



Registrar

# National Electric Power Regulatory Authority Islamic Republic of Pakistan

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No. NEPRA/TRF-133/KESC-2009/ 1602-07

February 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 Fuel Charges Adjustment for the Month of November 2015 for K-Electric Limited and Notification (S.R.O. 77(I)/2016 dated 02.02.2016) 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 November 2015 in respect of K-Electric Limited (formerly Karachi Electric Supply Company Ltd.), along with Notification (S.R.O. 77(I)/2016 dated 02.02.2016) 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)

  
03.02.16  
( 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.

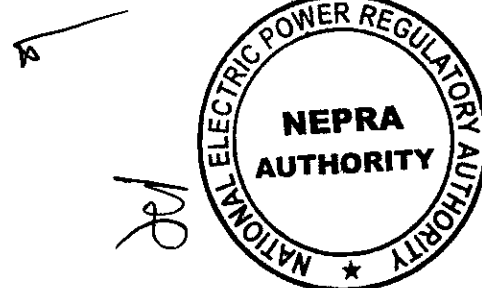


**DECISION OF THE AUTHORITY IN THE MATTER OF FUEL CHARGES ADJUSTMENT FOR THE MONTH OF NOVEMBER, 2015 FOR K-ELECTRIC LIMITED (FORMERLY KARACHI ELECTRIC SUPPLY COMPANY LIMITED)**

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, 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 has to review and adjust 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 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 November, 2015 (hereinafter referred to as "current month") vide letter No. RA&SP/NEPRA/071/1381 dated December 23, 2015. The summary of the adjustments requested by K-Electric are tabulated below;

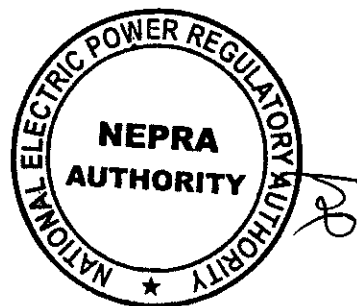
<b>Tariff Adjustments - Summary</b>	<b>November-15</b>
<b>Variation in Fuel Price</b>	<b>Requested</b>
Own Generation (Million Rs.)	(38.291)
External/PPP (Million Rs.)	738.884
<b>Total (Millions Rs.)</b>	<b>700.593</b>
Total Units Sent Out (GWh)	1,215.023
<b>Total Variation Ps/kWh</b>	<b>57.661</b>

3. K-Electric, in its aforementioned FCA 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 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 electricity, therefore, in order to meet the ends of natural justice and to arrive at an informed and just decision, the Authority decided to provide an opportunity of hearing to all the concerned stakeholders. The hearing for the aforesaid purpose was held on January 19, 2016 at NEPRA Tower, Islamabad. Notice thereof was published on January 12, 2016 in two newspapers with nationwide circulation. Separate notices were also sent to the major stakeholders 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.



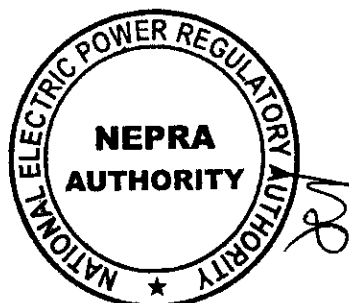


5. During the hearing K-Electric submitted that in its own generation, major reason for the claimed variation is the decrease in per unit weighted average fuel cost of generation from Bin Qasim Power Station-I ("BQPS-I") from Rs. 7.124/kWh in reference month of September, 2015 to Rs. 6.917/kWh in the current month. K-Electric submitted that the reason for the said decrease is the reduced percentage of generation on furnace oil from BQPS-I in the current month to around 33% from around 47% in the reference month. In the fuel cost component of power purchase cost, K-Electric submitted that major reason of the claimed variation is the increase in per unit cost of power purchase from National Transmission and Despatch Company Limited ("NTDCL") from Rs. 3.553/ kWh in the reference month of September, 2015 to Rs. 5.610/kWh in the current month.
6. Regarding the instant FCA request, comments were received in writing from Mr. Abu Bakar Usman, Director Media Relations Pasban Pakistan. Mr. Usman submitted that the hearing on the instant FCA request of K-Electric pertains to the consumers of K-Electric therefore it should be held at Karachi in order to provide the consumers an opportunity to participate in the process. In this regard it has been observed that in case of K-Electric, the Authority usually holds monthly FCA hearings in Islamabad and hearings in respect of quarterly tariff adjustment request in Karachi. The Authority also observed that there is no mandatory requirement in NEPRA's applicable laws to conduct public hearing for monthly/quarterly adjustments in determined tariff of a utility and also to do so at a designated venue. The Authority, however, in pursuance of the order of the Honorable Lahore High Court and to arrive at an informed decision, holds public hearings on these requests to ensure public participation, either in person or in writing. For that purpose, public notice is advertised in two daily newspapers with nationwide circulation as well as separate notices are also sent to major stakeholders.
7. Mr. Usman Mr. Abu Bakar Usman also submitted that the price of furnace oil in market for the month of November, 2015 is Rs. 27,388 per metric ton as per the attached invoice of BYCO whereas K-Electric has used price of Rs. 30,281 per metric ton in its FCA request. The Authority observed that the fuel price used by K-Electric is the moving/weighted average cost of the opening stock as well as the purchases made during the month from BYCO and Pakistan State Oil ("PSO"). Hence, deriving the rate of furnace oil merely on the basis of invoice from BYCO without taking into account the cost of PSO and the cost of opening stock of furnace oil is not correct.
8. Mr. Usman also submitted that K-Electric in its FCA request of October, 2015 claimed reference cost of power purchase from NTDCL to be Rs. 3.881/ kWh whereas in the instant request it has claimed the same cost to be Rs. 3.551/ kWh resulting in a difference of minus Ps. 32.8/ kWh which should be adjusted in the Authority's decision for October, 2015. The Authority noted the contention of the commentator and finds that while allowing variation in power purchase cost to K-Electric, the Authority's approved fuel cost component for NTDCL (that is applicable to all Ex-WAPDA distribution companies and K-Electric) is used both for reference and current months.





9. Mr. Usman also submitted that the K-Electric's average cost of power purchase has decreased from Rs. 5.984/kWh in October, 2015 to Rs. 5.799/kWh in the current month resulting in a decrease of Ps. 20/kWh, benefit of which should be passed on the consumers. The Authority observed that as per the mechanism prescribed in Authority's determination dated December 23, 2009, the monthly variations are computed by comparing the prices of any month with the last month of the preceding quarter which in the instant case is September, 2015, therefore the objection made by the commentator is not sustainable.
10. Mr. Usman further submitted that the K-Electric, as evident from the instant FCA request relies more on power purchase and underutilizes its own generation and resultantly subjects its consumers to load shedding. During the hearing the Authority also inquired K-Electric that why it is subjecting its consumers to load shed when it has reserve for more utilization on BQPS-1, Korangi Gas and Site Gas power stations. K-Electric responded that around 450 MW was shed in the current month as per the policy adopted by K-Electric according to which load shedding is carried out in areas in proportion to their losses. Regarding the low utilization factor, K-Electric submitted that the same was due to non-availability and low pressure of gas on those power stations. The Authority showing dissent on the statement of K-Electric's representative stated that the aforementioned plants could have been operated on alternative fuels and the load shed policy mentioned by K-Electric has not been approved by the Authority. It has also been observed that K-Electric is keeping its own available generation capacity idle relying more on the energy purchased from NTDC. By doing so, K-Electric is not only necessitating the operations of the most expensive power plants in NTDC's system but also aggravating the menace of load shedding in its own service territory as well as the whole country. The Authority also noted that K-Electric has been issued an explanation notice regarding, *inter alia*, the underutilization of its own generation capacity; the matter which is currently under proceedings before the Honorable High Court of Sindh and shall be decided in light thereof. Nevertheless, K-Electric is hereby again directed to prudently utilize the available energy of its system to eliminate/reduce the load shedding in its territorial jurisdiction and in the whole country. The Authority hereby also directs K-Electric to expedite the finalization of long outstanding agreements with Sui Southern Gas Company Limited and NTDC.
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 by the Authority. 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 November, 2015 works out to be around Rs. 525.684 million or Ps. 43.265/ kWh, as per the details tabulated hereunder:

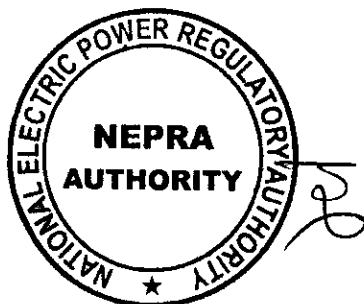




<b>Tariff Adjustment - Summary Variation in Fuel Price</b>	<b>November-15 Requested</b>	<b>November-15 Allowed</b>
Own Generation (Million Rs.)	(38.291)	(49.896)
External/PPP (Million Rs.)	738.884	575.581
<b>Total (Million Rs.)</b>	<b>700.593</b>	<b>525.684</b>
Total Units Sent Out (GWh)	1,215.023	1,215.022
<b>Total Variation Ps/kWh</b>	<b>57.661</b>	<b>43.265</b>

13. The difference between the requested and approved variation in fuel cost of own generation is due to inconsistency in the working out furnace oil rate (Rs./metric ton) by K-Electric. The Authority consistently uses 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. In the fuel component of the power purchase cost, the Authority observed that K-Electric used the invoiced rate/ fuel cost component of NTDCCL for the current month, whereas, the allowed variation has been worked out by using the Authority's approved fuel cost component of NTDCCL for the current month.
14. In view of the discussion in preceding paragraphs, the Authority has decided to pass on Ps. 43.265/kWh to the consumers of K-Electric as FCA for the current month. 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 not followed the Economic Merit Order or has failed to utilize its power stations prudently.
15. The paisa per kWh, rounded off after not allocating its effect on the consumption of life line consumers to be charged by K-Electric in the prospective billing month of February, 2016 works out to be Ps. 44/ kWh and shall be charged by K-Electric according to the following schedule;

<b>FCA to be calculated on the basis of billing for the month of</b>	<b>Ps/kWh</b>	<b>Charged in consumer bills to be issued in the month of</b>
November, 2015	44	February, 2016

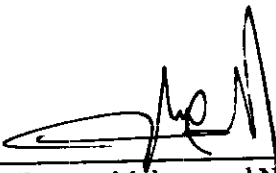


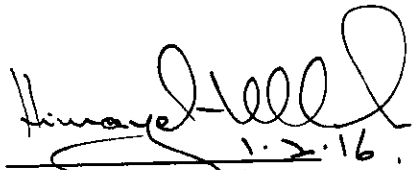


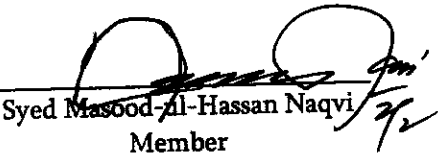
16. The adjustment as referred to in para 15 above:

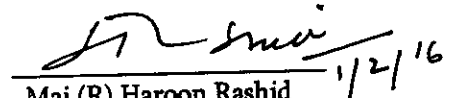
- i. shall be applicable to all the consumer categories except lifeline consumers of K-Electric; and
- ii. shall be shown separately in the consumer bills of February, 2016 on the basis of units billed for the month of November, 2015.

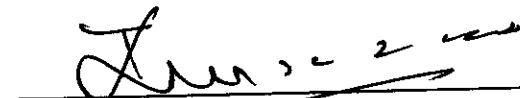
**AUTHORITY**

  
Khawaja Muhammad Naeem  
Member

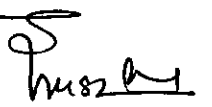
  
Himayat Ullah Khan  
Member

  
Syed Masood-Al-Hassan Naqvi  
Member

  
Maj (R) Haroon Rashid  
Vice Chairman

  
Brig (R) Tariq Saddozai  
Chairman



  
02.02.16

**To Be Published in  
Official Gazette of Pakistan Part-II**

**National Electric Power Regulatory Authority**

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**NOTIFICATION**

Islamabad, the 2<sup>nd</sup> day of February 2016

S.R.O. **77 (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 charge for the month of November 2015 in respect of K-Electric Limited:

<b>FCA to be calculated on the basis of billing for the Month of</b>	<b>(Ps/kWh)</b>	<b>Charged in Consumer Bills to be issued in the Month of</b>
November 2015	44	February 2016

2. The above adjustment of plus Ps.44.00/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 February 2016 on the basis of units billed for the month of November 2015.

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

  
( Syed Safer Hussain )  
Registrar