



# National Electric Power Regulatory Authority Islamic Republic of Pakistan

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No. NEPRA/TRF-133/KESC-2009/3519-3522  
March 14, 2017

Subject:- **Decision of the Authority in the matter of K-Electric Limited's Request for Quarterly Adjustment in its Tariff for the Quarter Ended December 2015**

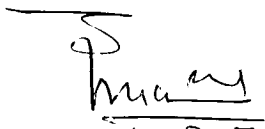
Dear Sir,

Please find enclosed herewith the subject decision of the Authority along with Annexure-I (14 pages) in respect of K-Electric Ltd. in Case No. NEPRA/TRF-I33/KESC-2009(6).

2. It is informed that the Authority hereby withdraws its decision No. NEPRA/TRF-133/KESC-2009/3136-3139 issued on March 31, 2014 as the cumulative impact of the correction made vide the mentioned decision has been taken into account in the SoT attached with the subject decision. Further, it is requested that six quarterly adjustment decisions of K-Electric issued by NEPRA on March 31, 2014 for the period April, 2012 to September, 2013 may be notified in light of Order of the Honorable High Court of Sindh dated January 02, 2017 in Suit No. 556 of 2014 while keeping in view Ministry of Water & Power letter No.PHI-3(2)/2009 dated June 30, 2015.

3. 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 or Electric Power Act (XI of 1997) and Rule 16(11) of the National Electric Power Regulatory Authority Tariff (Standards and Procedure) Rules, 1998.

Enclosure: As above

  
14.3.17  
( Syed Safer Hussain )

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, 5-A, EDB Building, Constitution Avenue, Islamabad.



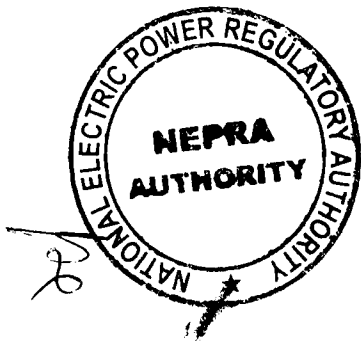
**DECISION OF THE AUTHORITY IN THE MATTER OF K-ELECTRIC LIMITED'S REQUEST FOR QUARTERLY ADJUSTMENT IN ITS TARIFF FOR THE QUARTER ENDED DECEMBER, 2015**

**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) dated December 23, 2009 notified vide S.R.O. No. 11(I)/2010 dated January 01, 2010, K-Electric Limited (hereinafter referred to as "K-Electric", "the company" or " the utility") has been allowed certain adjustments in its tariff on quarterly basis which 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.
  - Impact of target Transmission and Distribution losses @15% (hereinafter referred to as the "T & D losses") not allowed in the monthly Fuel Charges Adjustments (hereinafter referred to as "FCA").
2. In addition to the aforesaid adjustments in tariff, for allowing K-Electric to recover its tariff in future on the latest prices, 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 December, 2015.

**CURRENT REQUEST**

3. K-Electric, in accordance with the prescribed mechanism for adjustment of fuel cost and power purchase cost variation, submitted quarterly adjustment request for the quarter October-December, 2015 (hereinafter referred to as the "current quarter") dated January 27, 2016. Subsequently, K-Electric vide its letter no. RA&SP/NEPRA/071/1400 dated February 15, 2016 submitted its revised request based on Central Power Purchasing Agency Guarantee Limited's (CPPA-G) fuel component rate approved by the Authority for the month of December, 2015 for Ex-WAPDA Distribution Companies (hereinafter referred to as the "XWDISCOs"). The summary of the revised adjustment as requested by K-Electric is tabulated below;



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*K-Electric Limited Tariff Adjustment for the Quarter October 2015 to December 2015*

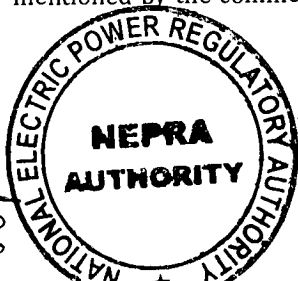
S.No	Heads	Proposed Adjustment
	Fuel Price Variation of December, 2015 over September, 2015 (Ps/kWh)	(2.947)
	Power Purchase Price Variation of December, 2015 over September, 2015 (Ps/kWh)	73.257
<b>1</b>	<b>Total Variation in Tariff (Ps/kWh)</b>	<b>70.310</b>
	<b>Un Recovered Cost</b>	
	Variation in O&M cost of IPPs and Other External Sources (Mill Rs)	932.082
	Variation in Capacity Charges of IPPs and Other External Sources (Mill Rs)	69.469
	Un-recovered cost of fuel in FCAs due to non-adjustment of T&D losses (Mill Rs)	218.980
	Payment of Bonus to Gul Ahmed Energy Limited (Gul Ahmed)	16.945
	Adjustment of revision of Fixed Cost of Karachi Nuclear Power Plant (KANUPP) w.e.f July, 2015	5.823
	Adjustment for fuel cost not considered in Schedule of Tariff (SoT) of Apr-Jun, 2015	22.860
	<b>Total Unrecovered Cost (Mill Rs.)</b>	<b>1,266.159</b>
	Estimated Units to be Sold in the next quarter (GWH)	2,611.996
<b>2</b>	<b>Required Adjustments (Ps/kWh)</b>	<b>48.475</b>
<b>3</b>	<b>Reversal of Unrecovered Cost of Previous Quarter (Ps/kWh)</b>	<b>24.668</b>
	<b>Total Required Adjustment in K-Electric's Tariff (Ps/kWh) (1+2+3)</b>	<b>143.453</b>

**PUBLIC HEARING**

4. In order to make K-Electric's tariff adjustment process transparent, the Authority decided 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 conducted by the Authority, on March 17, 2016 (Thursday) at 11:30 am at Marriot Hotel, Karachi; notice thereof was published in the daily newspapers on March 09, 2016 and March 10, 2016. Separate notices were also sent to the major stakeholders inviting their comments/objections.

**ISSUES RAISED BY THE COMMENTATORS**

- a) Mr. Adil Gilani from Whistleblower Pakistan submitted that the prices of furnace oil (F.O) have reduced to USD 30 from USD 130 per barrel in the international market but the benefit of lower oil prices has not been passed-on to the consumers in full, consequence of which are the lower exports (manufacturing goods specially textile products) of the country. The Authority noted that negative adjustments have been made to the Schedules of Tariff (SoTs) of K-Electric for the quarter ended December, 2014, March, 2015, June, 2015 and September, 2015, major reason for which is the reduction in furnace oil prices. Further, the benefit of reduction in furnace oil price has also been passed on to the consumers through numerous FCA decisions.
- b) Mr. Adil Gilani further submitted that the he wrote a letter on July 02, 2015 requesting for an inquiry on the incidents in June, 2015 due to the heat wave. However, even after the passing of 7-8 months, no report has been made public. It is informed that the Authority issued a show cause notice to K-Electric for the incidents mentioned by the commentator and after following due process including thorough investigations/ analysis

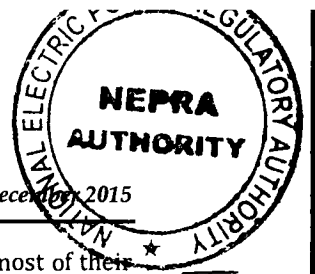




by NEPRA professionals, K-Electric was fined Rs. 10 million on multiple grounds vide Authority's decision dated March 25, 2016 which is also available on NEPRA's website.

- c) Mr. Adil Gillani also submitted that the earning/profitability of any distribution utility depends mainly on two main factors i.e. losses and revenue collection however, it is evident from K-Electric reported documents that losses and revenue recovery of K-Electric are unfavorable yet K-Electric is still reporting profits. The Authority noted that the MYT awarded to K-Electric is an efficiency based tariff which was based on certain efficiency targets with no predetermined fixed return for K-Electric. The profit had to be earned by the company by bringing in efficiencies in its operations. The profit of the K-Electric was not left unchecked and once it exceeded a 12% threshold, the profit above the 12% was to be shared with the consumers through a claw back mechanism given in the MYT tariff determination. It needs to be understood here that based on the benchmarks of yearly losses, only variations in tariff are allowed and not the whole tariff is reset. It should also be noted that while allowing variations in the tariff, the impact of the yearly inefficiencies on part of the utility against the targets set by NEPRA are borne by K-Electric itself and not passed on to consumers.
- d) Mr. Adil Gillani, while referring to the Authority's quarterly adjustment decision of K-Electric for the quarter ended September, 2015, submitted that NEPRA while denying to pass on the benefit of operations of K-Electric power plants on combined cycle mode to consumers wrote that **"company's MYT is an efficiency based tariff in which no fixed return was allowed to K-Electric except for the gain that the utility realizes by bringing the efficiency in its operations. In view thereof, the Authority is of the view that the current MYT of K-Electric is set to expire in June, 2016 and the matter under discussion shall be considered at the time of the determination of new MYT for K-Electric"**. The commentator submitted that the Authority while stating the aforementioned is favoring K-Electric by not observing its own decision that no adjustment shall be allowed to K-Electric without heat rate tests. The Authority noted that in accordance with the directions given in the determination dated December 23, 2009, the heat rate test of Korangi Combined Cycle Power Plant ("KCPP"), Korangi Gas-II ("KTGT-II") and Site Gas-II ("STGT-II") were carried out. Notwithstanding with the test results and keeping in view the interest of the consumers, the adjustments on these power station have been allowed based on more efficient figures when compared to the figures resulted in heat rate tests in 2011. Now the aforementioned power plants have recently been converted into combined cycle mode by K-Electric. The Authority considered this point and is of the view that heat rates, after carrying out tests, had been set by the Authority for the whole control period. As the MYT is an incentive based tariff with no guaranteed return to K-Electric, therefore, revising the heat rates before the expiry of tariff period may not be according to the essence of this MYT. However, the impact of these efficiencies shall be shared with the consumers in the claw back decision of the respective period.
- e) Mr. Adil Gilani further submitted that uniform tariff regime is giving undue benefit/advantage to the investor and is a way to earn undue money as fuel charges adjustment are different for DISCOs and K-Electric. The Authority noted that unlike other distribution companies, K-Electric is an integrated utility having its own





generation, transmission and distribution system. Other distribution companies purchase all or most of their power from or on behalf of NTDC, however, K-Electric purchases only a certain portion of power from CPPA-G. Due to these reasons, the generation/power purchase mix, its corresponding costs and resultantly the fuel charges variation of K-Electric differs from that of other distribution companies. It has also been noted that the time periods for their tariff determination and mechanism for working out the fuel charges adjustment for DISCOs and K-Electric are different. In case of DISCOs, the fuel charges are calculated on the basis of fuel cost references established vide their yearly tariff determinations whereas in case of K-Electric, the same are computed comparing actual fuel cost of the current month with the actual fuel cost component of the last month of the preceding quarter.

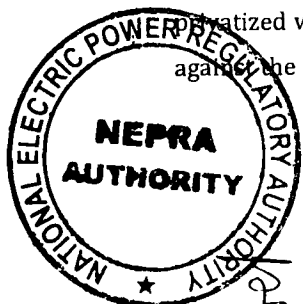
- f) Another commentator namely Mr. Anwar Kamal submitted that K-Electric does not utilize its own generation from Bin Qasim Power Station-I and external power purchase sources i.e. Tapal and Gul Ahmed to the maximum and prefers to draw 650 MW power from Central Power Purchasing Agency Guarantee Limited ("CPPA-G") which results in operation of expensive power plants of IPPs like Saif, Sapphire, Orient and Halmore in system of National Transmission and Dispatch Company Limited (NTDC) which is a non-prudent behavior by K-Electric. K-Electric in response submitted that it is responsible for the dispatch as per economic merit order from its own generating units (with available fuels & plants) and import from external sources (including NTDC) that results in lowest variable cost. Like any other prudent utility K-Electric follows economic dispatch order in meeting the system demand and to provide optimum relief to the consumers as is required under the provisions of the NEPRA act and rules made there under. The Authority has considered these comments and is of the view that K-Electric has been directed through monthly and quarterly adjustment decisions to utilize the available energy of its system prudently to eliminate/reduce the load shedding in its territorial jurisdiction and in the whole country. K-Electric on underutilizing its fleet capacity was fined in 2009 by the Authority. Further, the Authority from time to time has issued explanations/show cause notices to K-Electric for under-utilization and violations of Power Purchase Agreement ("PPA") 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 continuing underutilization of its available power facilities (both own and external sources) and was fined an amount of Rs. 10 million 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 pending with the Authority.
- g) One more commentator namely Mr. Abu Bakar Usman from Pasban Pakistan submitted that K-Electric has used a furnace oil price of Rs. 28, 206/metric ton while claiming FCA for the month of December, 2015 whereas market price of furnace oil quoted by BYCO stands at Rs. 22,331/ metric ton. The difference of aforementioned prices comes out to be Rs. 5,875/metric ton which when multiplied by consumption of 17,519 metric tons by K-Electric during the month of December, 2015, amounts to Rs. 102.924 million or Ps. 10/kWh, the benefit of which should be passed on to the consumers. Similarly Mr. Usman regarding the FCA



request of K-Electric for January, 2016 submitted that K-Electric has used a furnace oil price of Rs. 23,329/metric ton while claiming FCA for the said month whereas market price of furnace oil quoted by Pakistan State Oil ("PSO") stands at Rs. 22,331/ metric ton. The difference of Rs 1,000/metric ton between the aforementioned prices when multiplied by consumption of 18,134 tons consumed during the month by K-Electric comes out to be 18.134 million or Ps 2/ kWh the benefit of which should be passed on to the consumers. K-Electric submitted that the furnace oil is purchased from PSO & BYCO in accordance with the notified /published rates and all such invoices including rates, quantity and prices are verified by NEPRA for each month before allowing the fuel price variations to K-Electric. The Authority observed that the fuel price mechanism used by K-Electric is based on the moving/weighted average cost derived by adding the opening stock of furnace oil as well the purchases made by K-Electric during the month from BYCO and PSO. Hence, the commentator's contention of deriving the rate of furnace oil merely on the basis of invoice from BYCO or PSO without taking into account the cost of opening stock of furnace oil is not correct.

h) While referring to the claw back mechanism mentioned in the Multi Year Tariff ("MYT") determination dated December 23, 2009, Mr. Usman submitted that no relief according to the said mechanism has been passed on to the consumers despite K-Electric reporting a profit of Rs. 11,923 million in its annual report for the year 2014-15. K-Electric in response submitted that the Claw back mechanism for profit sharing is under litigation and hence will be decided as per the court's order. It is informed that based on the reported results of K-Electric for FYs 2012, 2013 and 2014, the Authority, in accordance with the Claw Back mechanism prescribed vide its determination dated December 23, 2009, worked out certain amounts that had to be shared by the utility with its consumers. In its previous quarterly decisions of K-Electric, the Authority directed the company to share the said amount with its consumers. However, K-Electric filed civil suits against those decisions and implementation of claw back mechanism was suspended by the Honorable Sindh High Court. The working of impact of the claw back amount to be shared with consumers by K-Electric for the year 2014-15 along with all the previous worked out claw back amounts will be made part of the "Schedule of Tariff" of K-Electric in light of the further orders from the Honorable Sindh High Court in this regard.

i) NTDC submitted that during the hearing, K-Electric presented the generation pattern of its owned generation plants and import of power from NTDC system. Surprisingly the generation capacity of plants of K-Electric was matching with its demand. However, K-Electric operated them for half of their installed capacity and resultantly 650 MW to 700 MW power was drawn from NTDC system. NTDC further submitted that on Jan 26, 2015, five year PPA between K-Electric and NTDC was expired, however, K-Electric on one pretext or the other, had not applied to NEPRA for new PPA despite NTDC's repeated reminders to K-Electric, Ministry of Water and Power and other stake holders. Stating these comments, NTDC requested the Authority that while deciding subject petition, NEPRA may direct K-Electric to revise PPA with CPPA-G/ NTDC for the period already passed and time lines for self-reliance on their own generation plants. As K-Electric was privatized way back in 2005 and there is no reason to continue as parasite for such a long time, as all this is against the spirit of privatization and setting a bad precedent for the other institution under privatization. K-





Electric in response submitted that the revised PPA with NTDC/ CPPA is under consideration by a Special Committee under the chairmanship of the Secretary Ministry of Water and Power (MoW&P) to resolve various issues related to K-Electric including settlement of outstanding dues in a cordial environment. Various meetings of the sub-committee have been held to date which are progressing in the right direction and K-Electric expects that an amicable and expeditious resolution would be reached in these meetings. Further, regarding the concern on K-Electric's generation, it is important to note that during the months of December and January, K-Electric carries out its plant maintenance which reduces available generation capacity. In addition, lack of gas availability as well as low gas pressure has continued to affect utilization of its highly efficient gas based plants. The Authority noted that for the sale /purchase of power between K-Electric and NTDC without an agreement, it has issued show cause notices to both the parties, and the matter is under process.

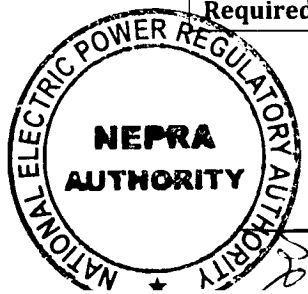
**ANALYSIS**

5. The generation data, rates, etc. of K-Electric (both from self-generation and power purchased from external sources) were verified from respective 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 September, 2015 to December, 2015.
  - b) Under/Over-recovered costs for the current quarter.
  - c) Reversal of tariff adjustment pertaining to the previous quarter i.e. July-September, 2015.

**CHANGING THE REFERENCE TARIFF FROM SEPTEMBER 2015 TO DECEMBER 2015**

6. K-Electric's last adjusted tariff is based on the fuel prices (both own generation and power purchase from external sources), O&M costs and capacity charges of September, 2015. For allowing K-Electric, the recovery as per the latest prices, the tariff is required to be adjusted to the price level of December, 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 from external sources (fuel cost, O&M costs and capacity charges) of December, 2015 over the reference month of September, 2015. K-Electric has requested for following adjustments in its tariff on this account;

Description	Requested
Fuel cost variation of December, 2015 over September, 2015 (Mill Rs.)	(25.988)
Power purchase cost variation of December, 2015 over September, 2015 (Mill Rs.)	646.101
<b>Total Variation (Mill Rs.)</b>	<b>620.114</b>
Units sold at 15% T&D losses for December, 2015 (GWh)	881.969
<b>Required adjustment in tariff (Ps/kWh)</b>	<b>70.310</b>





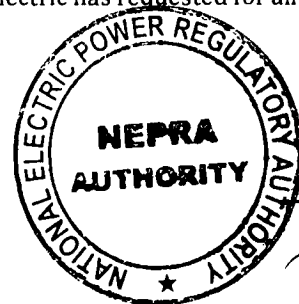
7. During the hearing K-Electric submitted that in its own generation, the reason for the claimed variation is the decrease in per unit weighted average fuel cost of generation of Bin Qasim Power Station-I from Rs. 7.124/kWh in reference month of September, 2015 to Rs. 6.911/kWh in December, 2015. The reason for the said decrease is the reduction in price of furnace oil from Rs. 30,085/ metric ton in September, 2015 to Rs. 28,206/metric ton in December, 2015. In the power purchase cost, K-Electric submitted that major reason of the claimed variation is the increase in per unit power purchase cost of CPPA(G)L/ NTDCCL from Rs. 5.331/KWh in the reference month of September, 2015 to around Rs. 7.093/kWh in December, 2015.
8. A comparative analysis of the adjustment in K-Electric's tariff required to bring it to the tariff level of December, 2015 as requested by K-Electric and as approved by the Authority after verification of all the relevant documentary evidences is tabulated below;

Description	Requested	Approved
Fuel cost variation of December, 2015 over September, 2015 (Mill Rs.)	(25.988)	(36.802)
Power purchase cost variation of December, 2015 over September, 2015 (Mill Rs.)	646.101	646.098
<b>Total Variation (Mill Rs.)</b>	<b>620.114</b>	<b>609.296</b>
Units sold at 15% T&D losses for December, 2015 (GWh)	881.969	881.968
<b>Required adjustment in tariff (Ps/kWh)</b>	<b>70.310</b>	<b>69.084</b>

9. 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./Metric 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 to work out the above mentioned fuel charges variations.
10. The slight difference in the requested and approved power purchase cost variation is due to the error in the variable O&M component to fourth decimal place of CPPA-G at K-Electric's end which has been corrected while allowing the tabulated above variations.

**UNDER/OVER-RECOVERED COST FOR THE CURRENT QUARTER**

11. 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, costs that are allowed to be passed on under the approved mechanism but were not accounted for in the monthly FCAs are accounted for in the quarterly adjustment. K-Electric has requested for allowing it the recovery of the following unrecovered costs;

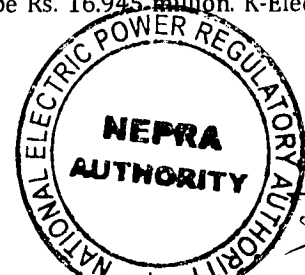






DESCRIPTION	Requested by K-Electric
Variation in O&M cost of IPPs and Other External Sources (Mill Rs)	932.082
Variation in Capacity Charges of IPPs and Other External Sources (Mill Rs)	69.469
Un-recovered cost of fuel in FCAs due to non-adjustment of T&D losses (Mill Rs)	218.980
Payment of Bonus to IPP's (Gul Ahmed) (Mill Rs)	16.945
Adjustment for revision of fixed cost of KANUPP w.e.f July 2015 (Mill Rs)	5.823
Adjustment for fuel cost not considered in SoT of April-June, 2015 (Mill Rs)	22.860
<b>Total Unrecovered Cost (Mill Rs.)</b>	<b>1,266.159</b>
Estimated Units to be Sold at 15% T&D losses Jan-March,2016 (GWh)	2611.996
<b>Required Adjustments (Ps/kWh)</b>	<b>48.475</b>

12. 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 addresses the change in prices as well as energy mix on month to month basis. As tabulated above, the company has claimed around Rs. 932.082 million variations on this account.
13. Variations in capacity charges: Similar to the mechanism of O&M costs, the variation in capacity charges component of the power purchase cost paid to IPPs (Gul Ahmed and Tapal) is worked out by comparing the monthly weighted average cost of all the power stations from which K-Electric evacuates power, which represents change in both prices and energy. As shown in the aforementioned table, the utility has claimed variation of around Rs. 69.469 million under this head.
14. 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 has claimed around minus Rs. 218.980 million under this head.
15. Bonus Payment to IPP's (Gul Ahmed): K-Electric has requested an amount of around Rs. 16.945 million on account of bonus payment to Gul Ahmed. K-Electric submitted that section 9.6 of the Power Purchase Agreement (PPA) signed between K-Electric and Gul Ahmed states that "In the event that the Net Electrical Output during any Agreement Year is in excess of 713,458,200 kWh, KESCL shall pay to the Company within sixty (60) days of the end of such agreement year, in addition to any other payments due to the Company pursuant to Section 9.2, an amount equal to Rs. 0.08 for each kWh by which the Net Electrical Output of the complex during the year is greater than 713,458,200 kWh. The amount of bonus payable pursuant to this Section 9.6 shall be adjusted from time to time in accordance with Schedule 6." K-Electric has submitted that for the agreement year from November 03, 2014 to November 02, 2015, Gul Ahmed has delivered 752,216,334 kWh, i.e. 38,758,134 kWh more than the specified limit. By applying indexed bonus rate of Rs. 0.4372/kWh on the excess energy, the bonus energy amount works out to be Rs. 16.945 million. K-Electric has submitted the invoice raised by Gul Ahmed on account of this claim.

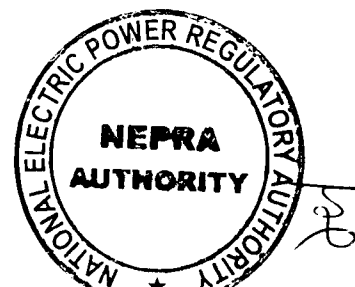




16. Adjustment for revision of fixed cost of KANUPP: K-Electric has claimed an amount of Rs. 5.823 million on account of adjustment for revision of fixed cost of KANUPP for the period from July, 2015 to November, 2015. It has been noted that as per the power purchase agreement signed between K-Electric and KANUPP, fixed cost of energy purchased from KANUPP is worked out as; "Fixed cost equal to average fixed cost of the operating plants of KESC that is all old and new power plants". This cost pertaining to any particular financial year applies to energy purchased in the next financial year, i.e. cost of 2015 shall be applied to energy purchased in 2016 by K-Electric from KANUPP.
17. Adjustment for fuel cost not considered in SoT of April-June, 2015: K-Electric has claimed Rs. 22.860 million in respect of impact of a furnace oil invoice of Pakistan State Oil (PSO) for the month of April, 2015 worth around Rs. 88 million and a debit note for invoice raised by BYCO in February, 2015. According to K-Electric the above mentioned transactions were not accounted for by NEPRA while allowing the monthly and quarterly adjustments.
18. A comparative analysis of the adjustment in K-Electric tariff for the under/over-recovered costs of the current quarter to be adjusted as per request submitted by K-Electric and being approved by the Authority after verification of the relevant documentary evidence is tabulated below;

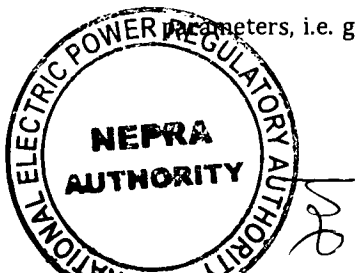
DESCRIPTION	Requested by K-Electric	Allowed to K-Electric
Variation in O&M cost of IPPs and Other External Sources (Mill Rs)	932.082	932.078
Variation in Capacity Charges of IPPs and Other External Sources (Mill Rs)	69.469	55.455
Un-recovered cost of fuel in FCAs due to non-adjustment of T&D losses (Mill Rs)	218.980	217.319
Payment of Bonus to Gul Ahmed (Mill Rs)	16.945	16.945
Adjustment for revision of fixed cost of KANUPP w.e.f July 2015 (Mill Rs)	5.823	5.823
Adjustment for fuel cost not considered in SoT of April-June, 2015 (Mill Rs)	22.860	-
Impact of Corrigendum (Mill Rs.)	-	(6,725.51)
Impact of Review Motion Decision (Mill Rs.)	-	3,627.32
<b>Total Unrecovered Cost (Mill Rs.)</b>	<b>1,266.159</b>	<b>(1,870.567)</b>
Estimated Units to be Sold at 15% T&D losses Jan-Mar, 2016. (GWh)	2611.996	2,888.459
<b>Required Adjustments (Ps/kWh)</b>	<b>48.475</b>	<b>(64.760)</b>

19. The slight difference in the requested and worked out variation in O&M Cost is due to error on K-Electric's end as explained at para 13 above. Regarding the difference in requested and allowed capacity charges, the Authority noted that K-Electric has incorrectly taken Rs. 126.124 million as the capacity payment made to Gul Ahmed for the month of October, 2015 instead of Rs. 112.110 million. The documented figure has been used to work out the variation in capacity charges by the Authority. The reason of the difference in requested and worked out variation in un-recovered fuel cost due to the non-adjustment of T&D losses is primarily due to the inconsistency on part of K-Electric for the calculation of the weighted average rate of furnace oil, K-Electric uses the moving average basis whereas the Authority has consistently been using monthly weighted average method to work out this rate.





20. Regarding the bonus energy payment to Gul Ahmed, the Authority has checked/verified the respective invoice submitted by K-Electric in light of the provisions of PPA signed between K-Electric and Gul Ahmed and has decided to allow the same. Also, the workings of KANUPP's revised O&M rate/kWh submitted by K-Electric have been verified from the financial statements of K-Electric for the financial year 2015 and the Authority has decided to allow the same. However, K-Electric's claim of Rs. 22.860 million in respect of not taking into account a furnace oil invoice of PSO and BYCO has been rejected as the Authority noted that all the relevant costs were taken into account while allowing previous monthly and quarterly adjustments.
21. Impact of Corrigendum: It is informed that the Authority vide its Corrigendum decision No. NEPRA/TRF-133/KESC-2009/3136-3139 dated March 31, 2014 decided to deduct the impact of an inadvertent error from the tariff of K-Electric. Accordingly, all the SoTs, already issued for the period Jul'09 to Mar'12, were revised by the Authority vide its aforementioned decision. Also, SoTs for the period from April 2012 to September 2013 were also issued by the Authority on March 31, 2014, based on the rectified SoT for the quarter Jan'12-Mar'12. However, K-Electric filed a Suit (No.556 of 2014) in the Honorable High Court of Sindh against the aforementioned decisions of the Authority. On April 07, 2014, the Court suspended the SoTs to the extent of the reductions and ordered NEPRA to issue the SoTs of K-Electric in accordance with law and the rules by which it is governed. Complying with the directions of the Honorable Court, the SoTs of K-Electric from Oct-Dec, 2013 onwards were issued without including therein the impact of the corrections. However, the already issued SoTs for the quarters Apr-Jun, 2012 to Jul-Sep, 2013 were not revised/reissued. Subsequently, K-Electric has withdrawn its case from the honorable High Court of Sindh. For the adjustment of the impact of the aforementioned error, the Authority considered whether to revise all the already issued SoTs again or to work out the impact in amount and adjust in one or more pending SoTs of K-Electric. After detailed deliberations and discussing both the options with the representatives of Ministry of Water and Power and Ministry of Finance, the Authority decided not to revise all the already issued/notified SoTs rather to adjust the impact in the forthcoming quarterly adjustment decision(s) of K-Electric. For that purpose, the Authority directed K-Electric to appoint an independent auditor and submit the certified data for the actual units sold for the period April, 2010 to December, 2015. The required certifications were submitted by the utility based on which the total impact, to be adjusted, works out to be around minus Rs. 9.127 billion. As explained above that the SOTs for the period April, 2012 to September, 2013 were issued after deducting the error, therefore, the impact for that period, i.e. minus Rs. 2.402 billion has not been accounted and the same shall be adjusted in tariff differential subsidy claims pertaining to that period. Accordingly, minus Rs 6.726 billion is being adjusted in the unrecovered cost of the current quarter. For the SoT being issued with the current quarterly adjustment, the impact of the said inadvertent error has been subtracted.
22. Impact of Review Motion: K-Electric vide its letter dated October 19, 2015 filed a Motion for Leave for Review against the decision of the Authority dated June 30, 2010 in the matter of adjustment in K-Electric's tariff for the period July, 2009 to March, 2010. K-Electric submitted that in the mentioned adjustment decision, two parameters, i.e. gas price and transmission and distribution losses were not rightly taken by NEPRA due to





which the utility has borne a loss of around Rs. 8.094 billion from April, 2010 to December, 2015. The Authority, after following the due proceedings, vide its decision dated February 20, 2017 acceded to the claim of Rs. 3.627 billion, on account of gas price decrease of Rs. 5.70/kWh adjusted in KE's tariff twice due to transition from one mechanism to another, and decided to adjust the same in forthcoming quarterly adjustment decision of K-Electric which is being adjusted in the unrecovered cost of the current quarter. For the SoT being issued with the current quarterly adjustment, this impact has also been adjusted.

23. K-Electric in its subject adjustment request for the current quarter has estimated that 2,611.996 GWh units will be sold @ 15% T&D losses in the next quarter i.e. Jan-Mar, 2016. By the time of the issuance of this decision, actual number of units sold by K-Electric during the quarter Jan-Mar, 2016, i.e. 2,888.461 GWh has been received and the same has been used to work out under/over recovered part of adjustment of the current quarter.
24. The variation in tariff under this head will be applicable for the next quarter only i.e. Jan-Mar, 2016 and will cease automatically at the end of that quarter.

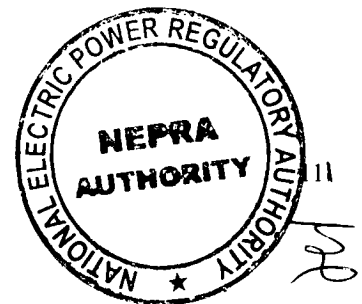
**REVERSAL OF TARIFF ADJUSTMENT APPLICABLE FOR CURRENT QUARTER ONLY**

25. The Authority in its previous quarterly adjustment pertaining to July-September, 2015 allowed decrease of Ps. 49.315/kWh in K-Electric's tariff on the basis of next quarter units sold for adjustment of unrecovered amount of minus Rs 1,605.252 million by K-Electric. As per the direction in the same decision, the allowed decrease of Ps. 49.315/kWh is required to be adjusted back in the K-Electric's current quarterly adjustment in order to nullify its impact in the SoT of K-Electric and the same has been done in the current quarter.

**OVERALL ADJUSTMENT IN TARIFF**

26. The overall cumulative variation in the K-Electric's tariff after making all aforesaid adjustments that have been discussed in the preceding paragraphs, works out to be Ps. 53.393/kWh against the claimed figure of Ps. 143.453/kWh as detailed below;

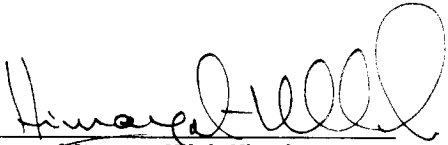
<b>Heads</b>	<b><u>Paisas per kWh</u></b>
• Changing the reference tariff from September, 2015 to December, 2015	69.084
• Under/Over-recovered Costs	(64.760)
• Reversal of tariff adjustment applicable for current quarter only	49.315
	<hr/>
	53.639
	<hr/>







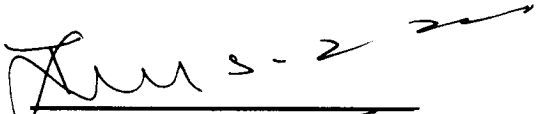
27. In view of the above, K-Electric is allowed adjustment in consumer end tariff for all consumer categories, except for the life-line consumers, by paisa 54 per kWh. In view of the foregoing, the revised SoT for the subject quarter to be applicable from January 01, 2016 to March 31, 2016 is attached herewith as **Annexure-I**.

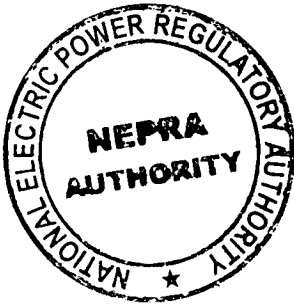
**AUTHORITY**

  
\_\_\_\_\_  
(Himayat Ullah Khan)  
Vice Chairman 10.3.17.

  
\_\_\_\_\_  
(Maj. (R) Haroon Rashid)  
Member

  
\_\_\_\_\_  
(Syed Masoodul Hassan Naqvi)  
Member 10/3/17

  
\_\_\_\_\_  
(Brig. (R) Tariq Sadozai)  
Chairman

  
\_\_\_\_\_  
14.03.17

**REVISED SCHEDULE OF ELECTRICITY TARIFF  
FOR KARACHI ELECTRIC SUPPLY COMPANY LIMITED (KESCL)  
DETERMINED FOR THE PERIOD OCTOBER '2015 TO DECEMBER '2015**

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

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES	VARIABLE CHARGES	
		Rs/kW/M	Rs/kWh	
a)	For Sanctioned load less than 5 kW			
i	Up to 50 Units	-		4.00
	For Consumption exceeding 50 Units			
ii	1- 100 Units	-		11.65
iii	101- 200 Units	-		13.05
iv	200- 300 Units	-		13.55
v	301- 700 Units	-		15.66
vi	Above 700 Units	-		17.93
b)	For Sanctioned load 5 kW & above			
			Peak	Off-Peak
	Time Of Use	-	18.93	12.93

As per the Authority decision residential consumers will be given the benefit of only one previous slab.

Consumption exceeding 50 units but not exceeding 100 units will be charges under the 1-100 slab

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	VARIABLE CHARGES	
		Rs/kW/M	Rs/kWh	
a)	For Sanctioned load less than 5 kW			18.43
b)	For Sanctioned load 5 kW & above	400.00		15.63
			Peak	Off-Peak
c)	Time Of Use	400.00	19.93	14.43

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	VARIABLE CHARGES	
		Rs/kW/M	Rs/kWh	
B1	Less than 5 kW (at 400/230 Volts)	-		14.93
B2(a)	5-500 kW (at 400 Volts)	400.00		13.53
B3(a)	For all loads upto 5000 kW (at 11,33 kV)	380.00		13.13
B4(a)	For all loads upto 5000 kW (at 66,132 kV)	360.00		12.73
	Time Of Use		Peak	Off-Peak
B2(b)	5-500 kW (at 400 Volts)	400.00	18.93	12.68
B3(b)	For All Loads up to 5000 kW (at 11,33 kV)	380.00	18.43	12.18
B4(b)	For All Loads (at 66,132 kV & above)	360.00	17.93	11.93
B5	For All Loads (at 220 kV & above)	340.00	17.43	11.68

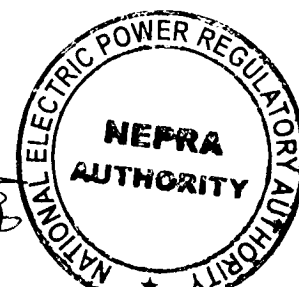
For B1 consumers there shall be a fixed minimum charge of Rs. 350 per month.

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 CONSUMERS NOT FALLING IN ANY OTHER CONSUMER CLASS**

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES	VARIABLE CHARGES	
		Rs/kW/M	Rs/kWh	
C-1	For supply at 400/230 Volts	-	14.93	
a)	Sanctioned load less than 5 kW	-	14.08	
b)	Sanctioned load 5 kW & up to 500 kW	400.00	14.08	
C-2(a)	For supply at 11,33 kV up to and including 5000 kW	380.00	13.93	
C-3(a)	For supply at 132 and above, up to and including 5000 kW	360.00		
	Time Of Use		Peak	Off-Peak
C-1(c)	For supply at 400/230 Volts 5 kW & up to 500 kW	400.00	18.93	12.93
C-2(b)	For supply at 11,33 kV up to and including 5000 kW	380.00	18.43	12.13
C-3(b)	For supply at 132 kV up to and including 5000 kW	360.00	17.93	11.93

**D - AGRICULTURE TARIFF**

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES	VARIABLE CHARGES	
		Rs/kW/M	Rs/kWh	
D-1	For all Loads	200.00	14.53	
	Time of Use		Peak	Off-Peak
D-2	For all Loads	200.00	20.53	12.53

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	VARIABLE CHARGES	
		Rs/kW/M	Rs/kWh	
E-1(i)	Residential Supply	-	18.33	
E-1(ii)	Commercial Supply	-	21.23	
E-2 (i)	Industrial Supply	-	17.93	
E-2 (ii)	Bulk Supply			
	(a) at 400 Volts	-	18.33	
	(b) at 11 kV	-	17.93	

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	VARIABLE CHARGES
		Rs/kW/M	Rs/kWh
	Street Lighting	-	17.93

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	VARIABLE CHARGES
		Rs/kW/M	Rs/kWh
	Residential Colonies attached to industrial premises	-	15.93

