

National Electric Power Regulatory Authority



NOTIFICATION


Islamabad, the 5th March, 2010

S.R.O. 149(I)/2010: - In pursuance of the Section 31(4) of the Regulation of Generation, Transmission and Distribution of Electric Power Act 1997 and subsequent amendment made in that sub-section through an Ordinance No. XXIX of 2009 promulgated on November 26, 2009, the National Electric Power Regulatory Authority has determined the following adjustment in fuel cost component on account of fuel price variation for the month of January 2010 for Ex-WAPDA Distribution Companies:

Actual Fuel Cost Component for January 2010	Rs. 7.47/kWh
Corresponding Reference Fuel Cost Component (Determined) for the month of January 2010	Rs. 6.45/kWh
Fuel Price Variation	Rs. 1.02/kWh (+)

Note: The assessed fuel cost adjustment of Rs. 1.02 / kWh for the month of January 2010 is greater by Rs. 0.62/kWh than the adjustment of Rs. 0.40/kWh for the month of December, 2010.

The above adjustment of Rs. 1.02/kWh shall be applicable to all the consumer categories except lifeline consumers of all Ex-WAPDA Distribution Companies. Ex-WAPDA Distribution Companies shall show the fuel price adjustment as determined by the Authority for the month of January 2010 separately in the consumers' bills and the billing impact shall be worked out on the basis of consumption by the consumer in the month of January 2010.


(Syed Safer Hussain)
Registrar



DECISION OF THE AUTHORITY IN THE MATTER OF FUEL PRICE ADJUSTMENT FOR THE MONTH OF JANUARY 2010 FOR XWDISCOs

1. Pursuant to the amendment made in Section 31(4) of the Regulation of Generation, Transmission and Distribution of Electric Power Act 1997, NEPRA is required to review the fuel charges on monthly basis in the approved tariff on account of any variation whatsoever.
2. In order to carry out the above said adjustments pertaining to the tariff of XWDISCOs for the month of January, 2010, necessary information as to the details of payments on account of fuel charges was obtained from the Central Power Purchasing Agency and necessary verification as to its correctness was made.
3. Notwithstanding the fact that the monthly adjustments on account of fuel cost variations is done in accordance with the mechanism/formula prescribed by the Authority and notified in the official gazette by Federal Government; yet the impact of such adjustments, if any, is passed on to the consumers of electricity, therefore, in order to meet with the ends of natural justice, the Authority decided to provide an opportunity of hearing to all concerned while reviewing the fuel charges.
4. A date of hearing for the purpose was fixed as 4th of March, 2010 in the NEPRA main office; notice thereof was got published in two national newspapers on 27th February 2010, inviting written/oral objections from the affected/interested persons/parties.
5. On the date fixed for hearing Ahsan Akhtar Malik Addl. Secretary & Rehan Ahmad Consultant (Tariff) from Ministry of Water & Power (GoP), Khalid Masood Manager MIS IESCO, Waseem Saadat Manager Finance LESCO and M. Atif Asst. Manager LESCO were present. Neither did from CPPA/WPPO attend the hearing nor there was any representation from the consumers except receipt of written objections from All Pakistan Textile Mills Association (APTMA) through Rashid Law Associates.
6. It has been agitated inter-alia by APTMA in its written objections that making adjustments on a formula base is a mathematical exercise rather NEPRA should scrutinize the price variation as quoted by the Generation or Transmission Companies or by CPPA; and that there is no check and balance of the prices as quoted by the CPPA and the basic information so provided by CPPA has not been provided to any one. Adjournment of hearing was also requested on the pretext of seeking certain information as well.
7. Having considered the objections so raised by APTMA, it is observed that the same are misconceived and without any firm ground. It needs to be understood that whole tariff exercise is formula based and mathematical. It is not possible to arrive at any tariff without any basis and

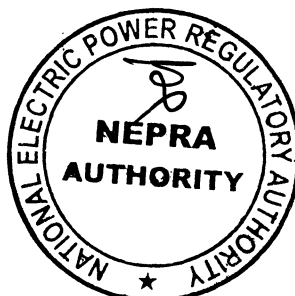


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formula. The Authority considers that the objector's observation that there is no mechanism provided in the formula is not correct rather it is misconstrued and lacks understanding of the operation of the whole power sector. The Authority has prescribed a comprehensive transparent transfer pricing mechanism from Generation up to Distribution Companies and proper verifiable billing/invoicing mechanism does exist because as per the licensing terms no licensee can charge any rate/ charges which are not approved by the Authority. In so far as the verification of price variations, the Authority does all the due diligence required for the purpose.

8. APTMA's observation that neither there is any check and balance of the prices as quoted by the CPPA nor any basic information has been provided to any one is not true. The Authority allows adjustments on the basis of verifiable documentary evidence. Since the Generation, Transmission and Distribution Companies are independent legal entities; therefore they make sure that they are billed/ charged according to the tariff approved by the Authority. Moreover each company is required to get its accounts audited in accordance with the provisions of governing laws of the country. In order to make sure that the companies are charged according to the prescribed transfer price mechanism by the CPPA, audit of CPPA with respect to power procurement for the whole calendar year 2009 was carried out by the NEPRA team and it observed no discrepancy. The Authority therefore considers that the objector's observation in this regard is without any valid ground.
9. The Authority has also considered the request for deferring the proposed fuel cost adjustment for want of certain information. The Authority considers that the review of fuel charges is required to be done within 7 days as per amended law. The same is considered on the basis of actual invoices of fuel prices. Nothing has been provided to establish that the invoices are wrong and not in accordance with the prevailing fuel prices at the relevant time. It would also be worth mentioning here that the Authority did conduct hearing during the course of tariff determination and admittedly the instant proceedings are meant for tariff adjustments instead of determination. The instant hearing is being conducted as per directions/observations of Honorable Lahore High Court vide its judgment cited as 2009-CLC-1343 (also referred by APTMA in its objections), whereby it was observed that adjustment would effect the rights of the consumers and even if the provisions for publication of notice, intervention or participation of commentator, were not directly applicable, yet the principle of natural justice must necessarily be read in every statute. The Authority further considers that due to frequent fuel price variation in the international oil market the fuel cost is greatly affected. This impact is further aggravated due to more reliance on oil based generation as a result of induction of new capacity on oil and decrease in gas supply to the power plants. The Authority considers that the entire power sector is already under great financial crunch and its performance is deteriorating because the companies are unable to recover their legitimate costs. In view thereof the



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Authority considers that deferring the instant adjustment would further add to the difficulties of the entire power sector, which is not in the interest of the consumers. Even nobody on behalf of APTMA bothers to attend the hearing and prima facie, the request of adjournment seems to be a delaying tactic which cannot be encouraged.

10. The details of fuel price variations so provided by CPPA have been examined and it is observed that there was a substantial variation in fuel cost component of consumer-end tariff. During the month of January 2010 the pool fuel cost increased substantially i.e. by Rs.1.31/kWh (Annex-I&II). The analysis revealed that although there was a decrease in overall generation by 392 GWh as against the projected generation of 6,191 GWh but the fuel cost increased from estimated Rs.38,922 million to Rs.42,920 million. The major attributors to this increase in fuel cost were increase in oil prices and change in generation mix due to decreased gas generation. The Authority also noted that during January 2010 there was a substantial increase in generation on HSD as compared to the estimated generation for the same period i.e. 195 GWh as against 34 GWh. The incremental financial impact due to increased generation on HSD was Rs.3.16/kWh and its share in the increased fuel cost of Rs.1.31/kWh worked out as Rs.0.43/kWh. Having great financial impact on the consumer-end tariff the Authority sought justification from National Planning Control Cell (NPCC) for operating plants on HSD. The Authority further sought clarification whether Merit Dispatch Order was followed while operating various power plants. GM NPCC stated that in the current demand supply situation all the plants have to be operated irrespective of the fuel used. NPCC further stated that keeping in view the law & order situation as a result of huge load shedding it had to run the plants on HSD on the instructions of Ministry of Water & Power. During the hearing the Additional Secretary representing the Ministry of Water & Power however did not endorse any such request. In view of the aforementioned the Authority considers that NPCC could not provide satisfactory response to the Authority's observation; therefore the Authority has decided to restrict the cost of generation on HSD exceeding 34 GWh to the extent of RFO average generation cost only and disallow to pass on the additional impact of Rs. 0.10/kWh due to operation on HSD.
11. The Authority further noted that during January 2010 NTDC claimed 4.8% transmission losses against the determined losses of 2.5% as per the Authority's determination dated 6th January 2006 in the case of NEPRA/TRF-45/NTDC-2005. The Authority considers that the claimed transmission losses by NTDC are not consistent with the Authority's determination hence cannot be passed on to the consumers as such. The Authority has therefore decided to restrict the NTDC losses to 2.5% as per its determination; accordingly the impact of Rs.0.19/kWh on this account is also being disallowed to be passed on to the consumers.
12. The Authority on the basis of above has assessed Rs. 1.02/kWh fuel cost adjustment for the month of January 2010 as per the following:



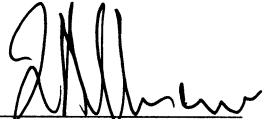
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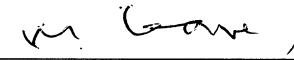



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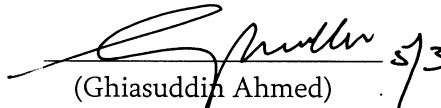
13. The assessed fuel cost adjustment of Rs.1.02/kWh for the month of January 2010 is greater by Rs. 0.62/kWh than the adjustment of Rs. 0.40/kWh for the month of December 2009.
14. In the light of assessment made in paragraphs 10 & 11 above the Authority directs CPPA to revise the fuel cost component invoiced to distribution companies.
15. The above adjustment as referred to in Para 12 above ;
- i) shall be applicable to all the consumer categories except lifeline consumers of all the DISCOs;
 - ii) shall be shown separately in the consumers' bill on the basis of consumption by the consumer in the month of January 2010.

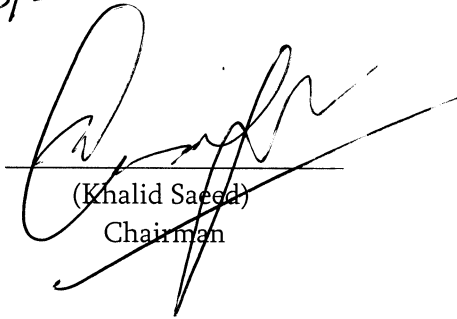
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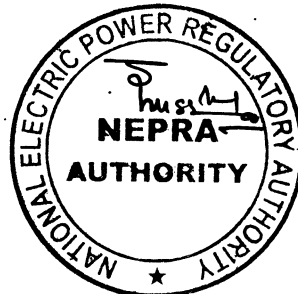

(Zafar Ali Khan) 5/3/10
Member


(Maqbool Ahmad Khawaja)
Member


(Shaukat Ali Kundi) 05/03/2010
Member

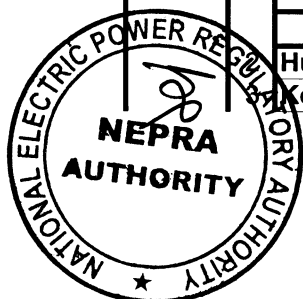

(Ghiasuddin Ahmed) 5/3
Member/Vice Chairman


(Khalid Saeed)
Chairman



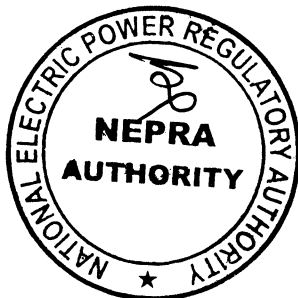
CENTRAL POWER PURCHASING AGENCY (CPPA)
Power Procurement Report (Provisional)
For the Month of January 2010

S.No.	Power Producer	Fuel	Dep. Capacity	Energy KWh	Energy Cost (Rs.)
1	Hydel				
	i. WAPDA	Hydel	6444	553,344,981	170,817,596
	ii. Jagran	Hydel	30	601,810	1,202,416
	iii. Malakund-III SHYDO	Hydel	81.46	16,098,500	111,200,163
	Hydel Total:			570,045,291	283,220,175
2	Ex-WAPDA GENCOs				
	i. GENCO-I				
	Jamshoro Block 1	RFO		15,470,000	1,491,308
	Jamshoro Block 2	RFO		192,049,640	2,517,874,222
	Unit 2-4	GAS		81,825,360	403,300,833
	Kotry 3-7	GAS		37,951,840	199,595,092
	Kotry 1-2	GAS	798.5	30,160	249,969
	Prev. Adjustment				2,935,121
	Jamshoro Total		798.5	327,327,000	3,125,446,546
	ii. GENCO-II				
	Central Block 1	RFO		-	0
	Guddu CC 11-13	GAS	390	181,531,539	510,902,363
	Guddu CC 5-10	GAS	530	176,111,131	549,343,451
	Central Block 3	RFO		26,068,582	292,494,704
	Guddu Steam 3-4	GAS	340	142,295,942	530,664,256
	Guddu Steam 1-2	GAS	140	79,343,206	316,634,932
	Central Total		1400	605,350,400	2,200,039,707
	iii. GENCO-III				
	Northern Block 1	RFO		251,743,494	2,954,234,768
	MG Unit 1-3	GAS		1,526,160	6,521,434
	Northern Block 2	RFO		166,143,909	1,932,370,699
	Northern Block 3	RFO		78,563,165	1,040,601,553
	MG Unit 5-6	GAS		413,731	1,991,122
		HSD	1,568	42,478,172	631,945,897
	Northern Block 5	RFO		37,777,948	587,963,156
	GTPS FSD 1-4	GAS		(11,552)	-70,189
		HSD		(9,620)	-252,149
	Northern Block 7	RFO		12,562,450	191,619,284
	Shahdra	GAS		(64,540)	-387,654
	Rental Sharaqpur	GAS	138	(120,000)	(533,412)
	Rental Bhiki	GAS	125	-	-
	Adjustment				-
	Northern Total:		1,831	591,003,317	7,346,004,510
	iv. GENCO-IV				
	Lakhra Power	Coal	31.2	5,297,000	14,288,658
	GENCOs Total:-		4,061	1,528,977,717	12,685,779,420
3	IPPs				
1	Kot Addu Block 1	RFO		136,479,300	1,324,868,657
		HSD		52,561,600	711,007,620
	Kot Addu Block 2	RFO		469,380,600	5,005,089,647
		HSD		26,706,000	395,623,855
	Kot Addu Block 3	HSD		72,771,500	1,154,711,556
	Adjustment				
	Kot Addu Total		1336	757,899,000	8,591,301,335
	Hub Power	RFO	1,200	786,456,100	8,534,171,157
	Kohinoor Energy	RFO	124	78,010,000	770,316,532



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4	AES Lalpir	RFO	350	170,125,000	1,831,545,531
5	AES Pakgen	RFO	350	197,860,138	2,113,047,667
6	Fauji Kabirwala	GAS	151	99,726,000	314,254,359
7	Japan Power	RFO	121	-	-
8	Uch	GAS	551	402,380,000	1,039,006,590
9	Rousch	GAS	395	310,256,804	1,015,459,520
10	Southern Power	RFO	119	61,174,827	611,141,558
11	Saba Power	RFO	126	58,124,751	607,268,324
12	Habibullah	GAS	129	86,763,272	263,171,374
13	Altern	GAS	26	-	487,490
14	Liberty	GAS	213	146,358,000	1,006,109,501
15	Chashma Nuclear	Nucl.	300	220,230,000	197,544,711
16	Tavanir Iran	Import	32	17,157,000	73,103,388
Sub-Total:				3,392,520,892	26,967,929,037
1	Attock-Gen	RFO	156	93,599,848	920,158,137
2	Atlas-Honda	RFO		143,836,331	1,355,336,070
3	Nishat Power	RFO		14,915,779	125,046,098
Sub-Total:				252,351,958	2,400,540,305
IPPs Total			5,524	3,644,872,850	29,368,469,342
4	Others				
i.	TPS-Quetta	GAS	25	(70,000)	(630,000)
ii.	TPS-Shahdara	GAS		(64,540)	(580,860)
iii.	SPPs	Mixed	151	55,631,818	584,134,089
Others Total			176	55,497,278	582,923,229
G-Total:			16,084	5,799,393,136	42,920,392,166
Summary					
	Hydel			570,045,291	283,220,175
	Coal			5,297,000	14,288,658
	HSD			194,507,652	2,893,036,780
	F.O.			2,990,341,862	32,716,639,073
	Gas			1,746,182,513	6,155,490,172
	Nuclear			220,230,000	197,544,711
	Import from Iran			17,157,000	73,103,388
	Mixed			55,631,818	584,134,089
	Prev. Adjustment			-	2,935,121
Grand Total				5,799,393,136	42,920,392,166



Energy Sale Price	
Energy Cost (Rs.)	42,920,392,166
Adjustment	(61,218,563)
EPP charged to IPPs	20,892,403
EPP (Chargable)	42,838,281,200
Energy Sold	5,518,643,701
Avg. Rate (Rs./KWh)	7.762

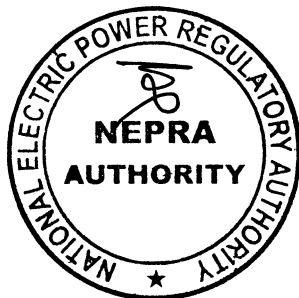
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Source Wise Generation

Sources	Reference		Actual	
	January 2010			
	GWh	%	GWh	%
Hydel	534	8.6%	570	9.8%
Coal	3	0.0%	5	0.1%
HSD	34	0.5%	195	3.4%
RFO	3,185	51.4%	2,990	51.6%
Gas	2,325	37.6%	1,746	30.1%
Nuclear	43	0.7%	220	3.8%
Import Iran	15	0.2%	17	0.3%
Mixed	52	0.8%	56	1.0%
Prev Adjust		0.0%	-	0.0%
Total	6,191	100.0%	5,799	100.0%
Sale to IPPs	-	-	(1)	0.0%
Trnasmission Loss	(155)	-2.5%	(280)	-4.8%
Net Delivered	6,037	97.5%	5,519	95.2%

Source Wise Fuel Cost/Energy Purchase Price

Sources	Reference		Actual	
	January 2010			
	Mlns. Rs.	Rs./kWh	Mlns. Rs.	Rs./kWh
Hydel	288	0.54	283	0.50
Coal	5	2.04	14	2.70
HSD	398	11.71	2,893	14.87
RFO	30,286	9.51	32,717	10.94
Gas	7,531	3.24	6,155	3.53
Nuclear	22	0.51	198	0.90
Import Iran	61	4.05	73	4.26
Mixed	330	6.32	584	10.50
Prev Adjust	-	-	2.94	-
Total	38,922	6.29	42,920	7.40
Prev. Month Adj.	-	-	(61)	(0.01)
Sale to IPPs	-	-	(21)	-
Grand Total	38,922	6.29	42,838	7.39
Trnasmission Loss	-	0.16	-	0.38
Net Total	38,922	6.45	42,838	7.76



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