

National Electric Power Regulatory Authority

NOTIFICATION




Islamabad, the 27 day of August, 2024

S.R.O. 1319 (I)/2024.- In pursuance of Proviso-ii 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 dated August 2, 2024 in the matter of Quarterly Adjustment of K-Electric Limited for the Quarter ending June 2023 in Case No. NEPRA/TRF-362/K-Electric-2016.

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

3. Notwithstanding the notification of the attached decision of the Authority, the consumers of K-Electric shall not be charged the tariff outlined therein, rather will be charged tariff as applicable to consumers of XWAPDA DISCOs pursuant to the policy guidelines issued by the Federal Government (communicated vide correspondence dated August 22, 2023) in order to give effect to the para 5.6.3 of the National Electricity Policy, 2021.


(Wasim Anwar Bhinder)
Registrar

Decision of the Authority in the matter of quarterly adjustment of K-Electric for the quarter ending
June 2023

Background

1. Pursuant to provisions of Section 31(7) of the Regulation of Generation, Transmission and Distribution of Electric Power Act 1997 (the Act), and as per the mechanism for monthly, quarterly and annual adjustments provided in the tariff determination of K-Electric Limited (herein referred to as 'K-Electric or KE') dated July 05, 2018, duly notified in the official Gazette vide SRO No. 576(1)/2019 dated May 22, 2019, the Authority has to review and revise the approved tariff on monthly, quarterly and annual adjustments.
2. As per the mechanism provided in the determination, impact of change in KE's own generation fuel cost component due to variation in fuel prices, generation mix and volume shall be passed on to the consumers directly in their monthly bills in the form of Fuel Charges Adjustment (FCA). Similarly, impact of change in fuel component of Power Purchase Price (PPP) due as to variation in fuel prices and energy mix shall also be passed on to the consumers through monthly FCA.
3. The impact of monthly variations in K-Electric own generation's fuel cost component as well power purchase price to the extent of targeted T&D losses, not taken into account in the monthly FCAs, has to be adjusted on quarterly basis. In addition, the monthly variations in the variable O&M and fixed costs of the PPP, as allowed by the Authority, are required to be adjusted on quarterly basis. The impact of these variations is to be worked out based on targeted units to be sold in the next quarter and to be adjusted in the SoT of K-Electric. The actual payments in respect of WWF, WPPF etc. to the IPPs being pass through are to be adjusted on yearly basis upon production of verifiable documentary evidence.
4. Pursuant to its MYT determination, K-Electric, vide letter dated 04.08.2023, filed Quarterly adjustment request for the quarter Apr.-Jun. 2023, requesting a positive adjustment of Rs.3.217/kWh.
5. K-Electric submitted that it has calculated the price reset and indexation for June 2023 based on the mechanism defined in the MYT on provisional basis and requested the Authority to approve the same so that it can be provisionally applied from July 2023 onwards subject to final tariff determination for the next tariff control period.
6. Subsequently, K-Electric vide letter dated 09.10.2023, submitted that its write-off claims for the FY 2023 have been verified by the Auditors, as mentioned in Note 33.2 the Audited Financial statements and also requested for the end of term adjustments in light of MYT determination dated 05.07.2018 and Mid-term Review (MTR) determination dated 01.03.2022. KE further submitted that MYT for the period FY 2017-23 was applicable for the period till June 30, 2023, and KE has filed Generation tariff and tariff for Transmission, Distribution and Supply Segment will be submitted post determination of Investment Plan by NEPRA, which is under advanced stage of finalization, therefore, unrecovered cost for the quarter April 2023 to June 2023, end of term adjustment, and write off claim as determined by the Authority may be included in the schedule of tariff to be determined under new MYT applicable for the period July 01, 2023, onwards.
7. A summary of request filed by K-Electric to the extent of quarterly adjustment for the quarter ended June 2023 is as under;

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Description	PKR Million
a. O&M and Capacity cost of Power purchases	-1,243
b. Unrecovered Cost of FCA due to non adjustment of T&D losses	1,069
c. Net impact of Life Line, 300 Units and Agricultural Units	-2
d. Other Adjustments	-180
Sub-Total	-357

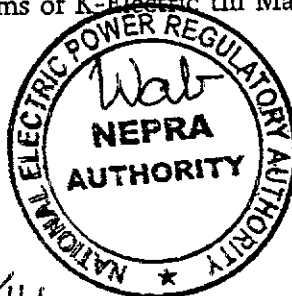
8. K-Electric also requested an amount of Rs.13,171 million on account of write-offs, in addition to the amount of Rs.3,093 million already recovered through tariff.

Proceedings

9. Since the impact of any such adjustments has to be made part of the consumer end tariff, therefore, the Authority, in order to provide an opportunity of hearing to all the concerned and meet the ends of natural justice, decided to conduct a hearings in the matter.
10. The Authority conducted the hearing to the extent of Quarterly Adjustment request of K-Electric on 19.10.2023. The hearing was accordingly held on the due date at NEPRA Tower and through ZOOM. The advertisement for hearing was published in newspapers and separate notices were also sent to the stakeholders for inviting comments from the interested/ affected parties. Salient features and details of the proposed adjustments along-with notice of hearing were also uploaded on NEPRA's website for information of all concerned. Following issue was framed for discussion during the hearing;
- Whether the requested quarterly variation is justified?
 - Whether the requested claim of write-offs is justified?
 - Whether the requested previous adjustments are justified?
11. K-Electric, in its adjustment requests, has certified that it despatches as per Economic Merit Order from its own generation units (with the available fuel resources) and import from external sources. It also certified that the cost of fuel and power purchase claims do not include any amount of late payment surcharge/mark-up/interest.
12. K-Electric provided the plant wise generation statistics sheet, signed by K-Electric employees. The plant wise statistic sheets provide information in terms of Plant Capacity, Actual Units Generated, Actual Auxiliary consumption, Net Generation and Bus Bar sent outs, Actual Heat Rates, fuel consumption & cost of Fuel and Generation cost per unit. In addition K-Electric also provided copies of invoices raised by Fuel Suppliers and copies of invoices raised by IPPs.
13. The Authority based on the information, data and record provided by K-Electric, has analyzed the quarterly adjustments of K-Electric. While going through the data / information provided by K-Electric regarding quarterly adjustments, the Authority has noted certain observations, which are discussed hereunder;

Anoud Power Generation Ltd. (APGL)

14. Anoud Power Generation Ltd. (APGL) only supplied energy to KE till Sep. 2020 and thereafter no energy has been delivered. As per Clause 1.5 of the 1st addendum dated 27.04.2010 to the PPA between K-Electric and APGL, in case APGL supplies less than the minimum monthly guaranteed units of 5,040,000 kWh to KESC, KESC shall be entitled to make certain deductions at the end of billing month in the billing amount. LDs to be imposed on Anoud Power Plant had already been deducted from the quarterly adjustment claims of K-Electric till March 2023. Similarly, for the



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period from Apr. to Jun. 2023, no energy has been supplied by APGL to KE. Consequently, an amount of Rs.48.2 million has been deducted from the claim of KE in line with earlier decisions of the Authority.

Previous Adjustments:

LD imposed on Anoud Power Generation Ltd. (APGL)

15. KE has also claimed an amount of Rs.11.462 million as part of previous adjustment on account of LD amount deducted by the Authority vide its decision dated 10.03.2021. The Authority's decision of 10.03.2021 is reproduced as under;

"Further, as explained earlier, as per clause 1.5 of 1st Addendum, KE is liable to impose penalty on APGL in case APGL supplies less than the minimum monthly guaranteed Units of 5,040,000 kWh. KE, has imposed a penalty of Rs.11.462 million on AGPL from April 2019 till March 2020 based on NEPRA's earlier working / stance taken in the previous quarterly adjustments pertaining to the period from July 2016 to March 2019, which has been included in the instant tariff adjustments of K-Electric as claimed by K-Electric. Here it is pertinent to mention that the since the Authority has revised its penalty amount/ mechanism for the previously deducted penalty of Rs.65.034 million to Rs.35 million for the period July 2016 to March 2019 vide decision dated 30.12.2020, therefore, in case K-Electric revises the penalty amount of Rs.11.462 million imposed on AGPL, in light of the revised workings/ mechanism of the Authority, the differential amount, if any, would be adjusted in the subsequent tariff adjustments of K-Electric."

16. Pursuant to the above decision, KE reworked the LD amount after accounting for the outages to APGL and consequently, the LD amount has been reduced to zero for the said period. The Authority has considered the workings submitted by K-Electric, and accordingly, has decided to allow the amount of Rs.11.462 million, previously deducted from quarterly adjustments of KE for the period April 2019 to March 2020 on account of LD imposed on APGL.

O&M and capacity cost of Tapal Energy

17. KE has claimed an amount of Rs.1.47 million which was previously deducted by the Authority vide decision dated 01.01.2024. The Authority while deducting the amount, decided as follows:

30. KE, in the instant quarterly adjustment, has claimed an amount of Rs.115.19 million due to change in the CPP for the period from June to December 2022 as per the Authority's decision dated 23.01.2023. Similarly, an amount of Rs.23.766 million has been claimed on account of revision in VO&M rates for the period from June to December 2022 as per the Authority's decision dated 23.01.2023.

31. Based on the Authority's decision dated 23.01.2023, the revised CPP and Variable O&M of Tapal for the period from July to December 2022, works out as Rs.137.49 million, against the claimed cost of Rs.138.957 million. Based on the aforementioned, an amount of Rs.137.49 million has been allowed in the instant quarterly adjustment.

18. The Authority noted that KE has not submitted any revised workings rather requested to consider its already submitted workings/ details. Considering the fact that no revised workings have been provided by KE in support of its claim, the Authority has decided to maintain its earlier decision and accordingly the requested amount of Rs.1.47 million is disallowed.



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Tapal Energy – Revision in Plant factors

19. The Power Purchase Agreement (PPA) of K-Electric with TAPAL Energy, a 1994 Power Policy RFO based Power Plant, expired on 19.06.2019, having take OR pay tariff arrangement.
20. Tapal energy filed its Petition for determination of reference generation tariff with NEPRA, dated 07.012.2018. The same was decided by the Authority vide decision dated 20.11.2019 approved the tariff for Tapal Energy. Subsequently, the Review Motion was decided by the Authority vide decision dated 09.06.2020. The same was allowed till 19.06.2022.
21. Upon expiry, the Authority vide decision dated 17.06.2022 in exercise of powers conferred under Section 7 read with Section 31 of the NEPRA Act, determined and approved a provisional tariff, for immediate application, for Tapal Energy (Private) Limited for sale of 123.5 MW power to KE subject to final decision and an order of refund, if any, for the protection of the consumers while the proceedings are pending before the Authority. Subsequently, the Authority vide decision dated 23.01.2023 decided as under;

7.2. Accordingly, the Authority has decided to extend the term of tariff till 30th April 2023 or lifting of the moratorium period before the stipulated date, whichever comes earlier, on the same terms & conditions approved vide decision dated 9th June 2020. The instant decision shall supersede the interim tariff decision dated 17th June 2022. After 30th April 2023 TEL may sell energy under CTBCM regime.

22. Tapal filed review against the Authority's decision of 23.01.2023. The Authority decided the review motion vide order dated 22.11.2023, wherein it revised the Tariff of Tapal energy on the basis of 64.2% plant factor instead of earlier plant factor of 71%. Further, the Authority decided to extend the existing tariff and terms & conditions approved vide decision dated 09.06.2020, till 19.06.2024.
23. KE vide email dated 28.02.2024 submitted that based on the Authority's decision of 22.11.2023, Tapal has claimed adjustment from 20.06.2022 till October 2023 from KE. KE has requested the Authority to allow the adjustment amounting to PKR 141.18 million (from 20.06.2022 to 30.06.2023) in KE's quarterly adjustment for the period April 2023 to June 2023. The remaining adjustments in this regard, for the period after June 2023, will be claimed in the relevant quarterly variations under the new MYT of KE. The following breakdown of month wise claims has been submitted by KE;

Period	Sent Out Units	Paid Amount	Revised Amount	Balance Payment
Jun'20 - Jun'30	29429000	61,347,693	67,845,617	6,497,923
Jul-22	58496000	140,647,782	155,549,620	14,901,837
Aug-22	65582000	157,685,361	174,392,711	16,707,350
Sep-22	54749000	131,638,496	145,585,598	13,947,102
Oct-22	53582000	129,395,172	143,098,504	13,703,332
Nov-22	48805000	117,859,195	130,340,571	12,481,377
Dec-22	24432000	59,000,837	65,247,599	6,246,762
Jan-23	17992000	40,960,587	45,295,515	4,334,927
Feb-23	34067000	77,556,932	85,767,543	8,210,610
Mar-23	39877000	90,783,978	100,395,380	9,611,401
Apr-23	16819000	43,507,389	48,114,534	4,607,145
May-23	50098000	129,593,506	143,325,425	13,731,919
Jun-23	53939000	139,529,405	155,731,160	16,201,755



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24. The working of KE has been found correct and accordingly the Authority has decided to allow the amount of Rs.141.18 million to KE on account of previous adjustment of Tapal for the period from 20.06.2022 to 30.06.2023 in light of the Authority's decision dated 22.11.2023.

CV Adjustment of Gul Ahmad Power Plant- Oct. 19 to Aug. 21

25. KE has claimed an amount of Rs.82.98 million on account of CV adjustment of Gul Ahmad for the period October 2019 to August 2021, based on the Authority's decision dated 04.10.2021, notified vide SRO dated 27.05.2022, which states as under:

1. An inadvertent error has been identified in the Table under Para 8(II)(iv) at page No. 17 of the decision No. NEPRA/R/SA(Tariff)/TRF-464/GAEL-2019/14142-14144 dated 3rd June 2020.
2. In pursuance of Section 7(2)(g) of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 read with Regulation 3 of NEPRA (Review Procedure) Regulations, 2009, the Authority has decided to correct the following typo error:
 - The figure "38,584.49" in Table appearing under Para 8(II)(iv) may be replaced with "38,826.19".
3. The above decision of the Authority is to be notified in the official gazette in accordance with the provisions of Section 31(7) of the Regulation of Generation, Transmission and Distribution of Electric Power Act 1997.

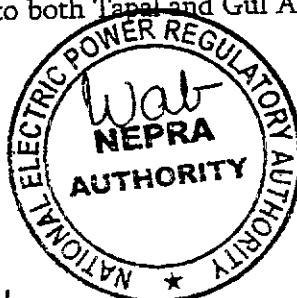
26. Based on the aforementioned decision of the Authority, the FCC of Gul Ahmed Power Plant has been recalculated for the period from October 2019 to August 2021. The same works out as Rs.82.98 million, as claimed by KE. In view thereof, the Authority has decided to allow the amount of Rs.82.98 million on account of previous adjustment of CV of Gul Ahmed in the instant quarterly adjustment.

CV adjustment of Tapal and Gul Ahmad Power Plants – Nov. 22 to Jun. 23

27. KE has claimed an amount of Rs.19.15 million for the CV Adjustment of Tapal and Gul Ahmad, which was previously withheld by the Authority in the monthly FCAs of KE for the period from Nov. 2022 to Jun. 2023. A month wise breakdown of the requested amount is as follows:

Month	Gul Ahmed	Tapal	Total
Nov-22	1.61	3.21	4.82
Dec-22	0.18	1.19	1.37
Jan-23	0.11	0.47	0.58
Feb-23	0.16	0.67	0.83
Mar-23	1.80	0.75	2.55
Apr-23	0.19	0.24	0.43
May-23	1.16	1.43	2.58
Jun-23	2.65	3.34	5.98
Total	7.86	11.29	19.15

28. KE in support of its claim referred to the Authority's letter dated 16.11.2022, whereby the Authority stated that in future adjustment shall be made on the basis of average of CV test reports of each consignment/ batch from two independent labs namely SGS and HDIP, in line with other IPPs. Here it is pertinent to mention that although, the Authority vide ABOVE referred letter decided to allow average of CV from 02 labs to both Tapal and Gul Ahmed, however, the issue of



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considering higher of the two CVs was also under deliberations. The Authority, accordingly, while working out the FCC component of both Tapal and Gul Ahmed Power plants in its earlier decisions, continued with the practice of considering higher of the two CVs, till the matter is finalized. Considering the fact that the matter has now been settled and all IPP are being allowed CV adjustments based on average of the two CV test reports, the Authority has decided to adopt the same mechanism for Tapal and Gul Ahmed Power Plants. In view thereof, the previously withheld amount of Rs.19.15 million for the period from Nov. 22 to Jun. 23 is allowed as part of instant quarterly adjustment.

WPPF of Gul Ahmad Power Plant - FY-2017 & FY-2018

29. KE has claimed amounts of Rs.2.35 million and Rs.2.34 million for WPPF of Gul Ahmad for FY 2017 & FY 2018, respectively, which were previously disallowed by the Authority vide decision dated 31.12.2019. The Authority in its decision dated 31.12.2019 decided as follows:

"...Further, the WPPF of Gul Ahmed claimed for the FY 2016-17 and FY 2017-18, includes certain payments made to the managers/ officers of the company, which as per the Sindh Workers Welfare Fund Act, 2014, are not entitled for such claims. Accordingly, the amounts of WPPF for the FY 2016-17 and FY 2017-18 claimed by K-Electric have also been reduced by Rs.2.352 million and Rs.2.34 million respectively.

30. The Authority noted that KE has not submitted any revised workings to substantiate its claim, rather requested to consider its already submitted workings/ details. Considering the fact that no revised workings have been provided by KE in support of its claim, the Authority has decided to maintain its earlier decision and accordingly the requested amount of Rs.4.69 million is disallowed.

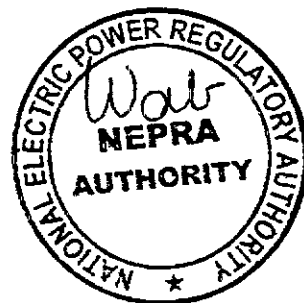
Oursun & Gharo Solar – NPMV Costs

31. KE has claimed NPMV amount of Rs.11.66 million for the period from Jan. to Mar. 2024 for Oursun and Gharo Solar plants. K-Electric vide letter dated 28.02.2024 submitted that the Authority in its earlier decision dated 01.01.2024 in the matter of quarterly adjustment of KE for the quarter Jan. to Mar. 2023, did not allow NPMV cost of both Oursun and Gharo Solar. K-Electric also stated that it has provided the relevant information and responses to the queries regarding NPMV, as required by NEPRA.
32. The issue of NPMV of Oursun and Gharo Solar is under consideration of the Authority, therefore, for the purpose of working out the instant quarterly adjustment, the claimed amount of Rs.11.66 million has not been included. Once, the matter is decided by the Authority, any adjustment if required would be made in the subsequent tariff adjustments of K-Electric.

STDC – Wheeling Charges from January to April 2023

33. KE, in the instant quarterly adjustment, has claimed an amount of Rs.18.05 million due to change in the wheeling charge component from Jan. to Apr. 2023. The Authority vide decision dated 15.05.2023, revised the tariff components of STDC from January 2023 to June 2023.
34. The Authority noted that the differential amount based on the revised rates works out as Rs.17.53 million as detailed hereunder;

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*Decision of the Authority in the matter of Quarterly Adjustment
of K-Electric for the Quarter ending June 23*

Generation	Jan-23	Feb-23	Mar-23	Apr-23
STDC Differential Amount - Jan 2023 to April 2023	74,786,420	67,566,234	75,188,640	72,763,200
Available Capacity	47,376,362	42,791,553	47,376,362	45,848,092
Already Allowed Amount				
	0.6921	0.6921	0.6921	0.6921
New Rate	51,759,681	46,762,591	52,038,058	50,359,411
Revised Amount	4,383,319	3,971,038	4,661,696	4,511,318
Adjustment				17,527,371

35. In view thereof, the Authority has decided to allow Rs.17.527 million on account of revision in wheeling charges from Jan. to Apr. 23, instead of requested amount of Rs.18.05 million. The difference of Rs.0.52 million is on account of outages not accounted for by K-Electric in the months of January & February 2023.

SNPC & SNPC-II - Fuel Cost - Jan. 2023

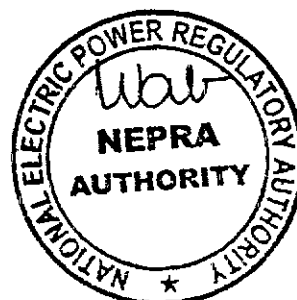
36. KE, in the instant quarterly adjustment, has claimed an amount of Rs.56.06 million due to change in the fuel cost component for the month of January 2023. The Authority vide decision dated 19.04.2023, revised the FCC of SNPC & SNPC-II w.e.f. January 2023 from Rs.7.0224/kWh to Rs.8.6039/kWh and Rs.6.9791/kWh to Rs.8.5508/kWh respectively. Accordingly, the differential for the month of Jan. 2023 works out as Rs.27.941 million for SNPC and Rs.28.166 million for SNPC-II, as detailed below, which is hereby allowed as part of instant quarterly adjustment;

Generation	Jan-23
SNPC Fuel Cost	
SNPC	
Allowed Amount to SNPC	a 124,071,763
Energy + Losses	b 17,668,000
New Rate	c 8.6039
New Amount	d=c*b 152,013,705
Adjustment	e=d-a 27,941,942
SNPC-II	
Allowed Amount to SNPC	f 124,849,120
Energy + Loss	g 17,889,000
New Rate	h 8.5508
New Amount	i=g*h 152,965,261
Adjustment	j=i-f 28,116,141
Total	j+e 56,058,083

SNPC & SNPC-II - RoE and ROEDC - July 2022

37. KE, in the instant quarterly adjustment, has claimed an amount of Rs.28 million for the RoE/ RoEDC components for the month of July 2022. The Authority, issued quarterly adjustment of SNPC & SNPC-II for the quarter from Jul. to Sep. 2022, vide decisions dated 11.08.2022. The RoE / RoEDC for the month of July 2022 was not previously claimed by KE, as per the revised rates in light of decision dated 11.08.2022, therefore, the same has now been claimed by KE as a previous adjustment. The amount for the month of July 2022 works out as under;

Date: 7



Generation		Jul-22
SNPC Capacity Charges		
SNPC		
Available Capacity	a	33,805,621
RoE Rate	b	0.3943
RoEDC	c	0.0444
Amount worked out	$d=a*(b+c)$	14,830,526
SNPC-II		
Available Capacity	e	30,511,154
RoE Rate	f	0.3915
RoEDC	g	0.0441
Amount worked out	$h=e*(f+g)$	13,290,659
Total	h+d	28,121,185

38. In view thereof, the Authority has decided to allow Rs.28.12 million to KE on account of RoE/ROEDC of SNPC and SNPC-II for Jul. 2022 as previous adjustment.

FPCL - Fuel Price adjustment - October 2022

39. KE has also requested positive amount of Rs.43.663 million, as previous adjustment owing to revision in fuel cost component of FPCL for the month of October 2022. The Authority observed that fuel cost components for FPCL was revised vide decision dated 10.11.2022 and based on the revised fuel cost component, KE has requested Rs.43.663 million as previous adjustment as mentioned below;

FPCL Fuel Price Adjustment - Oct 2022

Already Allowed Amount	a	774,507,479
New Rate	b	24.5939
NEO	c	33,267,221
Revised Amount	$d=c*b$	818,170,707
Differential	$e=d-a$	43,663,228

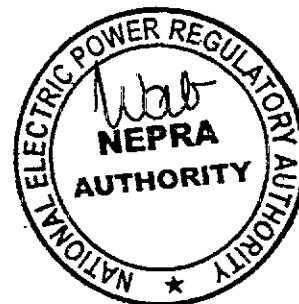
40. Considering the adjustment, being in line with the Authority approved FCC of FPCL, the Authority has decided to allow Rs.43.66 million to KE, as previous adjustment.

FPCL - Fuel Price Adjustment - March 2023 to May 2023

41. KE in its quarterly claim also requested positive amount of Rs.112.62 million as previous adjustment owing to revision in fuel cost component of FPCL for the period from March to May 2023, based on Authority's decision dated 04.03.2023.
42. The Authority observed that fuel cost components for FPCL was revised vide decision dated 04.03.2023 for the period from Mar. to May 2023, and based on the revised fuel cost component, KE has requested Rs.112.62 million as previous adjustment as mentioned below;

FPCL Fuel (March to May-23)

Already Allowed Amount (Mn. Rs.)	570	716	266
Revised Rate (Rs./kWh)	20.8883	20.8883	20.8883
Energy from w.e.f March 04, 2023	29,271	36,749	13,666
Revised Amount (Mn. Rs.)	611	768	285
Differential (Mn. Rs.)	41.37	51.94	19.31
			112.62



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43. Considering the adjustment, being in line with the Authority approved FCC of FPCL, the Authority has decided to allow Rs.112.62 million to KE, as previous adjustment.

Gharo Solar - Workers Welfare Fund - FY 2021 & FY 2022

44. KE in its claim has requested WWF charges invoiced by Gharo Solar to K-Electric for the FY 2020-21 & FY 2021-22, based on WWF @ 2% on the Net Profit before Tax, as reported by Gharo Solar in its Audited accounts for the FY 2020-21 & FY 2021-22.
45. The amount of WWF claimed by KE is Rs.5.015 million and Rs.10.599 million for FY 2020-21 & FY 2021-22, respectively (total Rs.15.6 million), as mentioned below;

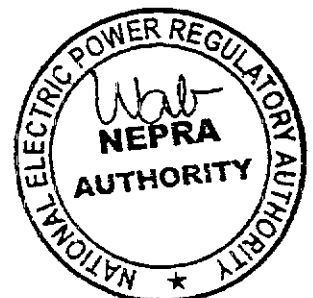
Gharo		Working FY 2021-22	Working FY 2020-21
		Rs. in thousands	Rs. in thousands
Net Profit Before Taxation	a	329,126,449	565,139,162
Other Income	b	78,398,156	35,159,482
Net Profit Before Taxation & without Other Income	c=a-b	250,728,293	529,979,680
WWF 2%	c*0.02	5,014,566	10,599,594

46. The Authority noted that as per tariff determination of Gharo Solar, WWF is allowed as a pass through item. KE also submitted documentary evidence whereby the payment of Rs.6.58 million and Rs.11.302 million has been paid to Sindh WWF on 04.05.2023 and 12.07.2023 respectively.
47. In view thereof, and the fact the WWF is allowed to Gharo Solar as pass through, the Authority has decided to allow a total amount of Rs.15.6 million to KE, as previous adjustment on account of WWF of Gharo Solar for the FY 2020-21 and FY 2021-22.

KE - Reversal of tax on undisputed profit for the FY 2018, FY 2019

48. K-Electric has claimed a negative amount of Rs.653 million on account of reversal of tax on undistributed profits for FY 2017.
49. K-Electric submitted that the imposition of Tax on distributed profits under section 5A of the Income Tax Ordinance has been struck down by the Honorable High Court of Sindh in its decision dated 30.04.2021 and in the light of the said decision, the Commissioner Inland Revenue Appeals, has allowed KE a relief in this regard in its decision dated 31.08.2021. The Appeal Effect Orders were issued on 25.06.2023, by the Tax Authorities based on which KE claimed tax on undistributed reserves for the FY 18 and FY 19, amounting to Rs.686 million and Rs.444 million, respectively, through quarterly adjustment for the quarter ended March 31, 2023. Based on this legal position, KE has also revised income tax return for Tax Year 2017 as a result of which KE is offering the Tax Benefit of Rs.653 million on account of reversal of tax undistributed reserves for FY-17 in the quarterly adjustment for the period April 2023 to June 2023.
50. It is further submitted by KE that the decision of Sindh High Court on Section 5A is now sub-judice before the Honorable Supreme Court of Pakistan, therefore, KE will have the right to re-claim such taxes from NEPRA in case the decision of Sindh High Court is reversed by the Honorable Supreme Court of Pakistan.
51. Based on the above, KE has claimed a negative amount of Rs.653 million as previous adjustment for the quarter ending March 2023.
52. The MYT determination of KE, provides the following;

made ✓



"Any corporate tax liability to the extent of current tax paid (without the impact of deferred tax impact) would be treated as pass through and shall be allowed through adjustment in the tariff"

53. In view thereof, and the submissions made by KE, the Authority has decided to allow negative adjustment of Rs.653 million as previous adjustment in the quarter ending June 2023.

KE - Average Sale Rate & Insufficient Grossing up

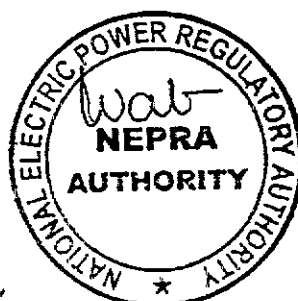
54. KE requested negative adjustment of Rs.3,104.64 million on account of impact of insufficient grossing up and changes in sales mix for the FY 2023, as under;

	Total Impact	Allowed	Further to be allowed
	Amount in PKR Million		
Average Sale Rate short allowed	957	3,784	(2,827)
Impact of insufficient grossing up	791	1,069	(278)
	1,748	4,853	(3,104)

55. KE also provided its working for total impact for average sale rate and impact of insufficient grossing up as given below;

Year	Units billed excluding kanupp	Determined revenue as per SoT - Variable excluding Kanupp	Fixed charges excluding Kanupp	Amount being recovered excluding kanupp	Base Tariff 12.8172	Amount to be recovered - (Base Tariff)	Difference
	GWh	Amount in PKR Million			PKR / kWh	Amount in PKR Million	
	A	B	C	D=B+C	E	F=A*E	G=F-D
FY 17	12,963	160,732	6,292	167,024	12.82	166,143	(881)
FY 18	13,831	170,074	7,065	177,139	12.82	177,273	135
FY 19	14,255	174,210	7,643	181,853	12.82	182,708	855
FY 20	14,215	173,269	7,496	180,764	12.82	182,191	1,427
FY 21	16,013	195,484	8,482	203,966	12.82	205,244	1,278
FY 22	16,763	203,991	9,897	213,887	12.82	214,858	970
FY 23	15,554	187,932	14,251	202,183	12.82	199,357	(2,827)
	103,593	1,265,691	61,125	1,326,816			957

Period	Units billed - GWh				Variation PKR / kWh			Variation PKR / kWh		Amount in PKR Million		
	Total	KANUPP	Upline	Units excluding KANUPP and Upline	Base Tariff as per MYT	QTA in 4 digits	QTA in 4 digit Cumulative	QTA in 2 digits	QTA in 2 digit Cumulative	To be recovered as per 4 digits excluding Kanupp	Recovered as per 4 digits excluding Kanupp	Difference
	A	B	C	D=A-B-C	E	F	G=F-G	H	I=H+M	N=(A-B)*G	O=O*M	P=O-H
July to Sep 2016	3,458	3	12	3,442	12.8172	(0.1571)	(0.1571)	(0.16)	(0.16)	(497)	(504)	(7)
Oct to Dec 2016	3,169	3	14	3,152	12.8172	2.7239	2.5668	2.73	2.57	6,619	6,586	(33)
Jan to March 2017	2,590	8	20	2,583	12.8172	(0.9663)	1.6005	(0.97)	1.60	4,017	3,994	(23)
April to June 2017	3,764	4	13	3,756	12.8172	(2.2200)	(0.6235)	(2.23)	(0.63)	(2,338)	(2,348)	(10)
July to Sep 2017	3,784	10	15	3,759	12.8172	0.9419	0.3224	0.94	0.31	1,069	1,023	(46)
Oct to Dec 2017	3,322	5	18	3,298	12.8172	1.0214	1.3438	1.02	1.33	3,772	3,704	(68)
Jan to March 2018	2,815	8	27	2,785	12.8172	2.4426	3.7864	2.45	3.78	14,896	14,815	(81)
April to June 2018	3,919	5	15	3,914	12.8172	(0.6252)	1.1612	(0.63)	1.15	12,433	12,340	(93)
July to Sep 2018	3,940	7	16	3,924	12.8172	2.3708	5.5320	2.38	5.53	19,686	19,582	(104)
Oct to Dec 2018	3,579	20	18	3,541	12.8172	3.1735	8.8055	3.28	8.81	23,512	23,288	(224)
Jan to March 2019	2,688	18	27	2,643	12.8172	(3.9286)	4.4759	(3.94)	4.47	19,857	19,882	(25)
April to June 2019	4,111	18	10	4,083	12.8172	0.7738	5.6495	0.78	5.65	23,794	23,785	(9)
July to Sep 2019	4,235	24	2	4,210	12.8172	1.9699	7.6194	1.97	7.62	27,867	27,854	(13)
Oct to Dec 2019	3,674	17	2	3,655	12.8172	(4.4367)	1.1827	(4.44)	1.18	8,439	8,422	(17)
Jan to March 2020	2,783	8	3	2,772	12.8172	4.8030	7.9857	4.81	7.99	28,495	28,489	(6)
April to June 2020	3,584	16	3	3,565	12.8172	(5.6321)	2.3536	(5.65)	2.34	10,633	10,565	(67)
July to Sep 2020	4,531	14	3	4,514	12.8172	2.2645	4.6181	2.27	4.61	17,555	17,519	(36)
Oct to Dec 2020	3,813	12	2	3,799	12.8172	3.2945	7.9146	3.30	7.91	23,694	23,653	(41)
Jan to Mar 2021	3,008	14	4	2,990	12.8172	1.3307	9.2453	1.33	9.24	41,458	41,404	(54)
April to June 2021	4,717	16	3	4,697	12.8172	(0.9429)	8.3024	(0.95)	8.29	38,724	38,643	(81)
July to Sep 2021	4,677	13	3	4,661	12.8172	6.4713	14.7737	6.48	14.78	60,102	60,107	5
Oct to Dec 2021	4,055	(13)	1	4,067	12.8172	(0.4677)	14.3060	(0.47)	14.31	45,093	45,084	(9)
Jan to Mar 2022	3,152	-	1	3,151	12.8172	3.5397	17.8457	3.55	17.86	87,066	87,118	52
April to June 2022	4,679	-	1	4,683	12.8172	12.6818	30.5275	12.71	30.57	133,220	133,376	156
July to Sep 2022	4,364	-	1	4,365	12.8172	(8.1210)	21.4065	(8.14)	21.43	83,743	83,814	71
Oct to Dec 2022	3,912	-	1	3,913	12.8172	(7.3497)	14.0568	(7.37)	14.06	43,011	43,004	(7)
Jan to Mar 2023	3,060	-	1	3,059	12.8172	6.9330	20.9898	6.95	21.01	82,536	82,594	57
April to Jun 2023	4,218	-	1	4,217	12.8172							
										868,967	868,178	(789)



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56. The Authority has considered the workings submitted by KE, and has decided to adjust an amount of Rs.3,104.64 million, as previous adjustment on account of average sale rate and impact of grossing up, in the quarter ending June 2023, as under;

	Rs. in Mln
Insufficient Grossing up & Changes in Sales Mix	FY 2017-23
Impact already allowed	4,853
Impact of Insufficient Grossing Up	791
Impact of Average sale rate	957
Net Impact	(3,105)

CPPA-G Market Operation Fee- Jul. 2022 to Mar. 2023

57. K-Electric has requested an amount of Rs.7.98 million as previous adjustment on account of Market Operation Fee of CPPA-G for the period July 2022 to March 2023, due to the change in MoF rate, from Rs.2.77/kW/M to Rs.3.48/kW/M for the FY 2022-23, vide Authority decision dated May 22, 2023.
58. The Authority observed that this cost has been billed by CPPA-G to KE in the instant quarter i.e. Apr.-Jun. 23, therefore, the differential of Rs.7.98 million is being allowed as part of current quarter cost.

FPCL - Capacity adjustment for January 2022

59. KE in its instant quarterly adjustment has claimed capacity adjustment of FPCL for the month of January 2022 amounting to Rs.2.6 million, owing to revision in FPCL's capacity charges component. The Authority observed that impact of revision in capacity charges of FPCL has already been allowed by the Authority in the quarterly adjustment for the period from Jan. to Mar. 23, thus, nothing is pending in this regard. Further, no details / workings for the requested amount has been provided by KE. In view thereof, the request of KE is not allowed.

KE - WPPF

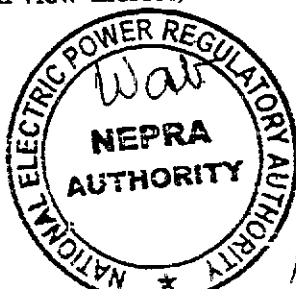
60. The Authority in its determination dated 04.08.2023 in the matter of Quarterly Adjustments of K-Electric for the Quarters ending December 2022, decided to allow WPPF of Rs.74.34 million as part of each subsequent quarterly adjustments. Accordingly, an amount of Rs.74.34 million is allowed to KE on account of WPPF for the instant quarter.

KANUPP - Fixed Cost Jul. 20 to Jan. 21

61. KE has claimed an amount of Rs.15.19 million on account of KANUP fixed cost adjustment for the period from Jul. 2020 to Jan. 2021. KE also provided copies of invoices along with Auditor's certification for the amount claimed.
62. The Authority has considered the submissions of KE and after accounting for the amount already allowed to KE on this account, the differential amount works out as Rs.12.28 million. The same is hereby allowed to KE as part of the instant quarterly adjustment.

Net Metering Cost

63. The Authority in the monthly FCA decision of KE for the month of December 2022 decided that amount being allowed to Net Metering Units @ Rs.19.32/kWh, be considered as part of the Capacity cost instead of monthly FCAs. In view thereof, the Authority directed K-Electric to only include



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the unit of Net Metering in its monthly FCAs and the cost thereof be included as part of capacity costs w.e.f. January 2023. Based on the aforementioned, the cost for net metering units of 15.01 GWh i.e. Rs.290.09 million @ Rs.19.32/kWh, for the period from April to June 2023, has been included in the instant quarter.

Adjustment for Negative / Positive FCAs for certain consumer categories

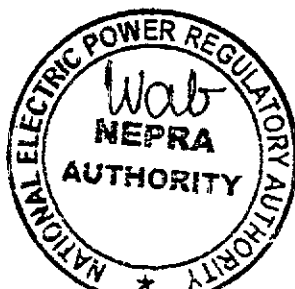
64. As per the Authority's decision, negative FCA is not to be passed on to lifeline consumers, residential consumers with consumption up-to 300 units and agriculture consumers, and the same is adjusted in quarterly adjustment. Similarly positive FCA is also not passed on to the life line consumers.
65. Accordingly, for the purpose of instant quarterly adjustments, a net deduction of Rs.2.2 million has been considered to account for the negative/ positive FCAs not passed on/ recovered from the consumers for the period from April to June 2023.

Verification differentials

66. The Authority during verification of data provided by KE, has also identified certain small adjustments totaling to Rs.0.164 million. These, *inter alia*, include Rs.0.1 million for Tapal and Rs.0.049 million of Gul Ahmad for the FCA of June 2023. Based on the above, an amount of Rs.0.164 million has been deducted while working out the instant quarterly adjustment.

Current Period Costs

67. The Authority noted that current period costs claimed by K-Electric, are in line with the decisions of the Authority, however, for capacity charges claimed for SNPC & SNPC II, following has been observed.
68. The Authority in the matter of Review Motions filed by SNPC and SNPC-II, against determination of the Authority dated 31.12.2019, decided as under;
- a) *"to re-determine/ modify the tariff awarded to the petitioner vide decision dated August 04, 2017, for which separate proceedings shall be carried out by the Authority. The Petitioner, is accordingly directed, in terms of Section 44 of NEPRA Act, to provide complete details in this regard.*
- b) *to provisionally allow the Petitioner its debt servicing and Insurance component, as per its reference generation tariff dated August 04, 2017....."*
69. The Authority also vide two different decisions dated 04.06.2021, approved revision of Net Capacity & Heat Rate of SNPC & SNPC II. Pursuant, thereto, the Authority, vide decisions dated 21.09.2021, approved revised reference capacity components based on revised net capacity. Afterwards, NEPRA vide decisions dated 12.05.2023 revised capacity charges of SNPC & SNPC II for the period under review, which included the RoE and RoEDC.
70. K-Electric requested Rs.391.36 million for capacity charges, of SNPC & Rs.391.52 million for SNPC II for the period April – June 2023. However, upon scrutiny of payment vouchers, it was observed that KE disputed certain amounts from the cost billed by SNPC and SNPC-II on account of outages from the capacity charges. As per payment vouchers KE has deducted an amount of Rs.134.69 million for SNPC and Rs.116.30 million for SNPC-II during the instant quarter.



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71. However, the Authority, as per previous practice and in consistency with its earlier decision in the matter, has decided to allow an amount of Rs.263.59 million for SNPC and Rs.282.01 million for SNPC-II on account of capacity charges for the quarter ended June 2023. The cost being allowed includes Debt servicing and RoE/RoEDC of SNPC and SNPC-II, as per the indexed rates approved by the Authority and the insurance component as per the reference rate. However, the cost being allowed is strictly on provisional basis, subject to its adjustment/refund, if necessary, in the light of the final decision(s) of the Authority.
72. Here it is pertinent to mention that the Authority has also directed K-Electric to explain reasons for the amount deducted in the payment vouchers of SNPC and SNPC-II, and why this amount was not adjusted, while claiming instant quarterly adjustments. K-Electric has submitted its response in the matter, which is under consideration of the Authority. Any adjustment on this account if required, would be made in the subsequent quarterly adjustment, once the Authority reviews the submissions/ response of K-Electric.

FCA impact of T&D losses

73. K-Electric has also requested an amount of Rs.1,069 million on account of impact of T&D loss for the allowed monthly FCAs. The same being in line with the Authority's allowed target of T&D losses and monthly FCAs approved for the period from April to June 2023, is hereby allowed as part of instant quarterly adjustment.

Write-offs

74. K-Electric has also requested gross write-offs of Rs.16,264 million for the FY 2023, including Rs.3,093 million already recovered during FY 2023 through tariff, and the remaining amount of Rs.13,171 million as additional cost, as detailed below;

Write-Offs	Amount
Write-Off claim FY 2023 (Mln. Rs.)	16,264
Write-Off Component included in Tariff (Rs./kWh)	0.1990
Units Billed FY 2023	15,539
Amount Recovered in FY 2023	3,093
Remaining Amount (Mln. Rs.)	13,171

75. As per the decision of the Authority dated July 05, 2018, K-Electric has not been allowed any provision on account of the doubtful debts in the tariff, however, bad debts written off@ 1.69% of K-Electric's assessed sales revenue has been allowed in the base case. For the purpose of actual write offs in future, K-Electric is required to complete the following procedures;
- The defaulter connection to be written off shall be disconnected.*
 - The amount of write off shall be approved by the KE BoD which shall certify that KE has made all best possible efforts to recover the amount being written off.*
 - KE Auditors shall verify that the amount is non-recoverable notwithstanding the efforts of the company.*
 - The terms of write off shall also be given in detail.*
 - In case any amount written off is subsequently recovered from the customer, the recovered amount shall be adjusted in next year's tariff."*

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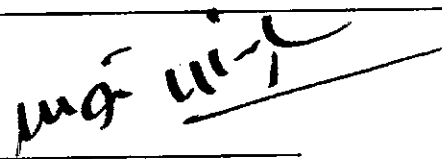


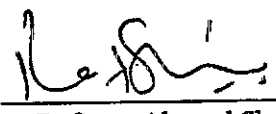
76. The Authority is of the view that claim of write-off requires further deliberation and analysis. Therefore, for the purpose of instant quarterly adjustments, the amount of write-offs of Rs.16,264 million claimed by K-Electric, including amount already built in the tariff, has not been included in the instant workings. Further, the amount already built in the tariff i.e. Rs.3,093 million has also been deducted. The Authority will decided the matter separately.
77. Based on the discussion made in the preceding paras, the Authority hereby determines the following quarterly adjustment of K-Electric for the quarter April-June 2023;

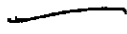
Current Period Adjustments	Rs. Mln Amount Allowed
O&M and Capacity cost of Power purchases	(1,481)
Unrecovered Cost of FCA due to non adjustment of T&D losses	1,069
Net impact of Life Line, 300 Units and Agricultural Units	(2)
Total Current Period Adjustments	(414)
Write off Deduction	(3,093)
Previous Adjustments	(3,183)
Grand Total	(6,690)

78. The allowed negative adjustment of Rs.6,690 million will be adjusted in the new Multi Year Tariff of K-Electric for the period from FY 2023-24 to FY 2029-30.
79. Considering the fact that this is the final quarterly adjustment pertaining to the MYT 2017-23, any errors/omission observed at a later stage or any adjustments which could not be accounted for in the instant decision, may be adjusted in the subsequent periodic adjustments of the new MYT.
80. The instant decision is being intimated to the Federal Government, prior to its notification in the official Gazette as per Section 31(7) of the NEPRA Act.

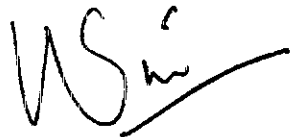
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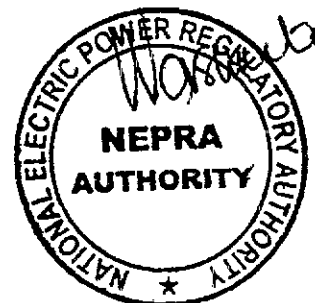

Mathar Niaz Rana (nsc)
Member


Rafique Ahmed Shaikh
Member


Engr. Maqsood Anwar Khan
Member


Amina Ahmed
Member


Waseem Mukhtar
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No. NEPRA/TRF-362/K-Electric-2016/ 13760-62

August 27, 2024

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Subject: **NOTIFICATION REGARDING DECISION OF THE AUTHORITY IN THE
MATTER OF QUARTERLY ADJUSTMENT OF K-ELECTRIC LIMITED
FOR THE QUARTER ENDING JUNE 2023**

In pursuance of Proviso-ii of Sub-Section 7 of Section 31 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (XL of 1997), enclosed please find herewith '*Decision of the Authority dated August 2, 2024 in the matter of Quarterly Adjustment of K-Electric Limited for the Quarter ending June 2023*' for immediate publication in the official gazette of Pakistan. Please also furnish thirty five (35) copies of the Notification to this Office after its publication.

Encl: Notification [15 pages]


(Wasim Anwar Bhinder)

CC:

1. Chief Executive Officer, Central Power Purchasing Agency (Guarantee) Limited, 73 East, AK Fazl-e-Haq Road, Block H, G-7/2, Blue Area, Islamabad
2. Syed Mateen Ahmed, Deputy Secretary (T&S), Ministry of Energy – Power Division, 'A' Block, Pak Secretariat, Islamabad [w.r.t. NEPRA's Decision issued vide No. 11723-11727 dated August 2, 2024]