



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-2009/4778-4782
May 28, 2012


Chief Executive Officer
Karachi Electric Supply Company Ltd. (KESC)
KESC House, Punjab Chowrangi,
39 – B, Sunset Boulevard, Phase-II
Defence Housing Authority
Karachi.

Subject: **Decision of the Authority in the matter of Fuel Charges for the Month of December 2011 for Karachi Electric Supply Company Ltd. and Notification (S.R.O. 467(I)/2012 dated 26.05.2012) Thereof**

Enclosed please find a copy of decision of the Authority in the matter of fuel charges for the month of December 2011 in respect of Karachi Electric Supply Company Ltd., along with Notification (S.R.O. 467(I)/2012 dated 26.05.2012) thereof. This is for information and further necessary action.

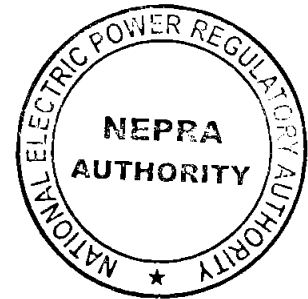
2. While affecting the recovery of Fuel Adjustment Charges, KESCL shall keep in view and strictly comply with the orders of the court(s), if any, notwithstanding this order.

Enclosure: As above


(Syed Safer Hussain)

CC:

1. Secretary, Ministry of Water & Power, Islamabad.
2. Secretary, Cabinet Division, Cabinet Secretariat, Islamabad.
3. Secretary, Ministry of Finance, Islamabad.
4. Secretary, Privatization Commission, Islamabad.





**DECISION OF THE AUTHORITY IN THE MATTER OF FUEL CHARGES FOR THE MONTH OF
DECEMBER, 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 (herein after referred to as "the 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 December, 2011 vide letter CMF/NEPRA/071/868 dated January 25, 2012. 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	December -11 Requested
Variation in Fuel Price	
Own Generation (Million Rs)	(470.302)
External/PPP (Million Rs)	745.827
Total (Rs. in Million)	275.525
Total Units Sent Out (GWh)	991.903
Total Variation Ps/kWh	27.777

3. Since the impact of FCA, if any, is passed on to the consumers of electricity, therefore, in order to meet 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 March 12, 2012 at National Institute of Management (NIM), University Road, Block 11, NIPA Chowrangi, Gulshan-e-Iqbal, Karachi; notice thereof was published in the leading national newspapers on February 29, 2012 inviting comments/objections from the concerned stakeholders to make the process of hearing more meaningful and to reach at an informed and just decision.

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4. During the hearing, KESCL submitted that owing to realization of the few revised documentary evidences, some of the figures in the submitted request have now changed. The summary of the revised adjustment request as presented by KESCL during the hearing is tabulated below.

Tariff Adjustment Summary	
Variation in Fuel Price	
Own Generation (Million Rs)	(474.276)
External/PPP (Million Rs)	784.888
Total (Rs. in Million)	310.612
Total Units Sent Out (GWh)	991.903
Total Variation Ps/kWh	31.315

5. During the hearing, KESCL submitted that the main reason for negative variation in the fuel cost of own generation is the decrease in the number of units generated on furnace oil in the month of December, 2011 as compared to the reference month of September, 2011. KESCL generated (net of auxiliary) around 55 GWh in the month of December, 2011 on Furnace Oil against around 159 GWh in the reference month of September, 2011. Since the variation, as per the approved mechanism, is worked out both on account of generation mix and price, therefore, the decrease in generation on furnace oil causes this variation in the current month.
6. In the fuel cost component of power purchase cost, KESCL submitted that the main reason of variation is the increase in energy transfer charges (fuel cost per kWh) of the energy procured from National Transmission and Dispatch Company (herein after referred to as "NTDC") by KESCL for the month of December, 2011 as compared to the reference month of September, 2011. The energy transfer rate invoiced by NTDC for the month of December, 2011 is Rs. 7.269/kWh as compared to Rs. 5.674/kWh for the month of September, 2011.
7. The generation data, rates etc. of KESCL (both from self generation and power purchased from external sources) for the month of December, 2011 were scrutinized with respective invoices and other relevant documents by the Authority. It was noticed that KESCL in its request used Rs. 5.674/kWh and Rs. 7.269/kWh as the energy transfer rates invoiced by NTDC/CPA for the reference month of September, 2011 and for the month of December, 2011 respectively, whereas the Authority's approved energy transfer rates of NTDC/CPA comes out to be Rs. 5.539/kWh for the reference month of September, 2011 and Rs. 7.147/kWh for the month of December, 2011. The Authority has decided to apply the approved energy transfer rates for working out the current month's FCA of KESCL which has caused a difference of around Rs. 0.60 million in the requested and allowed figure of power purchase cost variation as shown in the table produced below.



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8. 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 December, 2011 works out to be Rs. 312.843 million or Ps. 31.540/kWh, as per the details tabulated hereunder:

Tariff Adjustments Summary	December-11 Requested	December-11 Allowed
Variation in Fuel Price		
Own Generation (Million Rs)	(474.276)	(472.649)
External/PPP (Million Rs)	784.888	785.491
Total (Rs In Million)	310.612	312.843
Total Units Sent Out (GWh)	991.903	991.903
	31.315	31.540

9. As shown above, there is a difference of around Rs. 2 million in the requested and allowed variation on account of fuel cost of own generation which is due to the difference in weighted average furnace oil rate used by KESCL and worked out by the Authority. As per the calculations of the Authority, the weighted average furnace oil rate comes out to be Rs.64,745.94/Mton against Rs. 64,734.91/Mton used by KESCL in its request.
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 December, 2011, the Authority has therefore decided to pass on Ps. 31.540/kWh to the consumers of KESCL as FCA.
11. 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 July, 2012 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	Charged in consumer bills to be issued in the month of
December 2011	32	July 2012

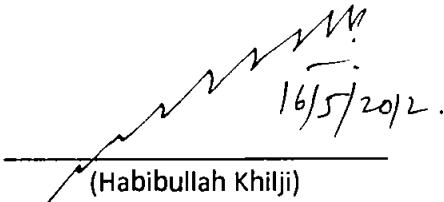





12. The adjustment as referred to in para 11 above:

- i. shall be applicable to all the consumer categories except lifeline consumers of KESCL; and
- ii. shall be shown separately in the consumer bills of July, 2012 on the basis of units billed for the month of December, 2011.

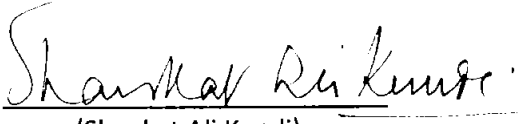
Authority:


16/5/2012.

(Habibullah Khilji)
Member


12/5/11

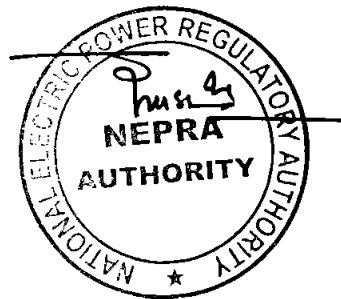
(Khawaja Muhammad Naeem)
Member


25.05.12

(Shaukat Ali Kundi)
Member


15/5

(Ghiasuddin Ahmed)
Acting Chairman/Member



National Electric Power Regulatory Authority



NOTIFICATION

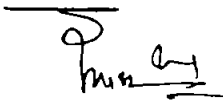
Islamabad, the 26th day of May 2012

S.R.O. 567(1)/2012.- Pursuant to Section 31(4) of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 as amended through Regulation of Generation, Transmission and Distribution of Electric Power (Amendment) Act 2011 and as per the mechanism for monthly fuel price adjustment prescribed and determined by the Authority vide Determination dated December 23, 2009 for Karachi Electric Supply Company Ltd. (KESCL), as notified vide SRO 11(1)/2010 dated January 01, 2010, National Electric Power Regulatory Authority (NEPRA) makes and notifies the following adjustment in the approved tariff on account of variation in fuel charge for the month of December 2011 in respect of KESCL.

Fuel Charges Adjustment to be Calculated, on the basis of billing for the Month of	Fuel Charges Adjustment (Ps/kWh)	Charged in Consumer Bills to be Issued, in the Month of
December 2011	.32	July 2012

2. The above adjustment of plus Ps.32.00/kWh shall be applicable to all the consumer categories except lifeline consumers of KESCL. The said adjustment shall be shown separately on the basis of units billed in the month of December 2011 by the KESCL and recovered from the consumers in the billing month of July 2012.

[Case No. NEPRA/TRF-133/KESCL-2009(6)]


(Syed Safer Hussain)
Registrar