

The Registrar,  
National Electric Power Regulatory Authority,  
NEPRA Tower, Attaturk Avenue (East),  
Sector G-5/1,  
Islamabad.

Ref No. KE/BPR/NEPRA/2020/014  
January 10, 2020

For information & n.a. Please

- SA (Tariff-I)
- Copy to:
- DG (M&E)
- M/F

CC: Chairman  
- M (Tariff)

13/01/20  
- VC  
- m(OA)  
- m(UC)

**Subject: NEPRA's decision in the matter of Tariff variations for the period July 2016 to June 2019 under the Multi Year Tariff (MYT) 2017-2023**

Dear Sir,

This is with reference to NEPRA's decisions on monthly tariff variations for the months of July 2016 to June 2019 and quarterly tariff variations for the period of July 2016 to March 2019 dated December 27, 2019 and December 31, 2019, received in our office on December 30, 2019 and January 3, 2020 respectively (referred to as 'Decisions').

At the outset, we would like to thank the Authority for processing these adjustments and would request to expedite the determination of quarterly variations for the period April to September, 2019 and monthly variations from July 2019 to November 2019.

Further, we would like to submit certain points with respect to the Decisions which require the Authority's consideration:

**1. KANUPP - Cost of Purchases:**

KE purchases power from KANUPP and at times, also exports power to KANUPP. As per the agreement, separate bills are raised for purchases and sales, however, the payment is made on net basis. Further, both purchases and sales are recorded at the same rate. Accordingly, the units purchased and their corresponding cost is included in cost of power purchases, whereas the units exported / sold are included in units billed and the amount is included in KE's revenue. The payment / settlement is made on net basis as per the agreement.

In its decision, the Authority has adjusted the sales to KANUPP amounting to PKR 1,230 mn against the cost of purchases, without adjusting the units sold against units purchased. This has resulted in under recovery of KE's legitimate cost of power purchase from KANUPP amounting to PKR 1,230 mn. Accordingly, KE would request the Authority to allow this cost in the upcoming quarterly determination.

REGISTRAR  
Dy. No. 593  
Date: 13-01-20

Scanned Copy  
Senior Advisor Tariff  
Dy. No. 367  
Date: 14-1-20

ADG (Tariff)  
By No. 112  
Date: 15-01-20

*Handwritten signature*

## 2. Sindh Nooriabad Power Company (SNPC) - Capacity Cost

In its decision, the Authority has disallowed total capacity cost of SNPC, except Fixed O&M cost, amounting to **PKR 2,542 mn** (January, 2018 to March, 2019) stating that the Authority has not allowed indexations of these costs as its CoD and other adjustments are yet to be determined.

Accordingly, KE has to adjust / recover this amount from SNPC. However, SNPC's view is that, in the absence of capacity costs being paid and previous capacity costs being taken back, it would not be possible for them to continue the operations and hence they would be compelled to shut down the plant. This will significantly impact the demand supply situation in Karachi.

Keeping in view the peculiar situation, KE would request the Authority to provisionally allow the capacity costs in the upcoming quarterly determination subject to change pursuant to CoD / other adjustments.

## 3. Average Sale Rate

In the Quarterly decision, the Authority has stated as below:

*"the category wise tariff for different consumer categories has been adjusted in such a manner to ensure that the overall average sale rate of K-Electric remains the same as allowed by the Authority during the three years period".*

In this regard, we understand that units and variable revenue of KANUPP has been excluded while calculating the overall average sale rate, which lowers the effective overall average sale rate translating into a negative impact of **PKR 308 mn**. Further, due to incorrect grossing up of tariff for impact of lifeline consumers and KANUPP; and rounding off the tariff to two digits, the overall variations allowed fall short by **PKR 1,228 mn**. Accordingly, we request that these impacts be considered and allowed in the upcoming quarterly determination.

## 4. Adjustment for Negative Fuel Cost Adjustment (FCA) for certain categories

As per the Authority's decision, negative FCA is not to be passed on to lifeline consumers, residential consumers with consumption upto 300 units and agriculture consumers; and the same is adjusted in Quarterly determination. In this regard, we understand that the amount taken in Quarterly determination by NEPRA, for the period July 2016 to March 2019, is based on units falling in slabs of 1-100 units, 101-200 units and 201 – 300 units.

It is important to note that the slab 201-300 units also includes certain units of consumers who fall under the slab of 301 – 700 units, due to one slab benefit, on which negative FCA is passed on. Therefore, the difference in deduction accounted for in quarterly variations, amounting to **PKR 465 mn**, needs to be adjusted in the upcoming quarterly determination, as this amount will be passed on to consumers on account of FCA.

In this respect, data for units billed for residential consumers with consumption up to 300 units, for the period July 2016 to June 2019 is attached for calculation of impact of negative FCA not passed on (please refer Annexure A).

**5. WPPF claim of Fauji Power Company Limited (FPCL)**

The Authority has stated in its decision that WPPF claim of FPCL amounting to **PKR 33 mn** has not been substantiated with any supporting documents and hence not considered. In this regard, complete invoice is enclosed (please refer Annexure B). KE would request the Authority to allow this cost in the upcoming quarterly determination and let us know for any further evidence required in this regard.

**6. Sindh Transmission & Dispatch Company (STDC) Capacity Cost**

The Authority has not considered charges paid to STDC for Wheeling in January 2018 amounting to **PKR 15 mn**. KE would request to consider and allow the same in upcoming quarterly determination.

**7. Write off**

In KE's Multi Year Tariff (MYT) Decision dated July 5, 2018, the Authority allowed an amount of write off in the base tariff to the extent of 1.69% of revenue while allowing to claim additional write-offs on an actual basis after fulfilling the prescribed process / conditions as provided in the MYT Decision.

Accordingly, KE complied with all the conditions for write off claim and submitted write off claim of **PKR 6,195 mn** for FY 17 and **PKR 3,371 mn** for FY 18. It is notable that these claims are much lower than the actual recovery loss suffered by KE in these years. Along with complying all the conditions, including verification from Auditors, KE has also provided all the required data to NEPRA in this regard.

However, the Authority has stated in its decision that this claim requires further deliberation and has not only excluded the additional write off claim, but also the amount already allowed in the base tariff.

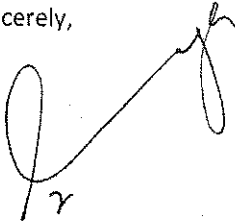
KE would humbly like to submit that KE has duly complied with all the conditions and replied to all the queries raised by NEPRA and would request the Authority to expedite for approval of these claims. KE is already facing cash flow issues due to accumulated monthly and quarterly variations and non-inclusion of these write offs claims in the instant decision has further delayed the process of recovery of this amount.

Accordingly, KE would request the Authority to expedite the process for approval of write off claims and allow the same in the upcoming quarterly determination. Further, keeping in view the substantial impact, the Authority is requested to consider and allow the amount provisionally, till its deliberations are complete, as also allowed in the case of XWDISCOs' tariff where write-offs were provisionally allowed in tariff.

We would like to reiterate our request to the Authority to consider the above points and allow these costs in the upcoming quarterly determination. We are available for any discussion / further evidence required on the above points.

We would be grateful for the Authority's understanding and support in this regard.

Sincerely,



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**Ayaz Jaffar Ahmed**  
**Director – Finance & Regulations**

CC: Additional Director General Tariff, NEPRA

Encl

- Details of consumption of lifeline consumer, agriculture consumers and residential consumers with consumption upto 300 units (Annexure A)
- FPCL WPPF invoice with supports (Annexure B)