



National Electric Power Regulatory Authority
Islamic Republic of Pakistan

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Registrar

No. NEPRA/TRF-108/IESCO-2008/9062-9064
September 11, 2009

Subject: Decision of the Authority in the Matter of Monthly Adjustment of Power Purchase Price (PPP) (June 2009) for Islamabad Electric Supply Company Ltd. (IESCO) [Case No. NEPRA/TRF-108/IESCO-2008 (3)] - Intimation of Decision of Tariff pursuant to Section 31(4) of the Regulation of Generation, Transmission and Distribution of Electric Power Act (XL of 1997)

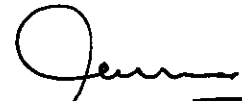
Dear Sir,

Please find enclosed decision of the Authority along with Annex-I (02 pages) in respect of monthly adjustment of Power Purchase Price variation for the month of June 2009 for IESCO in Case No. NEPRA/TRF-108/IESCO-2008 (3) as notified by the Federal Government vide SRO 959(I)/2008.

2. The decision is being intimated to the Federal Government for the purposes of notification of adjustments in the Power Purchase Price through the official Gazette pursuant to Section 31(4) of the Regulation of Generation, Transmission and Distribution of Electric Power Act (XL of 1997) and Rule 16(11) of the National Electric Power Regulatory Authority Tariff (Standards and Procedure) Rules, 1998.

3. Please note that only Annex-I attached with the decision needs to be notified in the official Gazette.

Enclosure: As above.


(Arshad Mehmood)

The Secretary
Cabinet Division
Government of Pakistan
Cabinet Secretariat
Islamabad

CC: 1. Secretary, Ministry of Water & Power, Islamabad.
2. Secretary, Ministry of Finance, Islamabad



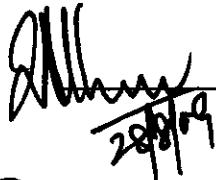
Decision of the Authority in the Matter of Monthly Adjustment of Power Purchase Price (PPP) for Islamabad Electric Supply Company Limited (IESCO)

The Authority considered IESCO's request for monthly adjustment of power purchase price (PPP) variation for the month of June 2009 pursuant to paragraph II of the order of the Authority dated 23rd August 2008., notified by the Federal Government vide SRO 959(I)/2008. According to the information/evidence placed before the Authority, the actual PPP for the month of June 2009, charged to IESCO by Central Power Purchasing Agency (CPPA), was Rs. 6.1807/kWh. The actual PPP was higher by Rs. 0.7321/kWh against the reference PPP of Rs. 5.4486/kWh. Having gone through the documentary evidence, it was noted that in June 2009 CPPA charged a substantial amount of Rs. 7.444 billion in the energy charge and Rs. 361.987 million in the capacity charge on account of previous months' adjustment. Clarification in the matter was sought from the CPPA accordingly. CPPA informed that the major component of this adjustment pertain to KESC marginal cost differential of Rs. 6.835 billion. In addition to this, CPPA also charged markup on delayed payment to IPPs of Rs. 177.731 million in energy charge and Rs. 49.042 million in capacity charge. The Authority is of the opinion that such kind of adjustment is not covered under the monthly power purchase price adjustment mechanism and needs to be considered separately. The Authority has, therefore, decided not to allow the amount of Rs. 7.06 billion on account of KESC marginal cost differential and markup on delayed payment to IPPs.

The Authority hereby directs CPPA to revise the invoices for the month of June 2009 accordingly. After excluding the amount of Rs. 7.06 billion, the actual PPP has been worked out Rs. 5.2670/kWh, which is Rs. 0.1816/kWh lower than the reference PPP of Rs. 5.4486/kWh. After incorporating the impact of target distribution losses of 11%, the required downward per unit adjustment in the determined tariff has been assessed as Rs. 0.21 (Annex-D). This adjustment shall apply to all consumer categories except life line residential and agricultural consumers.

Authority

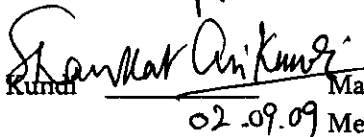
Zafar Ali Khan
Member



Ghiasuddin Ahmed
Member



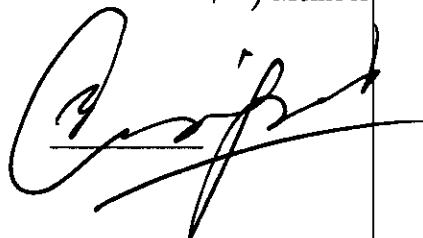
Shaukat Ali Kundi
Member



Maqbool Ahmad Khawaja
Member



Khalid Saeed
Chairman




Islamabad Electric Supply Company Limited
Adjustment for Power Purchase Price
For the Month of June 2009

$$\Delta PPP = \pm \frac{(PPP_{(Act)} - PPP_{(Ref)})}{(1 - L)}$$

Where:

ΔPPP is the variation in Power Purchase Price including fuel price variation in terms of Rs./kWh purchased occurred in a month against the reference PPP.

$PPP_{(Act)}$ is the actual PPP (Rs. 5.2670/kWh purchased for June 2009) during the month for which the adjustment is required to be made.

$PPP_{(Ref)}$ is the reference power purchase price (PPP) of Rs. 5.4486/kWh.

L is the target losses which are 11% for FY 2008-09.

Replacing values in the formula we get,

$$\Delta PPP = (5.2670 - 5.4486) / (1 - 11\%)$$

$$\Delta PPP = (-) \text{Rs. } 0.2041/\text{kWh}$$

According to the decision of the Authority, the impact of variation in the power purchase price shall not be passed on to the lifeline residential and agricultural consumers. The ratio of lifeline residential and agricultural consumers in IESCO's total sales is around 2.39%. The adjusted ΔPPP shall be calculated as under:

$$\Delta PPP = (-) 0.2041 / (1 - 2.39\%)$$

$$\Delta PPP = (-) \text{Rs. } 0.21/\text{kWh}$$

The impact of change in the power purchase price will be calculated according to the following formula:

$$\text{PPP Adjustment} = \pm \Delta PPP \times U(C)$$

Where:

$U(C)$ are units consumed by the consumer during the month for which the adjustment is required to be made.

