 270 MW. This load shedding could have been avoided, had KESC utilized its available generation capacity. This is clear violation of directions of NEPRA - Tariff det. Nov. 2009. Continuous non-compliance needs to be considered for suitable action. On other side GENCOs have to generate over using Diesel to reduce load shedding. I therefore dissent from decision of Authority in principle due to such attitude of KESC


 n(s) 7/1/11

