



National Electric Power Regulatory Authority
Islamic Republic of Pakistan

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Registrar

No. NEPRA/TRF-133/KESC-2009/4766-4770
May 28, 2012

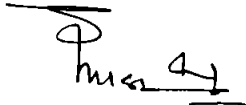
Chief Executive Officer
Karachi Electric Supply Company Ltd. (KESC)
KESC House, Punjab Chowrangi,
39 – B, Sunset Boulevard, Phase-II
Defence Housing Authority
Karachi.

Subject: **Decision of the Authority in the matter of Fuel Charges for the Month of October 2011 for Karachi Electric Supply Company Ltd. and Notification (S.R.O. 465(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 October 2011 in respect of Karachi Electric Supply Company Ltd., along with Notification (S.R.O. 465(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
OCTOBER, 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 charges 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 (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 October, 2011 vide letter CMF/NEPRA/071/844 dated November 22, 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	October -11 Requested
Variation in Fuel Price	
Own Generation (Million Rs)	1232.523
External/PPP (Million Rs)	301.080
Total (Rs. in Million)	1533.603
Total Units Sent Out (GWh)	1,371.391
Total Variation Ps/kWh	111.828

3. Since the impact of FCA, 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 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.





4. During the hearing, KESCL submitted that the main reason for variation in the fuel cost of own generation is the increase in the number of units generated on furnace oil in the month of October, 2011 as compared to the reference month of September, 2011. KESCL generated (net of auxiliary) around 315 GWh, 40% of the total units generated (net of auxiliary), in the month of October, 2011 on Furnace Oil against around 159 GWh, 25% of the total units generated (net of auxiliary), 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 fuel price, therefore, the increase in generation on furnace oil causes this variation in the current month.
5. In the fuel cost component of power purchase cost, KESCL submitted that the main reason of tabulated above 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 October, 2011 as compared to the reference month of September, 2011. The energy transfer rate invoiced by NTDC for the month of October, 2011 is Rs. 6.954/kWh as compared to Rs. 5.674/kWh for the month of September, 2011.
6. During the hearing, one of the commentators submitted that KESCL is purchasing oil from BYCO which is a sister concern of KESCL and the mode of delivering oil on Trucks by BYCO to KESCL is suspicious as it is very easy to steal the oil and increase the supplied quantity by anyone involved in management of trucks. In response, KESCL submitted that being a private entity it does not allow anyone to involve in such practices. It further explained that the oil purchased from the said company is measured first through dip stick method and then payment is made to the supplier. Further, the Authority informed the commentator that while allowing monthly fuel charges adjustment to KESCL, it does not take into account the actual quantity of furnace oil purchased/consumed by KESCL and instead works it out on the basis of energy generated on each fuel based on the approved parameters (Heat Rates) of each power plant, therefore, any loss due to theft of furnace oil specifically or other inefficient operations of KESCL generally is not passed on to the consumers through monthly fuel charges adjustment.
7. The generation data, rates etc. of KESCL (both from self generation and power purchased from external sources) for the month of October, 2011 were scrutinized with respective invoices and other relevant documents by the Authority. It was noticed that NTDC/CPA, for the month of October, 2011 charged Rs. 6.954/kWh, whereas the Authority's approved energy transfer rate of NTDC/CPA for the month of October, 2011 is Rs. 6.841/kWh for XWDISCOS including KESCL. The Authority has therefore decided to apply the energy transfer rate of Rs. 6.841/kWh instead of Rs 6.954/kWh claimed by KESCL.



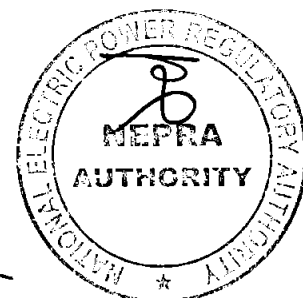


8. In view of the above, the fuel cost variation of KESCL's own power generation and power purchases from external sources for the month of October, 2011 works out to be Rs. 1,520.828 million or Ps. 111.934/kWh, as per the details tabulated hereunder:

Tariff Adjustments Summary	October-11 Requested	October-11 Allowed
Variation in Fuel Price		
Own Generation (Million Rs)	1,232.523	1,222.290
External/PPP (Million Rs)	301.080	298.538
Total (Rs In Million)	1,533.603	1,520.828
Total Units Sent Out (GWh)	1,371.391	1,358.678
Total Variation Ps/kWh	111.828	111.934

9. As shown above, there is a difference of around Rs. 10 million in the requested and allowed variation on account of fuel cost of own generation owing 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.59, 935.49/MTon against Rs. 60,001.29/Mton used by KESCL in its request.
10. Further, there is a difference of around 13 GWh in the requested and allowed figures of units sent out which is due to the error made by KESCL with respect to energy purchased from PASMIC during the current month. KESCL in its FCA request submitted that 13.917 GWh were purchased by it from PASMIC during the month of October, 2011, however, on verification of the documentary evidence it was found that only 1.304 GWh were purchased. It is informed that the said error was corrected by KESCL in its presentation during the hearing.
11. In order to allow KESCL variation in fuel cost of its own generation as well as power purchased from external sources for the month of October, 2011, the Authority has therefore decided to pass on Ps. 111.934/kWh to the consumers of KESCL as fuel charges adjustment.
12. 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 June, 2012 from each consumer works out to be Ps. 112 /kWh and shall be charged by KESCL according to the following schedule:

Handwritten signatures and initials.

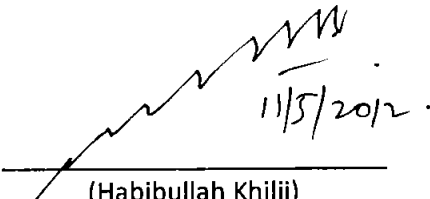





FCA to be calculated on the basis of billing for the month of	Ps/kWh	Charged in consumer bills to be issued in the month of
October 2011	112	June 2012

13. The adjustment as referred to in para 12 above:
- shall be applicable to all the consumer categories except lifeline consumers of KESCL; and
 - shall be shown separately in the consumer bills of June, 2012 on the basis of units billed for the month of October, 2011.

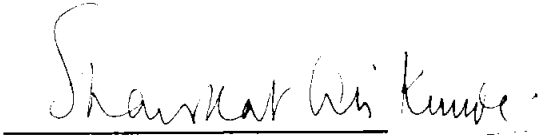
Authority:


11/5/2012

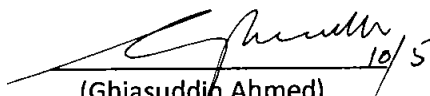
(Habibullah Khilji)
Member


15/5/2012

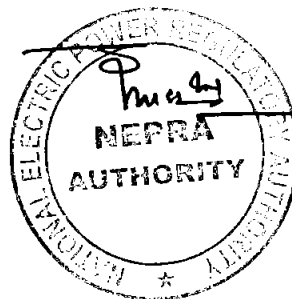
(Khawaja Muhammad Na'eem)
Member


25.05.2012

(Shaukat Ali Kundi)
Member


10/5

(Ghiasuddin Ahmed)
Member/Acting Chairman



National Electric Power Regulatory Authority



NOTIFICATION

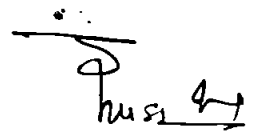
Islamabad, the 26th day of May 2012

S.R.O. 5654/2012.- 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 October 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
October 2011	112	June 2012

2. The above adjustment of plus Ps.112.00/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 October 2011 by the KESCL and recovered from the consumers in the billing month of June 2012:

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


(Syed Safer Hussain)
Registrar