

**National Electric Power Regulatory Authority**

**NOTIFICATION**



Islamabad, the 27<sup>th</sup> day of May, 2022

S.R.O. 666 (I)/2022.- In pursuance of Sub-Section 7 of Section 31 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (XL of 1997), NEPRA hereby notifies the Decision of the Authority in the matter of Motion filed by the Ministry of Energy (Power Division) and request of K-Electric with respect to Recommendation for Extension of 'Abolishment of Time of Use Tariff Scheme' for Industrial Consumers of XWDISCOs and K-Electric.

2. While effecting the Decision, the concerned entities including Central Power Purchasing Agency Guarantee Limited (CPPAGL) shall keep in view and strictly comply with the orders of the courts notwithstanding this Decision.

A handwritten signature in black ink, appearing to read 'Syed Safeer Hussain', is written over a horizontal line. Below the line, the date '22 05 22' is written.

(Syed Safeer Hussain)  
Registrar

A large, stylized handwritten mark, possibly a signature or initials, is written in black ink.

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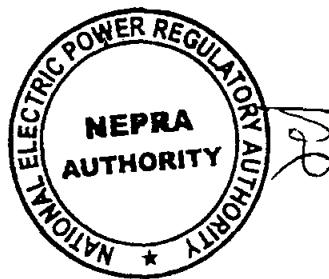
National Electric Power Regulatory Authority  
(NEPRA)

DECISION OF THE AUTHORITY IN THE MATTER OF MOTION FILED BY THE MINISTRY  
OF ENERGY (POWER DIVISION) AND REQUEST OF K-ELECTRIC WITH RESPECT TO  
RECOMMENDATION FOR EXTENSION OF 'ABOLISHMENT OF TIME OF USE TARIFF  
SCHEME' FOR INDUSTRIAL CONSUMERS OF XWDISCOS AND K-ELECTRIC

Islamabad

June<sup>17</sup>, 2021

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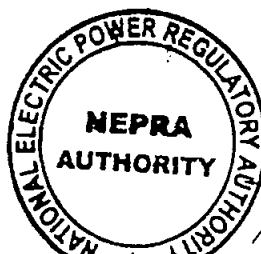


## Background

- 1.1. The Authority issued its decision in the matter of Motion filed by the Ministry of Energy (MoE) (Power Division) with respect to recommendation of Industrial Support Package (ISP) for additional consumption and abolishment of time of use tariff scheme for industrial consumers of XWDISCOs vide decision dated 01.12.2020, wherein the Authority decided that during peak hours the off peak rate along with applicable quarterly adjustments would be charged w.e.f. November 01, 2020 till April 30, 2021 and the difference in this regard would be picked up by the GoP as subsidy.
- 1.2. Similarly, the Authority in another decision dated 01.12.2020 in the matter of request of the MoE (Power Division) for Incorporation of Support Package for additional consumption and abolishment of Time of Use Tariff scheme for Industrial Consumers of K-Electric, decided that during peak hours, the off peak rate along with applicable quarterly adjustments would be charged w.e.f. November 01, 2020 till April 30, 2021 and the difference in this regard would be picked up by the GoP as subsidy. The above decisions were notified by the Federal Government vide SRO dated December 03, 2020.
- 1.3. In its aforementioned Motion, the MoE had submitted that a review would be carried out by 31<sup>st</sup> March 2021, for continuation or other-wise of the Package beyond April 2021.
- 1.4. Pursuant thereto, the MoE vide letter dated April 29<sup>th</sup>, 2021 has now submitted its instant Motion for extension of 'abolishment of time of use tariff scheme' for industrial consumers of XWDISCOs (the Motion). As per the Motion, the summary for the extension/abolishment of Time-of-Use Tariff Scheme for industrial consumers was presented in the CCoE on April 15, 2021, wherein para "5(B) of the summary" was approved by the CCoE;

Para 5 (B) "Extension of existing ToU Tariff package from 1<sup>st</sup> May 2021 till 30<sup>th</sup> June 2022, with the subsequent re-evaluation in May 2022, regarding extension of the package on the basis of, inter-alia, technical and commercial dimensions. The option shall also require approval of the following;

- i. Development and implementation of the load management plan for the summer months that may result in the prolonged hours of load shedding for the different categories of electricity consumers.
  - ii. Provisioning of dispatch of expensive plants (RFO, HSD) to meet the incremental demand of industrial consumers, taking into account available generation capacity, demand and other constraints of the system;
  - iii. Firm commitment of the provisioning of gas & RLNG supplies to the power sector based on the monthly requirements for power generation;
  - iv. Budget cumulative subsidy of approximately Rs.26 Billion for the package for the period commencing from 1<sup>st</sup> May-2021 till 30<sup>th</sup> June 2022, with the timely monthly disbursement by the Finance Division on the basis of actual consumption;
- 1.5. K-Electric also vide letter dated April 30, 2021 has submitted that MoE through its letter dated April 30, 2021 has communicated that CCoE has approved the extension of abolishment of Peak tariff for industrial consumer till June 30, 2022. Accordingly, K-



Electric has also requested to extend the period of Peak abolishment till June 30, 2022, in line with CCoE approval with a provision to extend further, if further extension is approved by CCoE, without requiring redetermination by NEPRA.

2. **Proceedings**

- 2.1. The Authority, considering the fact, that impact of any adjustments has to be made part of the consumer end tariff decided to conduct a hearing in the matter in order to provide an opportunity of hearing to all the concerned and meet the ends of natural justice.
- 2.2. Hearing in the matter was accordingly scheduled on May 26, 2021 through Zoom; Notice of admission / hearing along-with brief description of Motion file by the MoE and request of K-Electric were published in newspapers and also uploaded on NEPRA website; Individual notices were also issued to stakeholders & interested parties.

3. **Issues of Hearing**

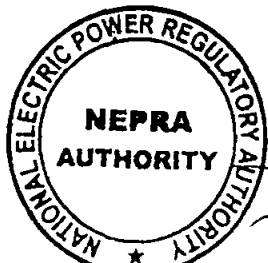
- 3.1. For the purpose of hearing, and based on the pleadings/ record, following issues were framed to be considered during the hearing and for presenting written as well as oral response;
- i. Benefits already achieved through ISP, including abolishment of Peak tariff for Industrial consumers for the period from November 2020 to April 2021.
  - ii. Future expected benefits to be achieved through extension of abolishment of peak tariff for Industrial consumers.
  - iii. The Proposed load management program for summer months due to expected growth, as a result of extension of abolishment of peak tariff.
  - iv. Whether all industrial consumers are getting benefit of ISP or are there any exceptions?

4. **Filing of Objections & Comments**

- 4.1. Comments/objection, if any, were desired from the interested person/party through publication of notice for hearing. In response thereof, written comments were received from Pakistan Chemical Manufacturers Association (PCMA), wherein PCMA requested to extend this facility for industrial consumers in larger interest of economy of Pakistan. Mr. Arif Bilwani, a consumer of K-Electric also supported the request for extension in abolishment of Peak rate during the hearing.

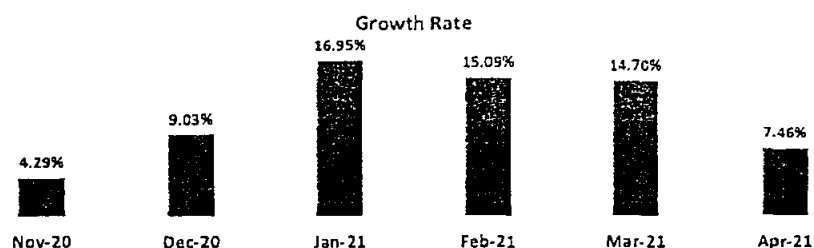
5. **Discussion on issues**

- 5.1. On the basis of the pleadings, available record, evidence produced during the course of hearing and afterwards, the issue-wise findings are as under;
- 5.2. **Issue 1: Benefits already achieved through ISP, including abolishment of Peak tariff for Industrial consumers for the period from November 2020 to April 2021.**
- 5.2.1. The MoE, in order to justify the Industrial Support Package (ISP), presented the following month on month comparison of actual consumption of industrial consumers, during the



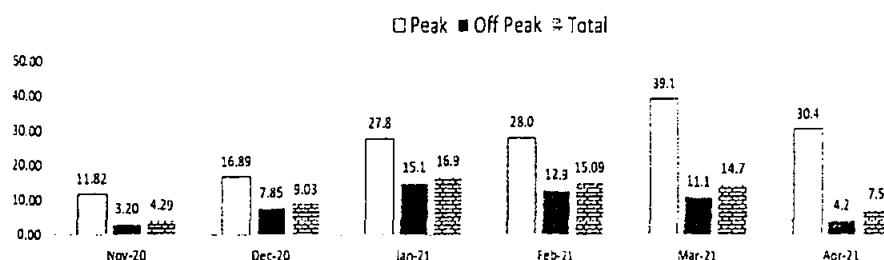
Industrial Support Package period vis a vis reference months for the combined system of K-Electric and XWDISCOs, including both the incremental growth as well as due to abolishment of Peak Tariff;

	Nov-19	Nov-20	Dec-19	Dec-20	Jan-20	Jan-21	Feb-20	Feb-21	Mar-19	Mar-21	Apr-19	Apr-21
Consumptions (GWhs)	2,319	2,419	2,251	2,456	2,212	2,587	2,088	2,403	2,257	2,589	2,426	2,607
Incremental Consumption (GWhs)		99		203		374		315		331		181



- 5.2.2. The MoE submitted that the industrial support package has resulted in growth ranging from 4.29% in November 2020 to around 17% in January 2021. The MoE further provided the following break up of growth in terms of Peak & Off Peak hours, showing greater growth during peak hours;

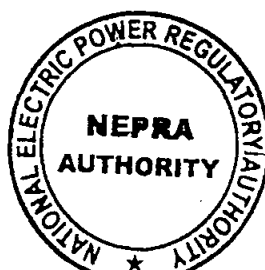
#### GROWTH RATE OF INDUSTRIAL SALES



- 5.2.3. The MoE stated that actual Economic impact of the Industrial Package requires detailed analysis/ workings, however, as per the available information, it is clear that cost of electricity is in direct proxy to growth in GDP. The MoE further submitted that a joint study will be conducted with PIDE to evaluate the true impact of the Package.

#### 5.3. Issue 2: Future expected benefits to be achieved through extension of abolishment of peak tariff for Industrial consumers.

- 5.3.1. On the issue of expected future benefits, the MoE submitted that going forward, based on the existing trends, a growth of around 24% for XWDISCOs and around 40% in K-Electric system is expected during next year, as detailed below;



		XW-DISCOS	K-Electric	Total
Incremental Sales GWh	( May-21 till Jun-21)	106	39	279
	( Jul-21 till Jun-22)	681	136	1,530

5.4. Issue 3: The Proposed load management program for summer months due to expected growth, as a result of extension of abolishment of peak tariff.

5.4.1. On the issue, the representative of NPCC submitted that growth has largely been witnessed in FESCO, MEPCO, LESCO & GEPCO because of this package, as industrial consumption is largely in these areas. The following load management table was provided by the MoE /NPCC, based on proposed demand and after incorporation of growth & captive power;

Expected Load Management (MW) due to System Constraints							Remarks
Month	DISCO	2020: Load Management AVG	MAX	2021: Load Management AVG	MAX	% Rise/Fall	
June	FESCO	18	291	22	350	22	Status of load management due to System Constraints considering rise in load due to TOU, Captive generation and Load Growth by DISCOS.
	MEPCO	18	320	20	250	25	
July	FESCO	21	422	35	700	67	
	MEPCO	50	290	29	250	-7*	
	GEPCO	12	135	15	200	25	
	LESCO	21	450	25	580	19	
August	FESCO	85	844	110	800	29	
	MEPCO	45	500	40	450	-11*	
	GEPCO	15	580	17	800	13	
	LESCO	15	530	20	550	33	
September	FESCO	12	172	15	300	25	
	MEPCO	12	150	10	120	-17*	
	GEPCO	4	135	5	115	25	
	LESCO	4	200	5	250	25	

Note:

To reduce the quantum of additional Load Management due to Network Constraints, following major steps need to be taken:

1-Allocation of fuel (28 mmcf : 120 MW) to GTPS, to avoid additional load management due to Gattli (in FESCO).

2-Installation of Capacitor Banks at various points in Secondary Network, to avoid additional load management (120 MW in FESCO).

3-Availability of Fuel to downstream Plants.

4 \*-The reduction in load management is expected due to addition of Transformer at 500kV Yousufwala.

5.4.2. It was further explained that although sufficient power balance is available in winter months, however, certain constraints would be observed during summer. As per the MoE, main load growth has been in FESCO, MEPCO and GEPCO, which may result in load management of around 800 MW in FESCO, as a worst case scenario, owing to overloading of Grids and non-commissioning of Trimun RLNG Power plant, which has been delayed by around one year. The MoE further submitted that CCoE while approving the extension of instant package was apprised of the Load management issues and, all permutations and scenarios were discussed therein.

5.4.3. K-Electric during the hearing submitted that there would not be any load management in its system due to the implementation of the industrial package, as the incremental demand would be managed through utilization of own fleet as well as through incremental utilization from national grid.

5.4.4. The Authority showed serious concerns regarding proposed load management by MoE / NPCC, and observed that same is neither in the interest of consumers nor the system as a whole, especially in the context of recoveries of fixed costs. In view thereof, a firm plan be prepared ensuring minimal impact on consumers with equitable treatment.



5.5. Whether all industrial consumers are getting benefit of ISP or are there any exceptions?

5.5.1. The MoE submitted that all Industrial Consumers are getting the benefit of the Industrial Package (Incremental Sales+ ToU), subject to the following:

- i. Having ToU metering arrangement.
- ii. For Incremental consumption against the reference benchmark consumption.

5.5.2. It was however submitted by MoE that B-1 consumers not having ToU arrangements are not getting benefit of ISP.

5.5.3. The Authority observed that the spirit of ISP was to provide incentive to industrial consumers, for their incremental consumption, therefore, exclusion of small consumers is against the spirit of the decision. Hence the Package be extended to all B-I industrial consumers including those, not having ToU metering arrangement.

6. The MoE also submitted that with the extension in abolishment of Peak tariff for industrial consumers, the package for incremental consumption would become applicable for all hours of the day. In addition, the MoE has requested that any decision by the Federal Government regarding extension/abolishment of current time-of-use tariff scheme for future iterations, may be automatically incorporated in the then prevailing tariff structure of XWDISCOs, without need of any additional Motion, till the applicability of Industrial Support package.

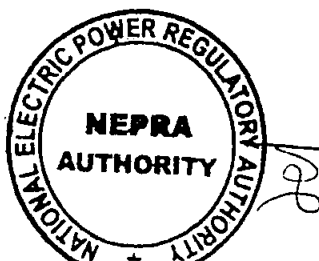
7. Decision

7.1. The Authority, based on the submissions made during the hearing and comments of stakeholders, observed that Industrial Support Package (ISP), has resulted in increased sales growth having an overall positive impact on the economy.

7.2. In view of the aforementioned discussions, the Authority has no objection in approving the instant proposal regarding extension of Peak tariff for industrial consumer till June 30, 2022, both for the consumers of XWDISCOs and K-Electric, as it does not have any impact on NEPRA determined tariff, since the Federal Government intends to bridge the gap through provision of additional subsidy. Hence, the proposal of the MoE and request of KE, whereby, during peak hours, the off peak rate along with applicable quarterly adjustments would be charged and the difference in this regard would be picked up by the GoP as subsidy, is approved till 30 June, 2022.


7.3. Regarding request of the MoE and K-Electric, for automatic incorporation of extension in industrial package in the then prevailing tariff structure of XWDISCOs and K-Electric, the Authority considers that before giving any such approvals, complete justification of the proposal along-with input from all the stakeholders needs to be taken into account, therefore, request of MoE and K-Electric for automatic extension of Industrial Support Package is not accepted.

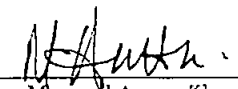
7.4. The Industrial package regarding incremental sales be extended to all industrial consumers, including B-1 (Non-ToU) consumers.

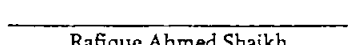


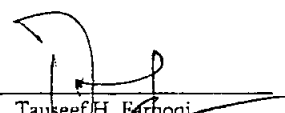
8. The decision of the Authority along with order part is intimated to the Federal Government for notification in the official gazette in terms of section 31(7) of NEPRA Act, 1997.

AUTHORITY

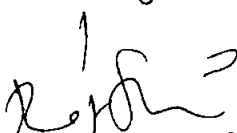
  
Rehmatullah Baloch  
Member

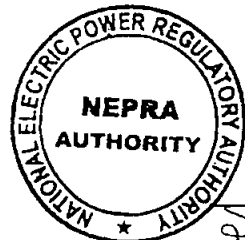
  
Engr. Maqsood Anwar Khan  
Member

  
Rafique Ahmed Shaikh  
Member

  
Tauseef H. Farooqi  
Chairman

- The increased subsidized sale shall result in incremental fuel cost.  
→ MoE has informed Rs 14 bn + Rs 26 bn for previous and coming year. It is necessary that MoE should put up before Authority every quarter the analysis showing subsidized electricity rates/sales vis-a-vis actual economic benefit.
- The petition also shows that the increased electricity sales <sup>on subsidized rates</sup> ~~top~~ industrial consumers may result in load management in three DISCOs i.e. FESCO, MEPCO & GEPCO. Therefore, efforts shall be made that rest of consumer categories should not suffer b/c of subsidized industrial package to Industrial consumers.
- Where TOU meters not installed; the DISCOs shall be given one month, and till or otherwise off-peak rates to be charged.

  
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REGISTRAR

**National Electric Power Regulatory Authority**  
**Islamic Republic of Pakistan**

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No. NEPRA/TRF-100/XWDISCOs/ 8207

May 27, 2022

The Manager  
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Subject: **NOTIFICATION REGARDING THE DECISION OF THE AUTHORITY  
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**Encl: Notification (8 Pages) & CD**

270522

(Syed Safeer Hussain)