



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-2009/7909-7912
September 8, 2011

Subject:- Decision of the Authority in the matter of Fuel Charges for the Month of June 2011 for Karachi Electric Supply Company Ltd. [Case No. NEPRA/TRF-133/KESC-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 (03 pages) regarding monthly fuel cost adjustment of Karachi Electric Supply Company Ltd. due to changes in fuel prices for the month of June 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 8 – 9 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


(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 FUEL CHARGES FOR THE MONTH OF JUNE,
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(I)/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 June, 2011 vide letter No. CMF/NEPRA/071/763 dated July 22, 2011 received on July 27, 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 | June -11 Requested |
|----------------------------------|-------------------------------|
| Variation in Fuel Price | |
| Own Generation (Million Rs) | 773.494 |
| External/PPP (Million Rs) | (290.905) |
| Total (Rs. in Million) | 482.588 |
| | |
| Total Units Sent Out (GWh) | 1,384.345 |
| Total Variation Ps/kWh | 34.860 |

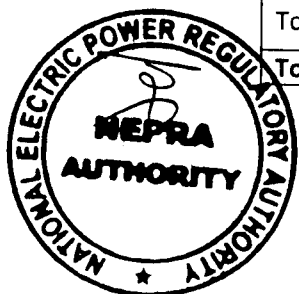
3. The Authority sent a letter NEPRA/TRF-133/KESC-2009/7105 dated August 02, 2011 to the Ministry of Water and Power requesting it to confirm that no subsidy for the purchase of furnace oil was allowed to KESCL by GoP for the month of June, 2011. Response of the said letter was desired within 3 days; otherwise, the Authority would be constrained to consider that no subsidy was provided to KESCL and will allow fuel cost adjustment to KESCL for the said month accordingly. In this regard, no reply was received from the Ministry.





4. 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 August 16, 2011 in the NEPRA Main Office; notice thereof was published in the leading national newspapers on August 04, 2011 inviting comments/objections from the concerned persons.
5. During the hearing, KESCL submitted that the main reason for variation of Rs. 773.494 million in KESCL's own generation is the increase in furnace oil prices, which have increased from Rs. 56,579 per metric ton (weighted average) in the month of March, 2011 to Rs. 59,286 per metric ton (weighted average) in the month of June, 2011. Further, KESCL generated (net of auxiliary) around 292 GWh on furnace oil in the month of June, 2011 as compared to around 200 GWh (net of auxiliary) in the month of March, 2011 and this increase in generation mix also contributed significantly in the variation being requested.
6. The generation data, rates etc. of KESCL (both from self generation and power purchased from external sources) for the month of June, 2011 were scrutinized with respective invoices and other relevant documents and no discrepancy was found by the Authority. However it is noticed that NTDC/CPA, for the month of June, 2011 charged Rs. 6.359/kWh (as per the invoice submitted by KESCL) whereas the Authority's approved energy transfer rate of NTDC/CPA for the month of June, 2011 works out to be Rs.6.261/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. 6.261/kWh should be used against Rs 6.359/kWh claimed by NTDC/CPA.
7. 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 June, 2011 works out to be Rs. 435.344 million or Ps. 31.448/kWh, as per the details tabulated hereunder:

| Tariff Adjustments Summary | June-11 Requested | June-11 Allowed |
|--------------------------------|-------------------|-----------------|
| Variation in Fuel Price | | |
| Own Generation (Million Rs) | 773.494 | 773.493 |
| External/PPP (Million Rs) | (290.905) | (338.149) |
| Total (Rs In Million) | 482.588 | 435.344 |
| Total Units Sent Out (GWh) | 1384.345 | 1384.345 |
| Total Variation Ps/kWh | 34.860 | 31.448 |





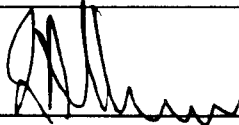
8. In order to allow KESCL for variation in fuel cost of its own generation as well as power purchased from external sources for the month of June, 2011, the Authority has therefore decided to pass on Ps. 31.448/kWh to the consumers of KESCL as fuel cost adjustment. The paisa per kWh, rounded off after not allocating its effect on the consumption of life line consumers, to be charged by KESCL in the prospective billing month of December, 2011 from each consumer works out to be Ps. 32 /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 | To be charged in Monthly Consumer bill of |
|---|--------|---|
| June 2011 | 32.00 | December 2011 |

9. The adjustment as referred to in para 8 above:

- shall be applicable to all the consumer categories except lifeline 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 June, 2011.


Authority:

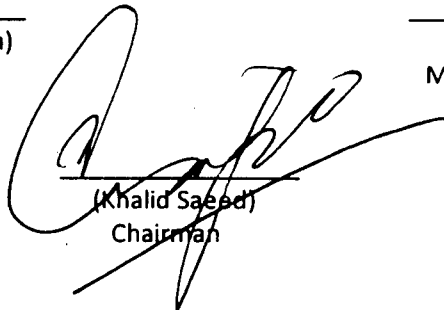

 (Zafar Ali Khan)
 Member
 23/8/11

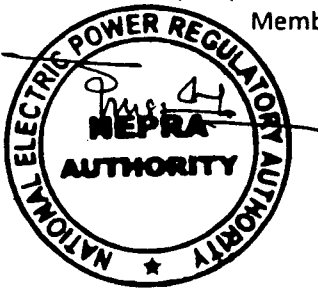

 (Ghiasuddin Ahmed)
 Member
 30/8

The remarks on the meeting sheet refers to:
 * *Shaukat Ali Kundi*


(Shaukat Ali Kundi)
 Member/Vice Chairman
 06/8/2011


 (Maqbool Ahmad Khawaja)
 Member


 (Khalid Saeed)
 Chairman



I dissent from decision of Authority in principle as KESC is not following directives of Authority of utilizing its generated available capacity, in month June. KESC could generate of 65.85% of its available Gen. plant. Heat rate, not performed although directives were given in Oct. Dec 2009


 M.A. KHALAJA
 MEMBER (I)