



Registrar

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**Islamic Republic of Pakistan**

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No. NEPRA/TRF-133/KESC-2009/12838-12841  
August 31, 2015

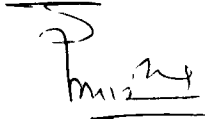
Subject:- **Decision of the Authority in the matter of K-Electric Limited (formerly Karachi Electric Supply Company Limited) Request for Quarterly Adjustment in its Tariff for the Quarter Ended March 2015**

Dear Sir,

Please find enclosed herewith the subject decision of the Authority along with Annexure-I (16 pages) in respect of K-Electric Ltd. (formerly Karachi Electric Supply Company Ltd.) in Case No. NEPRA/TRF-133/KESC-2009(6).

2. The Decision is being intimated to the Federal Government for the purpose of notification 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.

Enclosure: As above

  
(Syed Safer Hussain) 31.08.15

Secretary,  
Ministry of Water & Power,  
'A' Block, Pak Secretariat,  
Islamabad

CC:

1. Secretary, Cabinet Division, Cabinet Secretariat, Islamabad.
2. Secretary, Ministry of Finance, 'Q' Block, Pak Secretariat, Islamabad.
3. Secretary, Privatization Commission, EAC Building, Islamabad.



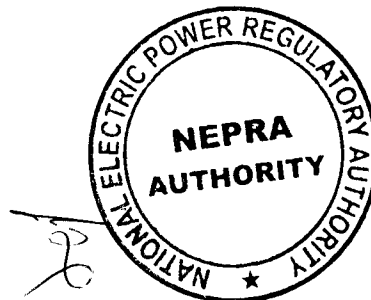
**DECISION OF THE AUTHORITY IN THE MATTER OF K-ELECTRIC LIMITED (FORMERLY KARACHI ELECTRIC SUPPLY COMPANY LIMITED) REQUEST FOR QUARTERLY ADJUSTMENT IN ITS TARIFF FOR THE QUARTER ENDED MARCH, 2015**

**BACKGROUND**

1. Pursuant to section 31(4) of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 and in accordance with the determination of the Authority in case No. NEPRA/TRF-133/KESC-2009(6) notified vide S.R.O. No. 11(I)/2010 dated January 01, 2010, K-Electric Limited (hereinafter referred to as "K-Electric") has been allowed certain adjustments in its tariff on quarterly basis. The adjustments allowed in the K-Electric's tariff on quarterly basis include the following:
  - Impact of variation in the Capacity Charges and Operation and Maintenance (hereinafter referred to as the "O&M") components of the cost of power purchased by K-Electric from the external sources.
  - The impact of transmission and distribution losses (hereinafter referred to as the "T & D losses") on the monthly Fuel Charges Adjustments (hereinafter referred to as "FCA").
2. In addition to the aforesaid adjustments in tariff, for allowing K-Electric recovery of its tariff in future on the latest price level, the tariff level is required to be adjusted at the price level of last month of the quarter i.e. in the current case the price level of March 2015.

**CURRENT REQUEST**

3. K-Electric in accordance with the prescribed mechanism for adjustment of fuel and power purchase cost variations submitted quarterly adjustment request for the quarter January-March, 2015 (hereinafter referred to as the "current quarter") vide its letter No. RA&SP/NEPRA/071/1335 dated May 26, 2015. Summary of the adjustment as requested by K-Electric is tabulated below:



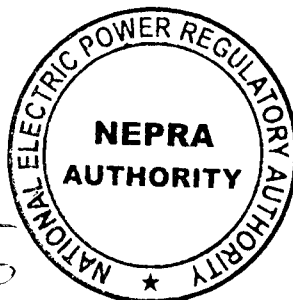


Items	DESCRIPTION	Proposed Adjustment
1	Fuel Price Variation of March, 2015 over December, 2014(Ps/kWh)	(27.645)
	Power Purchase Price Variation of March, 2015 over December 2014 (Ps/kWh)	(31.519)
	Total Variation in Tariff (Ps/kWh)	<b>(59.163)</b>
	<b>Un Recovered Cost</b>	
	Variation in O&M cost of IPPs and Other External Sources (Mill Rs)	145.141
	Variation in Capacity Charges of IPPs and Other External Sources (Mill Rs)	(4.402)
	Un-recovered cost of fuel in FCAs due to non-adjustment of T&D losses (Mill Rs)	(203.888)
	Adjustment of NTDC O&M Cost up-to Dec. 2014 (Mill Rs.)	2,132.318
	WPPF/ WWF payment to IPPs (Tapal)*	93.509
	<b>Total Unrecovered Cost (Mill Rs.)</b>	<b>2,162.227</b>
	Estimated Units to be Sold in the next quarter (Gwh)	3,331.227
2	<b>Required Adjustments (Ps/kWh)</b>	<b>64.911</b>
3	<b>Reversal of Unrecovered Cost of Previous Quarter (Ps/kWh)</b>	<b>(5.572)</b>
	<b>Total Required Adjustment in KE's Tariff (Ps/kWh) (1+2+3)</b>	<b>0.175</b>

K-Electric in addition to the WPPF/ WWF payments for the current quarter amounting to Rs. 93.509 Million, also claimed amounts of WPPF and WWF amounting to Rs. 690 million, paid to IPPs previously, stating that these amounts were paid as per the approved PPAs. K-Electric further submitted that the amounts of WPPF & WWF were disallowed by NEPRA on the basis that there is no provision for adjustment of the same under the current adjustment mechanism of K-Electric. K-Electric, therefore, requested that if the Authority permits, a separate petition can be filed for adjustment of all such charges/ payments in tariff.

#### **PUBLIC HEARING**

4. Since the impact of tariff adjustment, if any, affects the consumers, therefore, in order to meet the ends of natural justice, the Authority considered it just and appropriate to provide an opportunity of hearing/filing of objections/comments to all the stakeholders. Accordingly, a public hearing for consideration of the requested adjustment was held by the Authority on June 11, 2015 at Marriot Hotel Karachi; notice thereof was published in the daily newspapers on June 05, 2015 and separate notices were also sent to the major stakeholders inviting thereby comments/objections from the concerned stakeholders to make the process of hearing meaningful and to reach at an informed and just decision. During the hearing and in written form, various commentators raised several issue with respect to the submissions of K-Electric. The issues relevant to monthly FCA have already been discussed in Authority's monthly FCA decision for March 2015. Other issues raised by the commentators, although of repetitive nature and already discussed by the Authority in its previous



decisions, are again hereby discussed for ready reference;

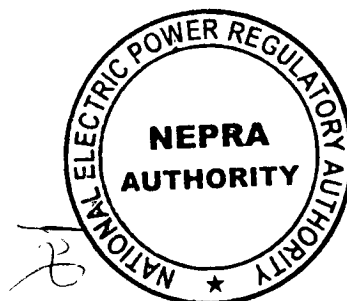
i. Delay in processing of Monthly and Quarterly Adjustments

The Authority noted that FCA request is normally submitted by K-Electric by the end of third week of the following month. K-Electric claims that it receives invoice for the power purchased from NTDC on 21st day of the subsequent month and therefore it is unable to submit its monthly adjustment request within a week. NTDC representatives in this regard have submitted that due to operational difficulties, they are unable to raise invoice in the first week of the succeeding month. Subsequent to the receipt of FCA request from K-Electric, a public hearing is conducted by the Authority inviting the general public to file any comments in respect of the claim of the petitioner. Although, there is no specific requirement to conduct hearing for FCA in the applicable rules but the same is done in pursuance of the Order of the Honorable Lahore High Court and to reach at an informed decision. For hearing, an advertisement is published in the daily newspapers normally giving notice period of about one week to the general public to file comments in respect thereof. Afterwards, all the claims of the petitioner are verified from the relevant documentary evidences to authenticate them. Hence, the late receipt of the request, verification exercise and the compliance of the orders of the court to make the proceedings participative are the main reasons for not issuing the decisions within prescribed time period. However, the last two steps, as mentioned above, enable the Authority to reach an informed and just decision.

The Authority further observed that explanation from NTDC/ CPPA under NEPRA (Fines) Rules 2002, for non-submission of monthly FPA data as per the given time lines prescribed by the Authority, has already been called upon by the Authority and response submitted by NTDC/ CPPA on the same is under consideration of the Authority.

ii. Underutilization of Power Plants by K-Electric & Non-following of Economic Merit Order (EMO)

K-Electric in its response vide letter no. GM (RA)/NEPRA/2015/045 dated May 18, 2015, on the issue of Underutilization and Undue Load shedding has denied the allegations claiming, *inter alia*, that K-Electric is responsible to dispatch as per EMO from its own generation units and import from the external resources in order to result in the lowest variable cost as well as to meet the all firm loads at all times in capacity and energy excluding load shedding subject to availability of plants and fuel. K-Electric further claimed that EMO is followed by K-Electric as required under the provisions of NEPRA Act and Licensing (Generation) Rules, 2000.





The Authority being already cognizant of the fact of under-utilization and undue load shedding by K-Electric, lastly issued Show Cause Notice under NEPRA (Fines) Rules, 2002 to K-Electric by following due process of law, however, K-Electric filed Civil Suit against issuance of Show Cause Notice and the Honorable High Court of Sindh at Karachi has suspended the operation of Show Cause Notice. The matter of EMO is also under consideration of the Authority and is being dealt with K-Electric separately.

iii. Inefficient burning of Gas in K-Electric Power Plants

K-Electric on the issue has submitted that after privatization all the generation plants that were transferred were very old and inefficient. The recent changes in technology have brought more efficient plants in market but that does not mean that already installed plants will be discarded. Under the IA, K-Electric has inducted a fresh equity of US\$ 361 Million. Moreover a total investment of US\$ 1 Billion was made by K-Electric on expansion of its generation fleet through the addition of around 1010 MW as mentioned hereunder;

- 220 MW Korangi CCPP
- 180 MW GE Janbacher gas engines at Site and Korangi
- 560 MW CCPP at Bin Qasim-II
- 50 MW through rehabilitation of old BQPS-I

K-Electric further submitted that gas turbines operating in Open Cycle at Site & Korangi are transformed with GE Janbacher gas engines and their efficiency has been enhanced from 17% to 36%. Further, the two simple cycle turbines of Korangi CCPP have now been upgraded by addition of steam turbine to make it combined cycle. Moreover, current efficiency of BQPS-II stand at 51% LHV. Further, the GE Janbacher gas engines are also being converted to Combined Cycle mode which will be completed by July/ August 2015, this will further enhance the efficiency of the K-Electric generation fleet.

The Authority noted that matter regarding allocation of gas is prerogative of GoP and does not come under the purview of NEPRA.

iv. Non-Approval of heat rates by NEPRA

The Authority observed that in its determination dated December 23, 2009, K-Electric was directed to perform heat rate (efficiency) test for all its upcoming power plants at the time of commissioning and submit the same to the Authority for approval. It was also decided that K-Electric shall not be allowed any adjustment in tariff on account of fuel price variation till





approval of heat rates of such power plants. In accordance with the mentioned directions, an independent firm was appointed by K-Electric and heat rates of its power stations namely Korangi Gas-II, S.I.T.E Gas-II and Korangi Combined Cycle Power Plants were carried out in the presence of the NEPRA professionals, however, certain observations on the performance of heat rates tests were raised by the Independent Consultants appointed by NEPRA; pursuant to which the Authority decided to approve the more efficient provisional heat rates as final for monthly adjustment of fuel charges variations. Moreover, in accordance with the aforementioned directions of the Authority, the heat rate of the Bin Qasim-II was also carried out by KE through an Independent Consultant in presence of NEPRA professionals as observers, however, the Authority did not approve the result of heat rate due to non-observance of complete procedures of heat rate test by K-Electric. K-Electric has therefore been asked to carry out the heat rate test of Bin Qasim-II again by fulfilling all the pre-requisites and performance requirements of heat rate test. It is important to mention that no variation on account of monthly FCA is being allowed to K-Electric for the BQPS-II.

v. Auxiliary consumption of Power Plants

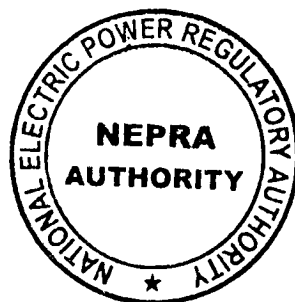
The Authority observed that under the multi-year tariff regime, set performance targets are used for allowing adjustment in tariff and benefit/loss of operations at lower/higher than the set targets is availed/suffered by K-Electric itself. Nevertheless, it has been noted from the figures and corresponding documentary evidences, as submitted by KESCL, that it is underperforming as compared to the overall set benchmark of 6.1% auxiliary consumption.

vi. Refund of claw back amounts to the consumers of K-Electric.

The Authority observed that an amount of Rs. 5,412.913 Million, on account of Claw Back for FY 2011-12 and 2012-13, was determined by the Authority vide its decision dated October 17, 2014, to be shared with the consumers of K-Electric from January to December 2014 at Ps. 42/ kWh per month. Similarly, an amount of Rs. 5,608.725 Billion, on account of Claw Back for FY 2013-14, was also determined by the Authority vide decision dated June 10, 2015, to be shared with the consumers of K-Electric, from January to December 2015. However, both these decisions of the Authority have been challenged by K-Electric in the High court of Sindh, therefore, benefit of claw back could not have been passed on to the consumers.

**ANALYSIS**

5. The generation data, rates, etc. of K-Electric (both from self-generation and power purchased from external sources) were scrutinized with respective original invoices and other underlying





documents. K-Electric's request for the current quarter has been discussed in detail under the following headings:

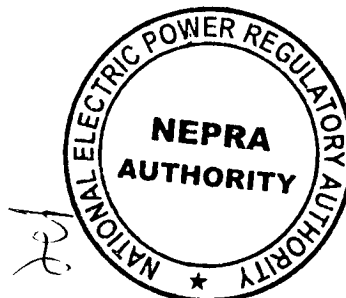
- a) Changing the reference tariff from December, 2014 to March, 2015.
- b) Under-recovered costs for the Current Quarter.
- c) Reversal of tariff adjustment pertaining to the previous quarter i.e. Oct-Dec., 2014 which was applicable for the current quarter only.

**CHANGING THE REFERENCE TARIFF FROM DECEMBER 2014 TO MARCH 2015**

6. K-Electric's last adjusted tariff is based on the fuel prices (both own generation and power purchase), O&M costs and capacity charges of December, 2014. For allowing K-Electric, the recovery of its tariff in future on the latest price level, it is required that its tariff be adjusted to the price level of March, 2015. According to the prescribed mechanism, changing the tariff level requires allowing variations in the fuel cost of company's own generation as well as in its power purchase cost (fuel cost, O&M costs and Capacity Charges) of March, 2015 over the reference month of December, 2014. K-Electric has requested for allowing following adjustments in its tariff on this account:

Description	As Requested
Fuel cost variation of March 2015 over December 2014 (Mill Rs.)	(286.175)
Power purchase cost variation of March 2015 over Dec. 2014 (Mill. Rs.)	(326.281)
<b>Total Variation (Mill Rs.)</b>	<b>(612.456)</b>
Units sold at 15% T&D losses for March, 2015 (GWh)	1035.194
<b>Required adjustment in tariff (Ps/kWh)</b>	<b>(59.163)</b>

7. The Authority noted that main reason of K-Electric's claimed variation in the fuel cost component of its own generation is decrease in the prices of furnace oil which decreased from Rs. 47,221/MTon in December 2014 to Rs. 41,641/MTon in March 2015, although generation on furnace oil, increased from 92.252 GWh in December 2014 to 144.256 GWh in March 2015.
8. In the power purchase cost, the Authority noted that major reason of the claimed variation is decrease in per unit cost of power purchased from Tapal and Gul Ahmad which decreased from Rs. 11.358/kWh and Rs.11.488/kWh respectively in the month of December 2014 to Rs. 8.271/kWh and Rs.9.498/kWh respectively in the month of March 2015. However, per unit cost of NTDC increased from Rs.6.290/kWh in December 2014 to Rs.6.333/kWh in March 2015, which reduced the impact of negative variation.





9. A comparative analysis of the adjustment in K-Electric's tariff required for bringing it to the tariff level of March, 2015 as requested and approved by the Authority after verification of all the relevant documentary evidences is tabulated below;

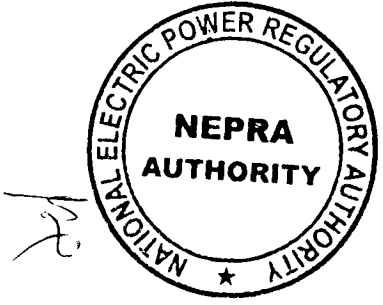
Description	As Requested	Approved
Fuel cost variation of March, 2015 over December, 2014 (Mill Rs.)	(286.175)	(287.084)
Power purchase cost variation of March 2015 over Dec. 2014 (Mill. Rs.)	(326.281)	(338.793)
<b>Total Variation (Mill Rs.)</b>	<b>(612.456)</b>	<b>(625.877)</b>
Units sold at 15% T&D losses for March, 2015 (GWh)	1035.194	1035.193
<b>Required adjustment in tariff (Ps/kWh)</b>	<b>(59.163)</b>	<b>(60.460)</b>

10. The difference between the claimed 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 method for working out the above mentioned fuel charges variations.
11. In the power purchase cost head, the major reason of the difference between the requested and approved variation is that K-Electric has used the NTDC's invoiced fuel costs of Rs. 6.333/kWh for the month of March 2015, whereas, the Authority's approved fuel cost component of NTDC/CPPA, applicable to all Ex-Wapda Distribution Companies (hereinafter referred to as "XWDISCOs") and K-Electric, for the month of March 2015 comes out to be Rs. 6.0144/kWh.

**UNRECOVERED COST FOR THE CURRENT QUARTER**

12. As per the approved mechanism, the monthly variation on account of O&M cost and capacity charges components of the power purchase cost of K-Electric, accumulated and not allowed in the monthly adjustments, is required to be adjusted in the quarterly tariff adjustment of K-Electric. In addition, the cost of fuel that was not allowed to the utility to be passed on in the monthly FCAs to the extent of targeted T&D losses is required to be taken care of on quarterly basis in accordance with the prescribed mechanism. Furthermore, any costs that are allowed to be passed on under the approved mechanism but were not accounted for in the monthly FCAs are treated in the quarterly adjustment. K-Electric has requested for allowing it the recovery of the following unrecovered costs:

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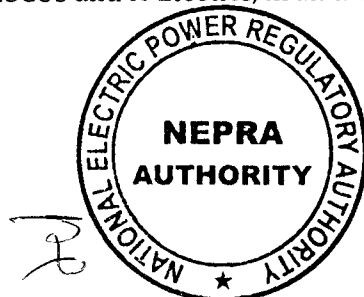






DESCRIPTION	Requested by KESCL
Variation in O&M cost of IPPs and Other External Sources (Mill Rs)	145.141
Variation in Capacity Charges of IPPs and Other External Sources (Mill Rs)	(4.402)
Un-recovered cost of fuel in FCAs due to non-adjustment of T&D losses (Mill Rs)	(203.888)
Adjustment of NTDC O&M Cost Upto Dec. 2014 (Mill Rs.)	2,132.318
WPPF/ WWF Payments to IPPs (Tapal and Gul Ahmad) (Mill Rs.)	93.059
<b>Total Unrecovered Cost (Mill Rs.)</b>	<b>2162.227</b>
Estimated Units to be Sold at 15% T&D losses Apr-Jun. 2015 (GWh)	3331.054
<b>Required Adjustments (Ps/kWh)</b>	<b>64.911</b>

13. Variation in O&M Costs: The variation in O&M cost component of the power purchase cost is worked out by comparing the monthly weighted average O&M costs of all external power sources. This method yields results representing the change both in prices and energy mix on month to month basis. K-Electric has claimed around Rs.145 million variation on this account. The Authority noted that the main reason of claimed variation is increase in the fixed cost (*use of system charges + capacity charges*) against the energy purchased from NTDC by K-Electric in all the three months of the quarter.
14. Variations in Capacity Charges: Similar to the mechanism of O&M costs, the variation in capacity charges is worked out by comparing the monthly weighted average cost of all the power stations from which K-Electric procures power, which represents change in both prices and energy. K-Electric has claimed variation of around minus Rs. 4.4 million under this head.
15. Un-recovered fuel cost due to non-adjustment of T&D losses in monthly FCA: The variation in the cost of fuel (own generation + power purchases) that was not allowed to K-Electric to be passed on in the monthly FCAs to the extent of targeted T&D losses is required to be taken care of on quarterly basis. K-Electric under this head claimed about minus Rs. 204 million.
16. Adjustment of NTDC O&M Cost up-to Dec-2014: In addition to above, K-Electric has also claimed Rs. 2,132.318 million on account of O&M cost of NTDC from June 2013 to December 2014, which as per K-Electric was included in the Energy Purchase Price in the invoice raised by NTDC to K-Electric but K-Electric was allowed only the Authority's approved fuel cost component of NTDC/CPPA, applicable to all XWDISCOs and K-Electric, in all these months.

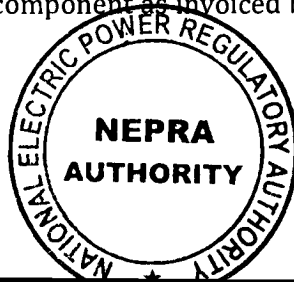




17. A comparative analysis of the adjustment in K-Electric tariff for the un-recovered costs of the current quarter to be recovered as per request submitted by K-Electric and being approved by the Authority after verification of all the relevant documentary evidence is tabulated below:

DESCRIPTION	Requested by K-Electric	Approved
Variation in O&M cost of IPPs and Other External Sources (Mill Rs)	145.141	281.122
Variation in Capacity Charges of IPPs and Other External Sources (Mill Rs)	(4.402)	(4.402)
Un-recovered cost of fuel in FCAs due to non-adjustment of T&D losses (Mill Rs)	(203.888)	(226.384)
Adjustment of NTDC Invoice FY 2013-14 (Mill Rs.)	2,132.318	2120.066
WPPF/ WWF Payments to IPPs (Tapal and Gul Ahmad) (Mill Rs.)	93.059	-
<b>Total Unrecovered Cost (Mill Rs.)</b>	<b>2162.227</b>	<b>2170.401</b>
Estimated Units to be Sold at 15% T&D losses Apr-Jun, 2015 (GWh)	3331.054	4028.77
<b>Required Adjustments (Ps/kWh)</b>	<b>64.911</b>	<b>53.873</b>

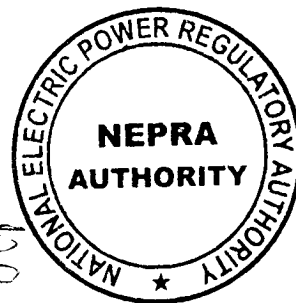
18. The difference between the requested and approved variation in O&M cost of IPPs and other external sources is due to the reason that K-Electric in its instant request claimed variable O&M cost of NTDC for two months i.e. January & February 2015. No cost was claimed for March 2015 owing to the fact the Authority's decision for XWDISCOs FPA for March 2015 was not issued by the time, K-Electric submitted its Quarterly adjustment request. The Authority has allowed K-Electric variable O&M cost of NTDC for the month of March 2015, as per the rates mentioned by NTDC in its FCA request with respect to XWAPDA DISCOs for the month of March 2015, which is the reason for difference between claimed and approved amount.
19. During verification of invoices of Capacity payments to IPPs, carried out at K-Electric head office, it was noted that Gul Ahmad's current dependable capacity was enhanced to 127.5 MW w.e.f. February 10, 2015 as compared to 114.57 MW. Upon inquiry from K-Electric, it was informed that revised capacity test of GAEL was carried out pursuant to section 10.4 (f) of the PPA upon the request of GAEL vide letter dated February 03, 2015. The Dependable Capacity of the Complex was established as 129.13 MW under reference conditions. However, the dependable capacity of the complex shall either be at the demonstrated capacity under article 10.4 of the PPA or 127.5 MW whichever is less. Accordingly, Dependable Capacity for the agreement year has been determined as 127.5 MW w.e.f February 10, 2015.
20. The difference in the requested and approved variation in un-recovered fuel cost, due to non-adjustment of T&D losses, is mainly due to the reason that K-Electric while claiming variation on this account used fuel cost component as invoiced by NTDC in March 2015 for the current quarter,





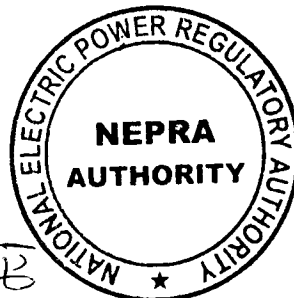
whereas the aforementioned variation has been approved by the Authority on the basis of Authority's approved fuel cost component of NTDC for March 2015.

21. K-Electric in its instant request has claimed Rs. 2,132.318 million on account of O&M cost of NTDC for the period from June 2013 to December 2014, which as per K-Electric was part of Energy Purchase Price as per the invoice raised by NTDC to K-Electric but K-Electric was allowed only the Authority's approved fuel cost component of NTDC/CPPA, applicable to all XWDISCOs and K-Electric, in all the referred months.
22. K-Electric during the hearing submitted that NTDC bills K-Electric the energy component through their monthly invoices which NEPRA approves after some reduction. K-Electric further submitted that the energy component billed by NTDC also includes the O&M cost component which was neither intimated by NTDC or NEPRA to K-Electric. Inquisition by K-Electric into the matter revealed that the energy component consisted of Fuel Cost Component and the variable O&M Cost Component. NTDC has been raising monthly invoices to K-Electric for energy component inclusive of O&M component but K-Electric has only been allowed to recover Fuel Cost component by the Authority. K-Electric prayed that this O&M component should be allowed as a part of unrecovered cost, as the same has been billed by NTDC to K-Electric. As per calculations submitted by K-Electric the unrecovered O&M cost for the period from June 2013 to December 2014 amounts to Rs. 2.132 Billion.
23. On inquiry from the Authority as to why K-Electric has claimed this amount after such a long period, K-Electric submitted that issue of O&M cost was raised during process of reconciliation of balances with NTDC. K-Electric submitted that NTDC was billing K-Electric for the energy component that was higher from the NEPRA approved rates., whereas, K-Electric was of the view that NEPRA approved rate is the final rate and NTDC should adjust the differential in its books. K-Electric further mentioned that when the matter was taken up with NTDC about two months back, NTDC communicated that energy component was also inclusive of O&M component.
24. CPPA in its comments on the issue, vide letter dated June 23, 2015, clarified that the Energy Cost Component of monthly invoices raised to K-Electric is inclusive of Fuel Cost Component as well as Variable O&M Cost. CPPA also submitted that K-Electric's claim for the variable O&M cost can only be considered if K-Electric has not fully claimed NTDC invoices in its quarterly adjustment petitions for respective quarter(s).





25. The Authority observed that NTDC raises its electricity sales bill to K-Electric on monthly basis, wherein details such as Energy Purchased, MDI, Use of System Charges, Capacity Transfer Charges and Energy Transfer Charges are shown separately on the bill. However, no break-up of Energy Transfer Charges in terms of Fuel Cost Component and Variable O&M is available in the said invoice. K-Electric, against the Energy Transfer Charges as mentioned in the invoice of NTDC, is allowed the Authority's approved fuel cost component of NTDC/CPPA, applicable to all XWDISCOs and K-Electric, for the respective month.
26. An analysis of the NTDC invoices raised to K-Electric and the data/ information submitted by NTDC with regard to its monthly FCA of XWDISCOs has been carried out. The analysis shows that Energy Transfer Charges invoiced by NTDC to K-Electric is equal to the sum of the Fuel Cost Component plus variable O&M charges claimed by NTDC in its monthly FCA petitions with respect to XWDISCOs.
27. K-Electric is allowed the Authority's approved fuel cost component of NTDC/CPPA, applicable to all XWDISCOs and K-Electric, for the respective month, against the NTDC's Energy Transfer Charges billed to K-Electric, therefore, variable O&M Cost, being part of Energy Transfer Charges of NTDC's invoice, is also to be allowed to K-Electric. The amount of variable O&M cost for the period from June 2013 to December 2014 works out to be Rs. 2,120.066 Million, which is hereby allowed to K-Electric.
28. The claims regarding WPPF/ WWF payments to IPPs have been disallowed by the Authority previously owing to the fact that such costs, as per the respective PPAs, are required to be passed on through supplemental charges for which there is no provision under the current adjustment mechanism. Further the Authority cannot consider any such cost to be passed on to the consumers under any other head which has not been specifically provided in K-Electric's tariff determinations dated September 10, 2002 and December 23, 2009. Accordingly, the current claim of these costs has not been taken into account while working out the unrecovered cost.
29. K-Electric in its request estimated that 3,331.054 GWh will be sold @ 15% T&D losses in the next quarter (April-June 2015), however, K-Electric vide email dated August 13, 2015 has submitted the units sold @ 15% T&D Losses for the next quarter i.e April-June 2015 which are 4,028.77 GWh. Accordingly to work out Ps./KWh impact for the amount of quarterly adjustment, 4028.77 GWh have been used.





30. The variation in tariff under this head, will be applicable for the next quarter only i.e. April-June 2015 and will cease automatically at the end of that quarter.

**REVERSAL OF TARIFF ADJUSTMENT APPLICABLE FOR CURRENT QUARTER ONLY**

31. The Authority in its previous quarterly adjustment pertaining to October-December 2014, allowed Ps. 4.684/kWh increase in K-Electric's tariff on the basis of next quarter's units sold for adjustment of unrecovered amount of minus Rs. 128.162 million by K-Electric. As per the direction in the same decision, this allowed increase of Ps. 4.684/kWh is required to be adjusted back in K-Electric's current quarterly adjustment in order to nullify its impact in the schedule of tariff. Accordingly the same has been adjusted back in the current quarter. K-Electric, in its request, claimed to adjust Ps. 5.572/kWh on this account as the decision for the quarter October-December 2014 was not issued by the time K-Electric submitted its request.

**OVERALL ADJUSTMENT IN TARIFF**

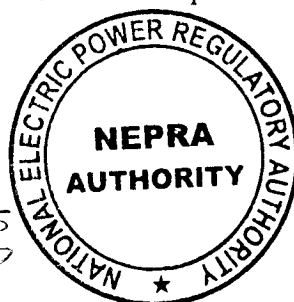
32. The overall cumulative variation in the K-Electric's tariff after making all aforesaid adjustments, as discussed in the preceding paragraphs, works out to be minus Ps. 11.2712/kWh against the claimed figure of minus Ps. 0.175 /kWh as detailed below:

	<b><u>Paisas per kWh</u></b>
• Changing the reference tariff from December, 2014 to March, 2015	(60.4600)
• Unrecovered costs for the current quarter	53.8726
• Reversal of tariff adjustment applicable for current quarter only	(4.6838)
	<hr/> <b>(11.2712)</b> <hr/>

33. In order to allow aforesaid adjustments in K-Electric's tariff, **K-Electric is allowed adjustment in consumer end tariff for all consumer categories, except for the life-line consumers, by minus paisa 11 per kWh.**

**CLAW BACK MECHANISM - SHARING OF A PORTION OF K-ELECTRIC'S PROFIT WITH CONSUMERS FOR FY 2013-14**

34. Pursuant to decision of the Authority issued vide No. NEPRA/TRF-133/KESC-2009/8974-8977 June 10, 2015, in the matter of K-Electric Limited request for the Quarter October-December 2014, minus Ps.42/ kWh, assessed by the Authority for FY 2013-14, in accordance with claw back mechanism, have already been adjusted in the Schedule of Tariff for the quarter ended December 2014, which will also remain applicable for the current quarter i.e. January-March 2015. since as



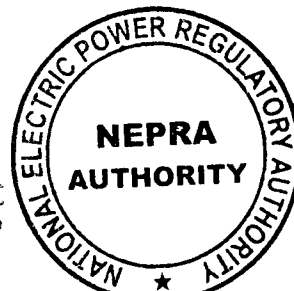
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per the determined and notified Claw Back Mechanism, the impact of Clawed Back amount is to be shared with the consumers directly and the benefit of same shall go to all consumers classes through their bills, therefore, the revised schedule of tariff for the current quarter to be applicable from April 01, 2015 to June 30, 2015, has been grossed up by adding back the impact of claw back amount of minus Ps. 42/kWh in each consumer category except for the life line consumers. K-Electric has filed a civil suit against that decision and implementation of claw back mechanism has been suspended by the Honorable Sindh High Court.

**CLAW BACK FOR FY 2011-12 AND 2012-13**

35. The Authority vide its determination dated October 17, 2014 in the matter of K-Electric's request for quarterly adjustment in tariff for the quarter ended December, 2013, adjusted an amount of Rs. 5412.913 Million on account of Claw Back for the FY 2011-12 and 2012-13, to be recovered in a period of 12 months from January to December 2014 at Ps. 42/ kWh. Since the Claw Back amounts determined by the Authority for FY 2011-12 and 2012-13 were challenged by K-Electric in the High court of Sindh, therefore, benefit of claw back of Ps. 42/ kWh for FY 2011-12 and 2012-13 could not be passed on to the consumers. In addition, K-Electric, in its Financial Statements for FY 2013-14, due to change in accounting policies with respect to accounting for actuarial gains / (losses) and accounting for depreciation of major spare parts, servicing & stand by equipments, applicable retrospectively, has restated its financial statements for FY 2011-12 and 2012-13. This restatement of accounts has resulted in increase in the claw back amount for FY 2011-12 & 2012-13, already determined by the Authority, by Rs. 169.076 Million i.e. Rs.27.558 Million for FY 2011-12 and Rs.141.519 Million for FY 2012-13. Final impact of claw back amount for FY 2011-12 and 2012-13 in respect of paisa per kWh will be worked out in the light of the final decision of the honorable Sindh High Court.
36. In view of the foregoing, the revised schedule of tariff for the subject quarter to be applicable from April 01, 2015 to June 30, 2015 is attached herewith as **Annexure-I**.
37. The Authority corrected an inadvertent error in the Schedules of Tariff of K-Electric through decision of the Authority dated March 31, 2014. However, K-Electric has filed civil suit in high court of Sindh at Karachi against the decision of the Authority and the Honorable High Court has suspended the decision of the Authority to the extent of reductions made by the Authority. Therefore, in compliance with the interim orders of the Honorable Court, the current quarterly adjustment has been worked out after excluding the impact of reductions made by the Authority through decision dated March 31, 2014. The impact of error and its adjustment shall be considered

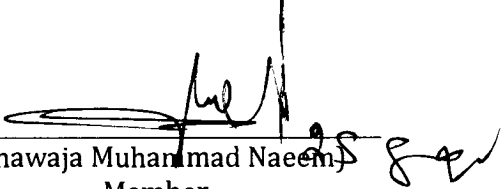


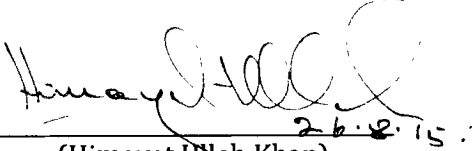


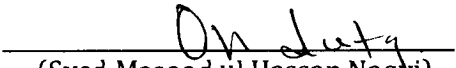
and worked out in the light of the decision of the honorable Court. Since the time of recovery as specified above has lapsed, therefore, K-Electric is hereby allowed to adjust the bills of pertinent consumers as per the following schedule;

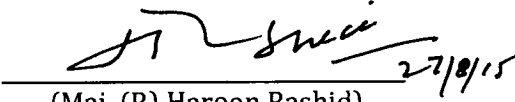
Adjustment applicable for	To be Charged in the Monthly Bills
April, 2015	September, 2015
May, 2015	October, 2015
June, 2015	November, 2015

**AUTHORITY**

  
(Khawaja Muhammad Naeem)  
Member

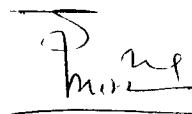
  
(Himayat Ullah Khan)  
Member

  
(Syed Masood ul Hassan Naqvi)  
Member

  
(Maj. (R) Haroon Rashid)  
Vice Chairman

  
(Brig. (R) Tariq Sadozai)  
Chairman



  
31.08.15

**SCHEDULE OF ELECTRICITY TARIFF  
FOR K-ELECTRIC LIMITED  
(FORMERLY KARACHI ELECTRIC SUPPLY COMPANY LIMITED)  
DETERMINED FOR THE QUARTER JANUARY 15-MARCH 15**

**A-1 GENERAL SUPPLY TARIFF - RESIDENTIAL**

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh					
			Peak	Off-Peak				
a)	For Sanctioned load less than 5 kW	-	4.00					
i)	Up to 50 Units							
	For Consumption exceeding 50 Units							
ii)	1- 100 Units				14.10			
iii)	101- 200 Units				15.14			
iv)	201- 300 Units				15.87			
v)	301- 700 Units				17.96			
vi)	Above 700 Units	19.84						
b)	For Sanctioned load 5 kW & above	-	<table border="1"> <tr> <th>Peak</th> <th>Off-Peak</th> </tr> <tr> <td>20.84</td> <td>14.84</td> </tr> </table>		Peak	Off-Peak	20.84	14.84
Peak	Off-Peak							
20.84	14.84							
	Time Of Use							

Under tariff A-1, there shall be minimum monthly customer charge at the following rates even if no energy is consumed.

- a) Single Phase Connections: Rs. 75/- per consumer per month  
b) Three Phase Connections: Rs. 150/- per consumer per month

**A-2 GENERAL SUPPLY TARIFF - COMMERCIAL**

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	
			Peak	Off-Peak
a)	For Sanctioned load less than 5 kW	400.00	20.34	
b)	For Sanctioned load 5 kW & above		17.54	
c)	Time Of Use	400.00	21.84	16.34

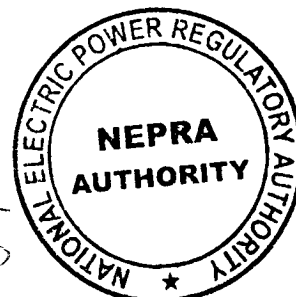
Under tariff A-2, there shall be minimum monthly charges at the following rates even if no energy is consumed.

- a) Single Phase Connections: Rs. 175/- per consumer per month  
b) Three Phase Connections: Rs. 350/- per consumer per month

**B INDUSTRIAL SUPPLY TARIFFS**

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	
			Peak	Off-Peak
B1	Less than 5 kW (at 400/230 Volts)	-	16.84	
B2(a)	5-500 kW (at 400 Volts)	400.00	15.44	
B3(a)	For all loads upto 5000 KW (at 11,33 kV)	380.00	15.04	
B4(a)	For all loads upto 5000 KW (at 66,132 kV)	360.00	14.64	
	Time Of Use		Peak	Off-Peak
B2(b)	5-500 kW (at 400 Volts)	400.00	20.84	14.59
B3(b)	For All Loads up to 5000 kW (at 11,33 kV)	380.00	20.34	14.09
B4(b)	For All Loads (at 66,132 kV & above)	360.00	19.84	13.84
B5	For All Loads (at 220 kV & above)	340.00	19.34	13.59

- For B1 consumers there shall be a fixed minimum charge of Rs. 350 per month.  
For B2 consumers there shall be a fixed minimum charge of Rs. 2,000 per month.  
For B3 consumers there shall be a fixed minimum charge of Rs. 50,000 per month.  
For B4 consumers there shall be a fixed minimum charge of Rs. 500,000 per month.  
For B5 consumers there shall be a fixed minimum charge of Rs. 1000,000 per month.





**C - SINGLE-POINT SUPPLY FOR PURCHASE IN BULK BY A DISTRIBUTION LICENSEE AND MIXED LOAD**

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	
			Peak	Off-Peak
C - 1	For supply at 400/230 Volts			
a)	Sanctioned load less than 5 kW	-		16.84
b)	Sanctioned load 5 kW & up to 500 kW	400.00		15.99
C - 2(a)	For supply at 11,33 kV up to and including 5000 kW	380.00		15.99
C - 3(a)	For supply at 132 and above, up to and including Time Of Use	360.00		15.84
C - 1(c)	For supply at 400/230 Volts 5 kW & up to 500 kW	400.00	20.84	14.84
C - 2(b)	For supply at 11,33 kV up to and including 5000 kW	380.00	20.34	14.04
C - 3(b)	For supply at 132 kV up to and including 5000 kW	360.00	19.84	13.84

**D - AGRICULTURE TARIFF**

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	
			Peak	Off-Peak
D-1	For all Loads Time of Use	200.00		16.32
D-2	For all Loads	200.00	22.44	14.44

Note:- The consumers having sanctioned load less than 5 kW can opt for TOU metering.

**E - TEMPORARY SUPPLY TARIFFS**

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	
			Peak	Off-Peak
E-1(i)	Residential Supply	-		20.24
E-1(ii)	Commercial Supply	-		23.14
E-2 (i)	Industrial Supply	-		19.84
E-2 (ii)	Bulk Supply			
	(a) at 400 Volts	-		20.24
	(b) at 11 kV	-		19.84

For the categories of E-1(i&ii) and E-2 (i&ii) above, the minimum bill of the consumers shall be Rs. 50/- per day subject to a minimum of Rs.500/- for the entire period of supply, even if no energy is consumed.

**F - SEASONAL INDUSTRIAL SUPPLY TARIFF**

125% of relevant industrial tariff

Note:

Tariff-F consumers will have the option to convert to Regular Tariff and vice versa. This option can be exercised at the time of a new connection or at the beginning of the season. Once exercised, the option remains in force for at least one year.

**G- PUBLIC LIGHTING**

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	
			Peak	Off-Peak
	Street Lighting	-		19.84

Under Tariff G, there shall be a minimum monthly charge of Rs.500/- per month per kW of lamp capacity installed.

**H - RESIDENTIAL COLONIES ATTACHED TO INDUSTRIAL PREMISES**

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	
			Peak	Off-Peak
	Residential Colonies attached to industrial premises	-		17.84

Note: The SoT has been grossed up with minus Ps. 42/ kWh on account of Claw Back Amount, however, same is to be shared with consumers directly on account of transfer of a portion of profits of K-Electric for the Financial Year 2013-14, as per the Claw Back Mechanism.

