



National Electric Power Regulatory Authority Islamic Republic of Pakistan

Registrar

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No. NEPRA/TRF-133/KESC-2009/13677-82

October 3, 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 Motion for Leave for Review filed by K-Electric Ltd. against Decision of the Authority in the matter of Fuel Charges Adjustment (FCA) for the Month of May 2016 and Notification (S.R.O. 927 (I)/2016 dated 30.09.2016) Thereof**

Enclosed please find herewith a copy of decision of the Authority (03 pages) in the matter of Motion for Leave for Review filed by K-Electric Ltd. against Decision of the Authority regarding Fuel Charges Adjustment (FCA) for the Month of May 2016, along with Notification (S.R.O. 927(I)/2016 dated 30.09.2016) 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: Decision along with Notification is
also available on NEPRA's website)


(Syed Safer Hussain) 03. 10. 16

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 MOTION FOR LEAVE FOR REVIEW FILED BY K-ELECTRIC AGAINST DECISION OF THE AUTHORITY IN THE MATTER OF FUEL CHARGES ADJUSTMENT (FCA) FOR THE MONTH OF MAY, 2016.

1. K-Electric Limited (hereinafter referred to as "K-Electric"/ "the Company") filed a Motion for Leave for Review ("review motion") dated August 08, 2016, against the decision of the National Electric Power Regulatory Authority (hereinafter referred to as "the Authority"/ "NEPRA") in the matter of Fuel Charges Adjustment (hereinafter referred to as "FCA") for the month of May, 2016 issued by the Authority on August 05, 2016 (hereinafter referred to as "impugned decision"). In the review motion, K-Electric requested the Authority to allow it to charge FCA for the month of May, 2016 in the prospective billing month of September, 2016 which, as per the impugned decision, was to be charged in the month of August, 2016. Furthermore, K-Electric contested the deduction of fuel variations in respect of energy produced from Units 3 and 4 (hereinafter referred to as "Units") of Bin Qasim Power Station-I (herein after referred to as "BQPS-I") in the impugned decision.
2. K-Electric submitted its FCA request for the month of May, 2016 vide letter dated June 16, 2016 whereby it requested for FCA of Ps 14.304/ kWh. The hearing in the matter was held on June 30, 2015 (Thursday) at NEPRA, Islamabad. While reviewing the aforesaid request, the Authority observed that K-Electric had generated 135.49 GWh of energy from Units which had been excluded from the generation license of K-Electric through Licensee Proposed Modification-V ("LPM-V") dated March 13, 2015 and K-Energy Limited (hereinafter referred to as "K-Energy") has been issued generation license dated March 13, 2015 in respect of these two Units. In view thereof, the Authority decided not to allow the variations of around Rs. 143 million on the electrical power generated from these Units.
3. K-Electric in disagreement to the aforementioned decision of the Authority filed review motion dated August 08, 2016. The Authority admitted the aforementioned review motion on August 23, 2016 and also decided to provide K-Electric an opportunity of hearing which was held on August 25, 2016. Notice of hearing was sent to K-Electric on August 24, 2016. Following arguments were submitted by K-Electric in the review motion as well during the hearing:
 - i. K-Electric stated that during the proceedings of the LPM-V, an issue was framed/highlighted by the Authority asking the utility that what will be the scheduled outage plan of these two Units for the period leading up to Commercial Operation Date (hereinafter referred to as "COD") on coal. In response to that issue, K-Electric submitted that it had provided the Authority an outage plan which was designed to minimize the downtime of those Units at peak times and avoid shutting both Units at the same time which shows that it was made clear that the company will continue to operate the said Units to the extent of available capacity up to COD of those Units on coal.

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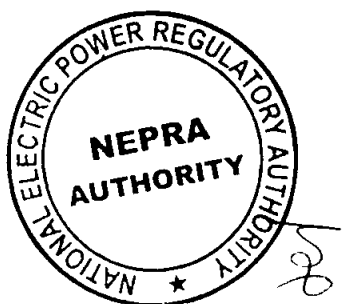
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- ii. K-Electric also submitted that it had provided its annual generation plan to the Authority vide letter No. GM(RA)/NEPRA/2015/1454 dated May 31, 2015 showing the forecast of each generation unit expected to operate in the FY 2015-16. That forecast also included available capacity of Units. Not only that, KE submitted that the generation of these units is also included in the daily generation report submitted by KE to the Authority.
- iii. K-Electric submitted that it is generating energy from both of these units as it still considers them a part of its generation license. These units will be excluded from its generation license on COD of these units after coal conversion project as evident from the excerpts of the LPM-V of its generation license and generation license of K-Energy dated April 13, 2015;

"Unit 3 & 4 of Plant-I have been leased out to K-Energy (Pvt) Limited (K-Energy)" for converting the same for operation on Imported/ Indigenous Coal. The said units are now included in the Generation License of (No IGSP/L/48/2015 dated March 13, 2015). The term of lease agreement is initially fixed for twenty (20) years from the COD of said units after coal conversion."

4. During the hearing, the Authority inquired K-Electric regarding the status of these Units in respect of coal conversion. K-Electric submitted that due to deductions by NEPRA in EPC cost, K-Energy is negotiating with Contractor to reduce the EPC cost in order to make this project viable. KE further submitted that the issue whether Units will be converted on coal or will again be included in K-Electric's generation license will be confirmed in next six (6) months
5. The Authority considered the submissions made by K-Electric in its review motion as well as during the hearing and has noted that the Units continued to operate and coal conversion plan has not been executed which was the reason for exclusion of the Units from K-Electric and grant of license to K-Energy. In this regard the Authority has observed that during the proceedings of the LPM-V of K-Electric, it was desired by the Authority that downtime of Units should be minimum during their conversion on to coal. The Authority is also conscious of the fact that operations of these units have, not only, resulted in additional energy but also favorable negative FCA adjustments at times for the consumers. Therefore, discontinuing operation of these units is not in favor of K-Electric's consumers, particularly keeping in view the existing demand and supply gap. Thus, the Authority is of the considered opinion that claims of K-Electric for fuel variation in respect of energy produced from the Units should be allowed. However, the Authority does not agree with the submission of K-Electric that Units are considered part of K-Electric license till the achievement of COD on coal. For that purpose, the Authority, has also decided to initiate suo-moto proceedings to review the determination of generation license of K-Energy and LPM-V of K-Electric's generation license accordingly.



6. In view thereof, the Authority has decided to allow K-Electric variations on generation of power from Units of BQPS-I for May, 2016. The revised fuel cost variation of K-Electric's own power generation and power purchases from external sources works out to be Rs. 89.882 million or Ps. 5.374/ 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	555.265
External/PPP (Million Rs.)	(345.365)	(465.383)
Total (Million Rs.)	238.775	89.882
Total Units Sent Out (GWh)	1,669.289	1,672.419
Total Variation Ps/kWh	14.304	5.374

7. The worked out amount of FCA i.e. Ps. 5/ kWh will be charged by K-Electric in the prospective billing month of October, 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	5	October, 2016

8. The adjustment as referred to in para 7 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 October, 2016 on the basis of units billed for the month of May, 2016.

AUTHORITY

Masood ul Hassan Naqvi

Member

Maj (R) Haroon Rashid

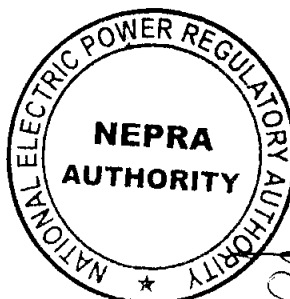
Member

Himayat Ullah Khan

Vice Chairman/Member

Brig (R) Tariq Sadozai

Chairman



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National Electric Power Regulatory Authority



NOTIFICATION

Islamabad, the 30th day of September 2016

S.R.O. 927 (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	5	October 2016

2. The above adjustment of plus Ps. 5.00/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 October 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

30.09.16