

Registrar

National Electric Power Regulatory Authority Islamic Republic of Pakistan

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No. NEPRA/TRF-133/KESC-2009/16264-69

December 2, 2016

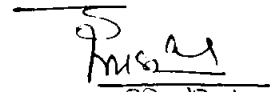
Chief Executive Officer
K-Electric Limited (KEL)
KE House, Punjab Chowrangi,
39 – B, Sunset Boulevard, Phase-II
Defence Housing Authority,
Karachi.

Subject: **Decision of the Authority in the matter of Fuel Charges Adjustment for the Month of September 2016 for K-Electric Limited and Notification (S.R.O. 1129(I)/2016 dated 01.12.2016) Thereof**

Enclosed please find herewith a copy of decision of the Authority (05 pages) in the matter of fuel charges for the month of September 2016 in respect of K-Electric Limited (formerly Karachi Electric Supply Company Ltd.), along with Notification (S.R.O. 1129(I)/2016 dated 01.12.2016) 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 Notification is also available on NEPRA's website)


02.12.16

(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.

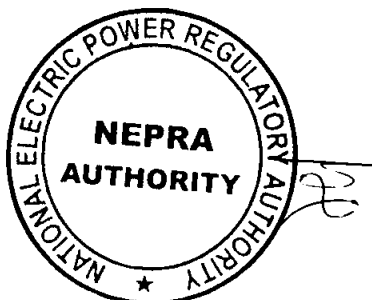


**DECISION OF THE AUTHORITY IN THE MATTER OF PROVISIONAL FUEL CHARGES
ADJUSTMENT FOR THE MONTH OF SEPTEMBER, 2016 FOR K-ELECTRIC LIMITED**

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 provisional FCA request for the month of September, 2016 (hereinafter referred to as the "current month") vide letter dated October 21, 2016. However this request was revised by K-Electric vide letter dated November 02, 2016. The summary of revised adjustment request submitted by K-Electric is tabulated as hereunder:

Tariff Adjustments – Summary	September-16
Variation in Fuel Charges	Requested
Own Generation (Million Rs.)	153.474
External/PPP (Million Rs.)	(165.855)
Total (Millions Rs.)	(12.381)
Total Units Sent Out (GWh)	1,477.099
Total Variation Ps/kWh	(0.838)

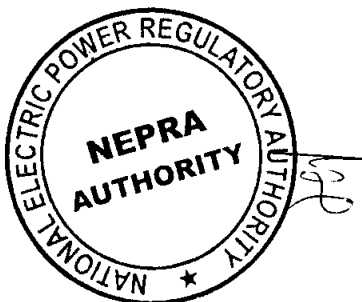
3. K-Electric, in its aforementioned FCA request, certified that cost of fuel, in own generation and power purchase, claimed by it does not include any amount of late payment surcharge/mark-up/interest. Further, K-Electric also submitted that it dispatches power as per Economic Merit





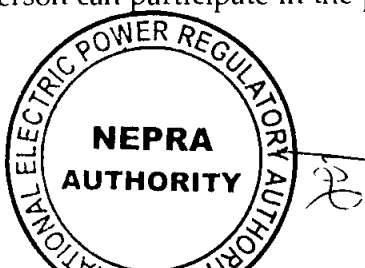
Order (hereinafter referred to as "EMO") from its own generation units (with the available fuel resources) and import from external sources.

4. The control period of the determination dated December 23, 2009 has expired in June, 2016 and the petition for new Multi Year Tariff ("MYT") has been filed by K-Electric which is under proceedings before the Authority. K-Electric has stated that the submissions made in its subject FCA request are provisional and in case of any adjustments, revised petition will be filed accordingly. The Authority has considered the submissions of K-Electric and decided to initiate the FCA proceedings to ensure K-Electric the recovery of its legitimate costs in a timely manner. However, the allowed adjustments shall be provisional, subject to adjustment based on new tariff and corresponding mechanism to be determined through new MYT petition of K-Electric.
5. Since the impact of FCA, if any, directly affects the consumers of K-Electric, therefore, the Authority decided to provide an opportunity of hearing, to arrive at an informed and just decision, based on the comments/ views/ opinion of all the stakeholders. The hearing on the subject matter was held on November 22, 2016 (Tuesday) at NEPRA Tower, Islamabad. Public notice thereof was published on November 09, 2016 in two newspapers with nationwide circulation and individual notices were also sent to the major stakeholder.
6. 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 on Bin Qasim Power Station ("BQPS-I") from Rs. 7.074/ kWh in reference month of June, 2016 to Rs. 7.498/ kWh in September, 2016. The aforementioned increase has occurred due to increase in weighted average price of furnace oil from Rs. 27,744 metric ton in June, 2016 to Rs. 30,209 / metric ton in September, 2016.
7. In the fuel component of power purchase cost, K-Electric submitted that the major reason for the claimed variation is the decrease in per unit cost of CPPA-G from Rs. 4.0283/ kWh in the reference month of June, 2016 to Rs. 3.6592 /kWh in September, 2016.





8. Comments, in writing were received, regarding the instant request of K-Electric from Anwar Kamal Law Associates (“AKLA”) and Mr. Aneel Mumtaz which are discussed in the following paragraphs.
9. AKLA submitted that K-Electric in September, 2016, continued to underutilize its own generation capacity and kept drawing power from CPPA basket due to which consumers of XWDISCOs are not only facing load shedding but also an increase in tariff paid by them. It is informed that K-Electric has been repeatedly directed by the Authority through monthly and quarterly adjustment decisions to prudently utilize its available energy capacity so that load shedding can be reduced/eliminated in its territorial jurisdiction and in the whole country. Further, the Authority has issued multiple explanations/show-cause notices to K-Electric on under-utilization of its energy sources and violations of power purchase agreement with NTDC, however, the same were challenged by K-Electric in the Honorable High Court of Sindh. Recently, on events occurring in June, 2015, K-Electric was issued a show cause notice for which one of the grounds was the ongoing underutilization of its available power facilities (both own and external sources) and was fined by the Authority vide decision dated March 25, 2016. In addition to that, an explanation has been served to K-Electric and NTDC for purchase/ sale of power without an agreement as the previous agreement has expired on January 25, 2015 and legal proceedings in this regard are currently under process with the Authority.
10. Mr. Aneel Mumtaz also submitted that active participation of the consumers of K-Electric has not been ensured as the hearing is being conducted at NEPRA Head office in Islamabad instead of Karachi. It is informed that 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 however, there are no directions what so ever, in the order of the court, regarding the place of hearing. It is also worth mentioning that the Authority conducts K-Electric’s quarterly adjustment hearings in Karachi regularly in which the active participation of the consumers of K-Electric and other stakeholder is ensured by giving a public notice well before the hearing date. The Authority, however, feels that any interested person can participate in the proceedings of monthly FCA by providing his comments, in writing,



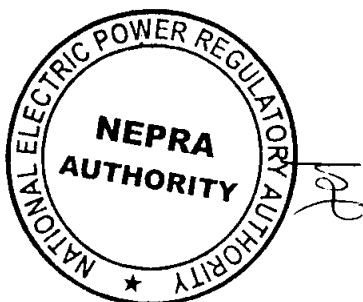


without attending the hearing and the comments thus submitted are also considered in the final decision of the Authority.

11. 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 13 below.
12. The fuel cost variation of K-Electric's own power generation and power purchases from external sources for the month of September, 2016 works out to be Rs. 7.496 million or Ps. 0.507/ kWh, as per the details tabulated hereunder:

Tariff Adjustment – Summary Variation in Fuel Charges	September-16 Requested	September-16 Allowed
Own Generation (Million Rs.)	153.474	173.351
External/PPP (Million Rs.)	(165.855)	(165.855)
Total (Million Rs.)	(12.381)	7.496
Total Units Sent Out (GWh)	1,477.099	1,477.099
Total Variation Ps/kWh	(0.838)	0.507

13. 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.
14. In view of the discussion in preceding paragraphs, the Authority has decided to pass on Ps. 1 /kWh to the consumers of K-Electric as FCA for the month of September, 2016. The worked out amount of FCA i.e. Ps. 1/ kWh will be charged by K-Electric in the prospective billing month of December, 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
September, 2016	1	December, 2016

15. The adjustment as referred to in para 15 above:

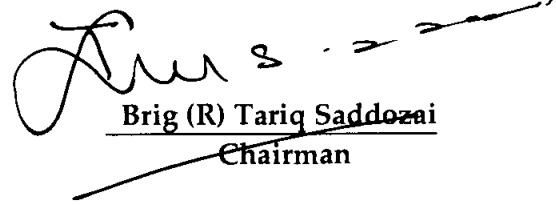
- i. shall be applicable to all the consumer categories except lifeline consumers of K-Electric; and
- ii. shall be shown separately in the consumer bills of December, 2016 on the basis of units billed for the month of September, 2016.
- iii. is on provisional basis and will be adjusted/ refunded once the new tariff of K-Electric is determined and notified.

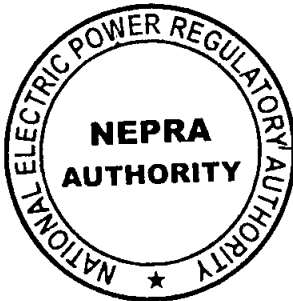
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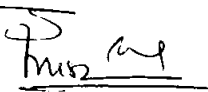

Masood ul Hassan Naqvi
Member


Maj (R) Haroon Rashid
Member


Himayat Ullah Khan
Vice Chairman/Member


Brig (R) Tariq Saddozai
Chairman




Muz
01.12.16

To Be Published in
Official Gazette of Pakistan Part-II

National Electric Power Regulatory Authority



NOTIFICATION

Islamabad, the 1st day of December 2016

1129
S.R.O. (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(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 charges for the month of September 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
September 2016	1	December 2016

2. The above adjustment of **plus** Ps. 1.00/kWh shall be applicable to all the consumer categories except lifeline consumers of K-Electric Ltd. The said adjustment shall be shown separately in the consumer bills of December 2016 on the basis of units billed for the month of September 2016. This adjustment is on provisional basis and will be adjusted/refunded once the new tariff of K-Electric is determined and notified.

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


(Syed Safer Hussain) 01.12.16
Registrar



