



National Electric Power Regulatory Authority Islamic Republic of Pakistan

Registrar

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No. NEPRA/TRF-133/KESC-2009/ 471-76

January 15, 2015


Chief Executive Officer
K-Electric Limited (KEL)
KE House, Punjab Chowrangi,
39 – B, Sunset Boulevard, Phase-II
Defence Housing Authority
Karachi.

Subject: **Decision of the Authority in the matter of Fuel Charges Adjustment for the Month of October 2014 for K-Electric Limited (formerly Karachi Electric Supply Company Ltd.) and Notification (S.R.O. 31(I)/2015 dated 14.01.2015) Thereof**

Enclosed please find a copy of decision of the Authority (05 pages) in the matter of fuel charges for the month of October 2014 in respect of K-Electric Limited (formerly Karachi Electric Supply Company Ltd.), along with Notification (S.R.O. 31(I)/2015 dated 14.01.2015) thereof. This is for information and further necessary action.

2. While reflecting the Fuel Adjustment Charges, K-Electric Ltd. 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) 15/01/15

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.
5. The Registrar, Supreme Court of Pakistan, Islamabad.

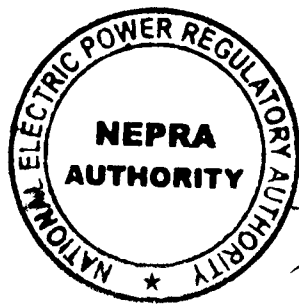


DECISION OF THE AUTHORITY IN THE MATTER OF FUEL CHARGES ADJUSTMENT FOR THE MONTH OF OCTOBER 2014 FOR K-ELECTRIC LIMITED (FORMERLY KARACHI ELECTRIC SUPPLY COMPANY LIMITED)

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 by the Authority for K-Electric Limited (herein after referred to as K-Electric) (formerly Karachi Electric Supply Company Limited) 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, K-Electric 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 into account the effect of transmission and distribution losses (hereinafter referred to as "T & D losses").
2. K-Electric submitted request with regard to adjustment in the fuel cost component of its tariff for the month of October, 2014 vide its letter bearing reference No.RA&SP/NEPRA/071/1196 dated November 21, 2014. The summary of the adjustment request submitted by K-Electric is tabulated below;

Tariff Adjustments - Summary	October-14
Variation in Fuel Price	Requested
Own Generation (Million Rs)	(894.749)
External/PPP (Million Rs)	(152.349)
Total (Rs In Millions)	(1047.098)
Total Units Sent Out (GWh)	1422.753
Total Variation Ps/kWh	(73.597)

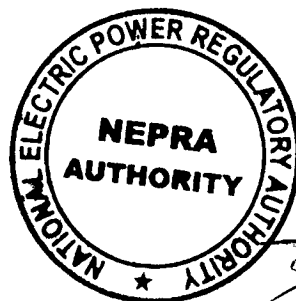
3. K-Electric, in its aforementioned request, certified that cost of fuel and power purchase claimed by it did not include any amount of late payment surcharge/mark-up/Interest.





Further, K-Electric also submitted that it dispatches power as per Economic Merit Order from its own generating units (with the available fuel resources) and from external sources.

4. 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. Hearing for the aforesaid purpose was held on December 11, 2014 at NEPRA Tower Islamabad; notice thereof was published in the daily newspapers on December 05, 2014 and separate notices were also sent to the major stakeholders on December 05, 2014, informing thereby the general public/concerned stakeholders about the date and venue of the hearing and inviting their comments/objections to make the process of hearing more meaningful and to reach at an informed and just decision.
5. During the hearing, K-Electric submitted that in its own generation, one of the reason for the claimed variation is the better fuel mix. The Gas supply from SSGCL increased from 195 MMCFD in September 2014 to 211 MMCFD in October 2014, resultantly generation on gas increased in the month of October 2014 as compared to the reference month of September 2014. K-Electric further submitted that price of furnace oil also decreased from Rs. 68,383/ MTon in the month of September 2014 to Rs. 65,925/MTon in the current month of October 2014.
6. In fuel cost component of power purchase cost, K-Electric submitted that major reason of the claimed variation is decrease in the fuel cost of energy procured from KANUPP and PASMIC, which is based on K-Electric's own cost of generation. As K-Electric's own cost of generation has decreased during October 2014 as compared to September 2014, consequently generation cost of PASMIC and KANUPP also decreased from Rs.8.435 /kWh to Rs.6.581/kWh.
7. The information (both of self generation and power purchased from external sources) as submitted by K-Electric in its FCA request for the current month was checked with respective



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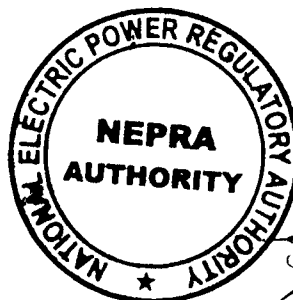


invoices and other relevant documents by the Authority and few discrepancies were found as explained at paras 9 & 10 below.

8. The fuel cost variation of K-Electric's own power generation and power purchases from external sources for the month of October, 2014 works out to be minus Rs. 1,079.42 million or minus Ps. 75.87/kWh, as per the details tabulated hereunder:

Tariff Adjustments - Summary	October-14	October-14
Variation in Fuel Price	Requested	Allowed
Own Generation (Million Rs)	(894.749)	(907.615)
External/PPP (Million Rs)	(152.349)	(171.804)
Total (Rs In Millions)	(1047.098)	(1079.419)
Total Units Sent Out (GWh)	1422.753	1422.752
Total Variation Ps/kWh	(73.597)	(75.868)

9. The difference between the requested and approved variation in fuel cost of own generation is due to inconsistency in the working of furnace oil rate (Rs/M.Ton) at K-Electric's end. The Authority has consistently been using monthly weighted average method to work out the furnace oil rate and has used the same for calculation of fuel charges variations of the current month.
10. In the fuel component of the power purchase cost, it was noticed that NTDC/CPA, for the reference as well as for the current month invoiced K-Electric at Rs. 7.025/kWh and Rs. 7.364/kWh respectively and the same were used by K-Electric in its request whereas the Authority's approved fuel cost component of NTDC/CPA, applicable to all XWDISCOs and K-Electric, for the reference and current months comes out to be Rs. 6.7665/kWh and Rs. 7.0667/kWh respectively. On the basis of the invoiced rates, the difference between the overall weighted average fuel cost component of power purchased by K-Electric for the current and reference month comes out as minus Rs. 0.244/kWh whereas on the basis of the approved rates the result comes out as minus Rs. 0.275/kWh which is the major reason of the difference between the claimed and allowed figure of power purchase cost variation.

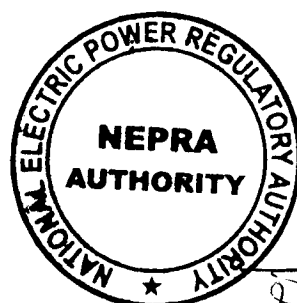


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11. Based on the analysis of the data as submitted by K-Electric, the Authority has noted with grave concern that K-Electric is subjecting its consumers to undue and unauthorized load shedding by continuously underutilizing the available energy of its system (own + external). Moreover it was also noted that K-Electric is keeping its available generation capacity idle and relying more on the energy purchased from NTDC in violation of the terms of the power purchase agreement signed between the mentioned utilities. By doing so, K-Electric is necessitating the operations of the most expensive power plants in NTDC system as well as aggravating the menace of load shedding in the whole country. In view thereof, K-Electric is hereby directed to prudently utilize the available energy of its system and strictly comply with the terms of the aforementioned power purchase agreement to eliminate/reduce the load shed in its territorial jurisdiction and in the whole country.
12. In order to allow K-Electric variation in fuel cost of its own generation as well as power purchased from external sources for the month of October 2014, the Authority has decided to pass on minus Ps. 75.87/kWh to the consumers of K-Electric as FCA. The current month's variation is being allowed on provisional basis subject to adjustments if it is found that K-Electric, while dispatching power from the generation sources of its system, has not followed the Economic Merit Order, the matter which is being dealt with K-Electric separately.
13. The paisa per kWh, rounded off after not allocating its effect on the consumption of life line and agriculture consumers, to be charged by K-Electric in the prospective billing month of February, 2015 works out to be minus Ps. 78/kWh and shall be charged by K-Electric 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
October, 2014	(78)	February, 2015



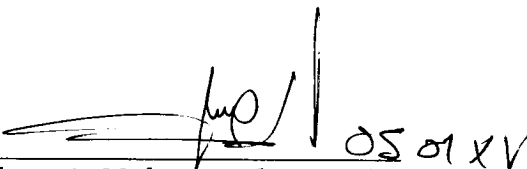
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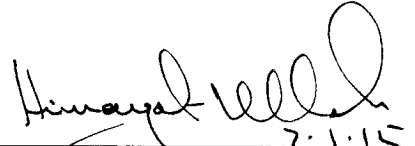
14. The adjustment as referred to in para 13 above:

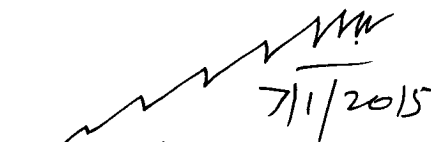
- i. shall be applicable to all the consumer categories except lifeline and agriculture consumers of K-Electric; and
- ii. shall be shown separately in the consumer bills of February, 2015 on the basis of units billed for the month of October, 2014.

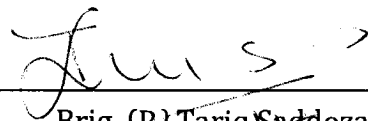
Authority

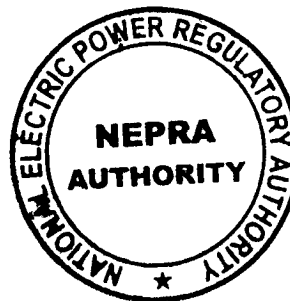

(Khawaja Muhammad Naeem)
Member

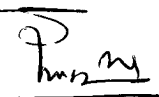

(Maj. (R) Haroon Rashid)
Member


(Himayat Ullah Khan)
Member


(Habibullah Khilji)
Vice Chairman


Brig. (R) Tariq Saddozai
(Chairman)




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National Electric Power Regulatory Authority



NOTIFICATION

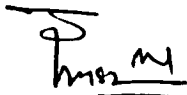
Islamabad, the ¹⁴13th day of January 2015

S.R.O. ⁵3/ (I)/2014.- 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) (now K-Electric Ltd.), as notified vide SRO 11(I)/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 2014 in respect of KESCL (now K-Electric Ltd.).

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 2014	(78)	February 2015

2. The above adjustment of **minus** Ps.78.00/kWh shall be applicable to all the consumer categories except lifeline and agriculture consumers of KESCL (now K-Electric Ltd.). The said adjustment shall be shown separately in the consumer bills of February 2015 on the basis of units billed for the month of October 2014.

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


(Syed Safer Hussain)^{13.01.15}
Registrar