



National Electric Power Regulatory Authority

Islamic Republic of Pakistan

Registrar

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No. NEPRA/TRF-133/KESC-2009/10912-10917

August 5, 2016

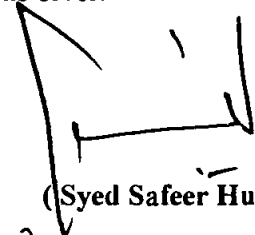
Chief Executive Officer
K-Electric Limited (KEL)
KE House, Punjab Chowrangi,
39 – B, Sunset Boulevard, Phase-II
Defence Housing Authority
Karachi.

Subject: Decision of the Authority in the matter of Fuel Charges Adjustment for the Month of May 2016 for K-Electric Limited and Notification (S.R.O. 722(I)/2016 dated 05.08.2016) Thereof

Enclosed please find herewith a copy of decision of the Authority (05 pages) in the matter of fuel charges adjustment for the month of May 2016 in respect of K-Electric Limited, along with Notification (S.R.O. 722(I)/2016 dated 05.08.2016) 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 (Decision along with Notification is also available on NEPRA's website)


5/8/16
(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.
5. The Registrar, Supreme Court of Pakistan, Islamabad.



DECISION OF THE AUTHORITY IN THE MATTER OF FUEL CHARGES ADJUSTMENT FOR THE MONTH OF MAY, 2016 FOR K-ELECTRIC LIMITED (FORMERLY KARACHI ELECTRIC SUPPLY COMPANY LIMITED)

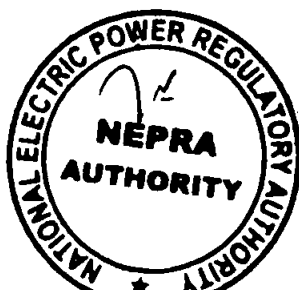
1. Pursuant to the provisions of Section 31(4) of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (hereinafter referred to as the "Act") and as per the mechanism for monthly Fuel Charges Adjustment (hereinafter referred to as "FCA") prescribed by National Electric Power Regulatory Authority (hereinafter referred to as the "Authority") for K-Electric Limited (hereinafter referred to as the "K-Electric"), in case No. NEPRA/TRF-133/KESCL-2009(6) dated December 23, 2009, notified in the Official Gazette vide S.R.O No. 11(I)/2010 dated January 01, 2010, the Authority reviews and adjusts the approved tariff of K-Electric on account of variation in the fuel charges on monthly basis. These adjustments are allowed in the fuel cost component of K-Electric's own generation as well as its power purchases from external sources without taking into account the effect of allowed Transmission and Distribution losses (hereinafter referred to as "T&D losses").
2. K-Electric submitted its FCA request for the month of May, 2016 (hereinafter referred to as the "current month") vide letter dated June 16, 2016 based on the provisional power purchase rate of Central Power Purchasing Agency Guarantee Limited (hereinafter referred to as "CPPA-G"). The adjustment request of K-Electric for the current month was received in this office on June 20, 2016. The summary of the adjustment request submitted by K-Electric is tabulated as hereunder:

Tariff Adjustments – Summary	May-16
Variation in Fuel Charges	Requested
Own Generation (Million Rs.)	584.140
External/PPP (Million Rs.)	(345.365)
Total (Millions Rs.)	238.775
Total Units Sent Out (GWh)	1,669.289
Total Variation Ps/kWh	14.304





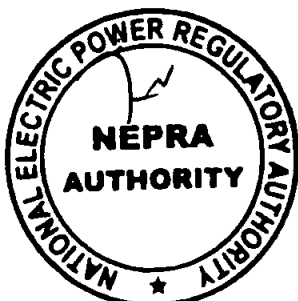
3. K-Electric, in its aforementioned FCA request, certified that cost of fuel, in own generation and power purchase, claimed by it does not include any amount of late payment surcharge/mark-up/interest. Further, K-Electric also submitted that it dispatches power as per Economic Merit Order (hereinafter referred to as "EMO") from its own generation units (with the available fuel resources) and import from external sources.
4. Since the impact of FCA, if any, directly affects the consumers of K-Electric, therefore, in order to arrive at an informed and just decision, the Authority decided to provide an opportunity of hearing to all the concerned stakeholders. The hearing on the subject matter was held on June 30, 2016 at NEPRA Tower, Islamabad. Public notice thereof was published on June 25, 2016 in two newspapers with nationwide circulation.
5. During the hearing, K-Electric submitted that in its own generation, the claimed variation is due to the increase in per unit weighted average fuel cost of generation in Bin Qasim Power Station-I ("BQPS-I") from Rs. 5.446/kWh in reference month of March, 2016 to Rs. 6.550/kWh in May, 2016. The said increase has occurred due to escalation in weighted average price of furnace oil from Rs. 19,376/ metric ton in March, 2016 to Rs. 24,862/ metric ton in May, 2016. Further, according to notification dated April 28, 2016 by Oil and Gas Regulatory Authority, gas price has also been revised upwards from Rs. 600/MMBTu to Rs. 613/ MMBTu; applicable from April 01, 2016 onwards. This revision in gas price has also resulted in an increased fuel price variation not only in BQPS-I but all the other power stations in K-Electric's own generation fleet as well. In the fuel component of power purchase cost, major reason of the claimed variation is the decrease in per unit cost of CPPA-G from Rs. 5.261/KWh in the reference month of March, 2016 to Rs. 3.978 /kWh in May, 2016.
6. Comments in writing were received from Anwar Kamal Law Associates (AKLA) regarding subject request. K-Electric was directed to respond to the comments of the aforementioned commentator. K-Electric filed its response vide letter dated July 19, 2016. Comments of AKLA and K-Electric's response thereto are presented as hereunder;





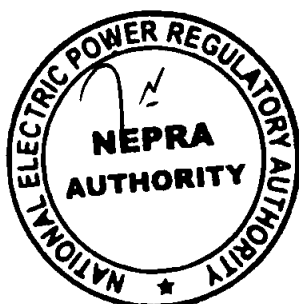
- i. AKLA submitted that K-Electric exhibited a non-prudent behavior, yet again, in the May, 2016 by underutilizing its own generation from BQPS-I and external power purchase source i.e. Gul Ahmed Energy Limited (Gul Ahmed) and instead preferred to draw 650 MW power from CPPA-G which resulted in operation of expensive power plants.
- ii. K-Electric, in response, submitted that;
- a) As regards to underutilization of K-Electric power plants, it is clarified that K-Electric is responsible to dispatch power as per EMO from its own generation and import from external sources in order to result in the lowest variable cost to end consumers. EMO is followed as required under the provisions of NEPRA Act and License (Generation) Rules 2000.
- b) In relation to underutilization of Gul Ahmed please note that there were planned and forced outages during the period due to which the availability capacity was lower than that of normal and the available capacity was fully utilized by K-Electric as per EMO.
7. The information (both of self-generation and power purchased from external sources) submitted by K-Electric vide FCA request for the current month was verified with respective invoices and other relevant documents. Few deviations were noticed which are explained at para 9 & 11 below.
8. The fuel cost variation of K-Electric's own power generation and power purchases from external sources for the month of May, 2016 works out to be minus Rs. 53.270 million or minus Ps. 3.185/kWh, as per the details tabulated hereunder:

Tariff Adjustment – Summary Variation in Fuel Charges	May-16 Requested	May-16 Allowed
Own Generation (Million Rs.)	584.140	412.113
External/PPP (Million Rs.)	(345.365)	(465.383)
Total (Million Rs.)	238.775	(53.270)
Total Units Sent Out (GWh)	1,669.289	1,672.419
Total Variation Ps/kWh	14.304	(3.185)



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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./metric ton) by K-Electric. The Authority consistently uses monthly weighted average method to work out the rate of furnace oil consumed in BQPS-I and the same has been used in calculation of fuel charges variations of the current month. Further, K-Electric has claimed gas price variation for BQPS-II which has not been allowed due to non-finalization of its heat rate.
10. The reason for the difference between requested and allowed fuel cost of the power purchase is that K-Electric in its instant FCA request has used the provisional numbers for fuel cost and quantum of energy in case of NTDC/ CPPA-G whereas the allowed variation in power purchase has been worked out using the fuel cost component of NTDC/ CPPA-G approved by the Authority for Ex-WAPDA distribution companies and actual energy purchased by K-Electric.
11. K-Electric in its FCA request for May, 2016 has shown 135.49 GWh generation from unit 3 & 4 of BQPS-I. In this regard, the Authority has observed that the aforementioned units of BQPS-I have been excluded from the generation license of K-Electric through Licensee Proposed Modification-V (LPM-V) dated March 13, 2015 and the same are no longer part of generation facilities of K-Electric. Therefore, fuel cost variation in respect of the generation from these two units cannot be allowed.
12. In view of the discussion in preceding paragraphs, the Authority has decided to pass on minus Ps. 3.185 /kWh to the consumers of K-Electric as FCA for the month of May, 2016. It is to be noted that the aforementioned FCA is being allowed on the provisional basis and can be subjected to adjustments if it is found that K-Electric, while dispatching power from the generation sources of its system, has failed to utilize its power stations prudently.
13. The worked out amount of FCA i.e. minus Ps. 3.185/ kWh will be charged by K-Electric in the prospective billing month of August, 2016 according to the following schedule:

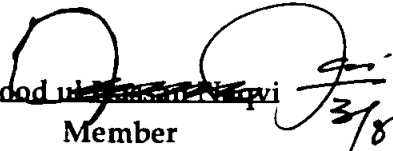


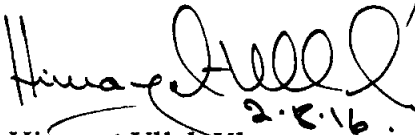


FCA to be calculated on the basis of billing for the month of	Ps/kWh	Charged in consumer bills to be issued in the month of
May, 2016	(3.185)	August, 2016


14. In accordance with the policy guidelines issued by Government of Pakistan ("GoP") vide letter dated May 21, 2015, the impact of aforementioned FCA of minus Ps. 3.185 kWh for May, 2016 shall not be passed on to the life line consumers, agriculture consumers and domestic consumers, consuming up-to 300 Units. K-Electric is hereby directed to provide the details of units billed to each of these consumer categories in May, 2016 so that the same amount could be adjusted in K-Electric's schedule of tariff through quarterly adjustment for the quarter April-June, 2016, to ensure reduction in GoP subsidy to the extent of that amount.

AUTHORITY

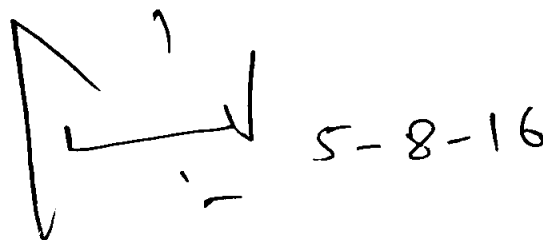

Masood ul Hasan Naqvi
Member


Himayat Ullah Khan
Vice Chairman/Member


Maj (R) Haroon Rashid
Member


Brig (R) Tariq Saddozai
Chairman




5-8-16

To Be Published in
Official Gazette of Pakistan Part-II

National Electric Power Regulatory Authority



NOTIFICATION

Islamabad, the 5th day of August 2016

S.R.O. 722 (I)/2016.- 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 K-Electric Ltd. (formerly Karachi Electric Supply Company Limited), 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 charges for the month of May 2016 in respect of K-Electric Limited:

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
May 2016	(3.185)	August 2016

2. The above adjustment of minus Ps 3.185/kWh shall be applicable to all the consumer categories except lifeline consumers, agriculture consumers and domestic consumers consuming up-to 300 Units of K-Electric Ltd. The said adjustment shall be shown separately in the consumer bills of August 2016 on the basis of units billed for the month of May 2016.

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

(Syed Safer Hussain)
Registrar

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5/8/16
Syed Safer Hussain