



National Electric Power Regulatory Authority

Islamic Republic of Pakistan

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Registrar

No. NEPRA/TRF-133/KESC-2009/8658-8661

September 28, 2011

Subject:- Decision of the Authority in the matter of Fuel Charges for the Month of July 2011 for Karachi Electric Supply Company Ltd. [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 herewith the Decision of the Authority (04 pages) regarding monthly fuel cost adjustment of Karachi Electric Supply Company Ltd. due to changes in fuel prices for the month of July 2011 in Case No. NEPRA/TRF-133/KESC-2009(6).

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.

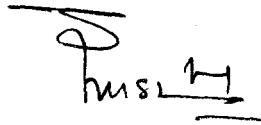
3. Please note that paras 14 – 15 of the Authority's Decision are required to be notified in the official Gazette.

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)



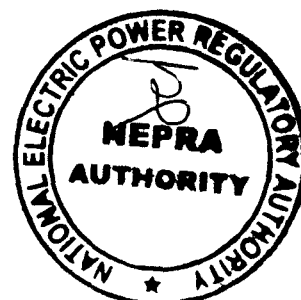


**DECISION OF THE AUTHORITY IN THE MATTER OF FUEL CHARGES FOR THE MONTH OF JULY,
2011 FOR KARACHI ELECTRIC SUPPLY COMPANY LIMITED**

1. Pursuant to the provisions of Section 31(4) of the Regulation of Generation, Transmission and Distribution of Electric Power Act 1997, (XL of 1997) and as per the mechanism for monthly fuel price adjustment prescribed and determined by the Authority for Karachi Electric Supply Company Limited (herein after referred to as "KESCL") in case No. NEPRA/TRF-133/KESCL-2009(6) dated December 23, 2009, duly notified in the official Gazette vide S.R.O No. 11(l)/2010 dated January 01, 2010, National Electric Power Regulatory Authority has to review and revise the approved tariff on account of any variation in the fuel charges on monthly basis. As per the mechanism prescribed by the Authority, 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 (hereinafter referred to as "T & D losses").
2. KESCL submitted its request of monthly adjustment due to fuel price variation for the month of July, 2011 vide letter No. CMF/NEPRA/071/796 dated August 25, 2011 received on August 26, 2011. KESCL 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. The summary of the requested adjustment is tabulated below:

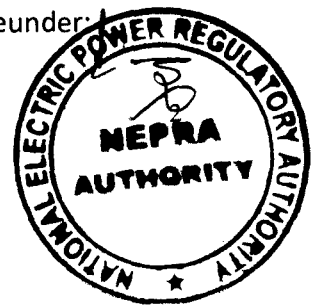
| Tariff Adjustment Summary | July -11 |
|----------------------------------|------------------|
| Variation in Fuel Price | Requested |
| Own Generation (Million Rs) | (460.792) |
| External/PPP (Million Rs) | (356.831) |
| Total (Rs. in Million) | (817.623) |
| Total Units Sent Out (GWh) | 1,303.049 |
| Total Variation Ps/kWh | (62.747) |

3. Notwithstanding the fact that the monthly adjustments on account of fuel charge variations are accounted for in accordance with law and as per the mechanism/formula prescribed by the Authority and notified in the official Gazette by the Federal Government; yet the impact of such adjustments, if any, is passed on to the consumers of electricity, therefore, in order to meet with the ends of natural justice, the Authority decided to provide an opportunity of hearing to all the concerned while reviewing the fuel charges. A date of hearing for the aforesaid purpose was fixed as September 15, 2011 in the NEPRA Main Office; notice thereof was published in the leading national newspapers on September 08, 2011 inviting comments/objections from the concerned persons.





4. On the date fixed for hearing, representatives of KESCL were present, however, neither any representation from the consumers of electricity was there nor any objections/comments was filed in that regard.
5. During the hearing, KESCL submitted that the main reason for variation of minus Rs. 460.792 million is the decrease in the number of units generated on furnace oil in the month of July, 2011 as compared to the reference month of June, 2011. KESCL generated (net of auxiliary) around 204 GWh, 31% of the KESCL's own total units generated (net of auxiliary), in the month of July, 2011 on Furnace Oil against around 292 GWh, 40% of the total units generated (net of auxiliary), in the reference month of June, 2011. Since the variation, as per the approved mechanism, is worked out both on account of generation mix and price, therefore, the reduction in generation on furnace oil is the reason of this minus variation in the current month.
6. In the fuel cost component of power purchase cost, KESCL submitted that the main reason of variation of minus Rs. 356.831 million is the decrease in energy procured from Gul Ahmed by KESCL for the month of July, 2011 as compared to the reference month of June, 2011. The energy procured by KESCL from Gul Ahmed in the month of July, 2011 is 9.75 GWh against 63.26 GWh purchased in the month of June, 2011. Since Gul Ahmed is an RFO based IPP with the highest fuel cost component, therefore, the decrease in energy procured from Gul Ahmed makes the energy mix purchased favorable and reduces the weighted average fuel cost per unit as compared to the reference month of June, 2011.
7. The Authority while taking the serious notice of low quantity of energy procured from Gul Ahmed by KESCL in the month of July, 2011 directed KESCL to provide a detailed report to the Authority within 10 days explaining the causes of low procurement of power from Gul Ahmed. The Authority was of the view that KESCL should utilize/procure the available capacity in the KESCL system to minimize load shedding in Karachi and to reduce its reliance on NTDC system.
8. The generation data, rates etc. of KESCL (both from self generation and power purchased from external sources) for the month of July, 2011 were scrutinized with respective invoices and other relevant documents and no discrepancy was found by the Authority. However it is noticed that NTDC/CPPA, for the month of July, 2011 charged Rs. 6.427/kWh (as per the invoice submitted by KESCL) whereas the Authority's approved energy transfer rate of NTDC/CPPA for the month of July, 2011 works out to be Rs.6.394/kWh for XWDISCOS including KESCL. It must be noted that while deciding upon KESCL's fuel adjustment for the previous months, the Authority had decided to apply the energy transfer rate as approved by the Authority for XWDISCOS including KESCL for the same month. Therefore, in compliance to the Authority's decision, energy transfer rate of Rs. 6.394/kWh should be used against Rs 6.427/kWh claimed by NTDC/CPPA.
9. In view of the above, the fuel cost variation of KESCL's own power generation and power purchases from external sources for the month of July, 2011 works out to be minus Rs. 834.595 million or minus Ps. 64.049/kWh, as per the details tabulated hereunder:



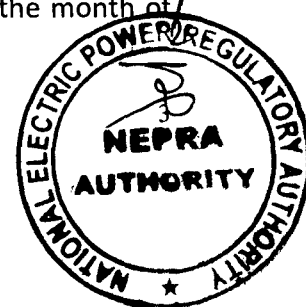


| Tariff Adjustments Summary | July-11 Requested | July-11 Allowed |
|--------------------------------|----------------------|--------------------|
| Variation in Fuel Price | | |
| Own Generation (Million Rs) | (460.792) | (460.797) |
| External/PPP (Million Rs) | (356.831) | (373.798) |
| Total (Rs In Million) | (817.623) | (834.595) |
| Total Units Sent Out (GWh) | 1303.049 | 1303.048 |
| Total Variation Ps/kWh | (62.747) | (64.049) |

10. 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 July, 2011, the Authority has therefore decided to pass on minus Ps. 64.049/kWh to the consumers of KESCL as fuel cost adjustment.
11. The revised schedule for the recovery of FCA of KESCL for the period Apr'10-Jun'11 approved by the Authority is tabulated hereunder;

| S.No | Decision No. | FCA Determined for the month of | Rs/kWh | Revised Recovery Schedule (Bills Issued in the months of) |
|------|-------------------------------------|------------------------------------------|--------|-----------------------------------------------------------------------|
| 1 | NEPRA/TRF-133/KESCL -2009/2190-2192 | Apr-10 | (0.09) | Oct-11 |
| | | May-10 | (0.11) | Oct-11 |
| 2 | NEPRA/TRF-133/KESCL -2009/2585-2588 | Jun-10 | (0.42) | Oct-11 |
| 3 | NEPRA/TRF-133/KESCL -2009/3314-3317 | Jul-10 | (0.09) | Oct-11 |
| 4 | NEPRA/TRF-133/KESCL -4240-4243 | Aug-10 | (0.17) | Oct-11 |
| 5 | NEPRA/TRF-133/KESCL -2009/4251-4254 | Sep-10 | (0.19) | Oct-11 |
| 6 | NEPRA/TRF-133/KESCL -2009/4525-4528 | Oct-10 | 0.58 | Oct-11 |
| 7 | NEPRA/TRF-133/KESCL -2009/4822-4825 | Mar-11 | 1.54 | Oct-11 |
| 8 | NEPRA/TRF-133/KESCL -2009/4836-39 | Apr-11 | (0.69) | Oct-11 |
| 9 | NEPRA/TRF-133/KESCL -2009/161-164 | Nov-10 | (0.46) | Nov-11 |
| 10 | NEPRA/TRF-133/KESCL -2009/935-938 | Dec-10 | 0.96 | Nov-11 |
| 11 | NEPRA/TRF-133/KESCL -2009/5990-5993 | May-11 | 0.24 | Nov-11 |
| 12 | NEPRA/TRF-133/KESCL -2009/7909-7912 | Jun-11 | 0.32 | Dec-11 |
| 13 | NEPRA/TRF-133/KESCL -2009/2881-2884 | Jan-11 | 0.85 | Dec-11 |
| 14 | NEPRA/TRF-133/KESCL -2009/3180-3183 | Feb-11 | 0.53 | Jan-12 |

12. As mentioned in the ibid table, the net figure of FCA that would be charged by KESCL in the month of December, 2011 is Rs. 1.17/kWh since the Authority has allowed KESCL to recover the FCA for the months of January, 2011 (Rs. 0.85/kWh) and June, 2011 (Rs.0.32) from its consumers in the month of December, 2011.
13. Therefore, in order to reduce the burden of consumers from paying such a huge figure of FCA in one particular month, the Authority is of the view that FCA for the month of





July, 2011 which is quite on the negative side, i.e. minus Ps. 65/kWh may also be adjusted/recovered by KESCL in the monthly bills of consumers issued in the month of December, 2011. By doing so, the net effect that would be charged by KESCL from its consumers in respect of FCA in the monthly bills of December, 2011 will be Rs. 0.52/kWh (0.85+0.32-0.65).

14. The paisa per kWh, rounded off after not allocating its effect on the consumption of life line consumers and agriculture consumers, to be charged by KESCL in the prospective billing month of December, 2011 from each consumer works out to be minus Ps. 65 /kWh and shall be charged by KESCL according to the following schedule:

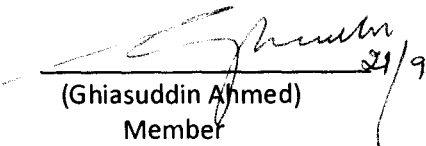
| FCA to be calculated on the basis of billing for the month of | Ps/kWh | Charged in consumer bills to be issued in the month of |
|---------------------------------------------------------------|---------|--------------------------------------------------------|
| July 2011 | (65.00) | December 2011 |

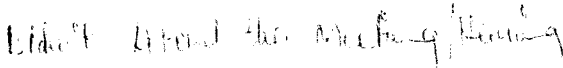
15. The adjustment as referred to in para 14 above:
- shall be applicable to all the consumer categories except lifeline consumers and agriculture consumers of KESCL; and
 - shall be shown separately in the consumer bills of December, 2011 on the basis of units billed for the month of July, 2011.

Authority:


(Zafar Ali Khan)
Member

23/9/11


(Ghiasuddin Ahmed)
Member



(Maqbool Ahmad Khawaja)
Member


(Shaukat Ali Kundi)
Member/Vice Chairman

27-09. 2011


(Khalid Saeed)
Chairman

