



National Electric Power Regulatory Authority
Islamic Republic of Pakistan

2nd Floor, OPF Building, G-5/2, Islamabad
Ph: 9206500, 9207200, Fax: 9210215
E-mail: registrar@nepra.org.pk

Registrar

No. NEPRA/TRF-133/KESC-2009/4836-39
June 30, 2011

Subject:- Decision of the Authority in the matter of Monthly Fuel Cost Adjustment of Karachi Electric Supply Co. Ltd. due to changes in Fuel Prices for the Month of April 2011 [Case No. NEPRA/TRF-133/KESCL-2009(6)] - 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 herewith the Decision of the Authority (04 pages) regarding monthly fuel cost adjustment of Karachi Electric Supply Company Ltd. due to changes in fuel prices for the month of April 2011 in Case No. NEPRA/TRF-133/KESC-2009(6).

2. The Decision is being intimated to the Federal Government for the purpose of notification of the approved tariff in 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 paras 10 – 11 of the Authority's Decision are required to be notified in the official Gazette.

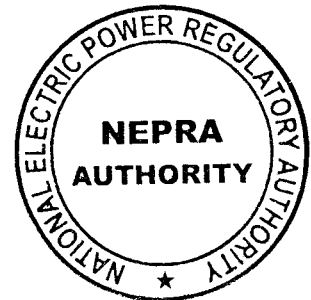
Enclosure: As above

Secretary,
Ministry of Water & Power,
'A' Block, Pak Secretariat,
Islamabad

CC:

1. Secretary, Cabinet Division, Cabinet Secretariat, Islamabad.
2. Secretary, Ministry of Finance, Islamabad.
3. Secretary, Privatization Commission, Islamabad.

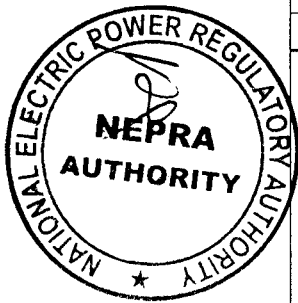

(Syed Safer Hussain)





**DECISION OF THE AUTHORITY IN THE MATTER OF
MONTHLY FUEL COST ADJUSTMENT OF KARACHI ELECTRIC SUPPLY COMPANY LIMITED DUE TO
CHANGES IN FUEL PRICES FOR THE MONTH OF APRIL, 2011**

1. Pursuant to the amendment made in section 31(4) of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (hereinafter referred to as the "NEPRA Act") through the Finance Act, 2008, National Electric Power Regulatory Authority (herein after referred to as "the Authority") is required to review the fuel charges on monthly basis in the approved tariff on account of any variation in the fuel prices. Further, the monthly adjustments on account of fuel cost variations is to be done in accordance with the monthly adjustment mechanism for Karachi Electric Supply Company Limited (herein after referred to as "KESCL") determined by the Authority in case No. NEPRA/TRF-133/KESCL-2009(6) dated December 23, 2009, duly notified by the Government of Pakistan vide S.R.O No. 11(I)/2010 dated January 01, 2010. As per the said mechanism, KESCL is allowed monthly adjustment in fuel cost component for its own generation as well as power purchase cost from external sources on account of fuel price variation without taking in to account the effect of transmission and distribution losses (hereinafter referred to as "T & D losses"). The aforesaid variation in cost is to be passed on to the consumers in their monthly bills as fuel cost adjustment (hereinafter referred to as "FCA").
2. KESCL submitted its request of monthly adjustment due to fuel price variation for the month of April, 2011 vide letter No. CMF/NEPRA/071/725 dated May 20, 2011 received on May 23, 2011. In accordance with the directions of the Authority, KESCL had certified through its request that the cost of fuel and power purchase claimed by it did not include any amount of late payment surcharge/mark-up/interest. The summary of the requested adjustment is tabulated below:



Tariff Adjustment Summary	
Variation in Fuel Price	
Own Generation (Million Rs)	(1086.227)
External/PPP (Million Rs)	168.320
Total (Rs. in Million)	(917.907)
Total Units Sent Out (GWh)	1323.554
Total Variation Ps/kWh	(69.352)

3. Notice of hearing of the above mentioned KESCL's request was advertised by the Authority in the leading daily newspapers on May 27, 2011. The Authority also sent notices to the main stakeholders on the same date inviting thereby their comments/objections in order to reach an informed and just decision. Hearing in this matter was held at NEPRA, Main Office, Islamabad on June 07, 2011.
4. During the hearing, KESCL submitted that the main reason for variation of minus Rs. 1086.227 million in KESCL's own generation was the subsidy provided by Government of Pakistan (GoP) to

[Handwritten signatures]

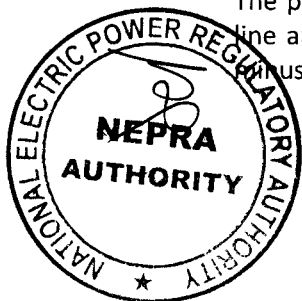


KESCL for the procurement of 60,000 Mtons of furnace oil at gas price under the Gas Load Management Plan (GLMP). During the month of April, 2011, KESCL consumed 80,577.19 Mtons of furnace oil at a total cost of Rs. 4.753 billion with an average furnace oil price of Rs. 58,998/Mton. It was submitted by KESCL that as per the Economic Coordination Committee (ECC) of the Cabinet decision ECC-80/9/2011 dated May 07, 2011, the GoP's share of furnace oil procured by KESCL at gas price works out to be Rs. 1.966 billion for the month of April, 2011 only which has reduced KESCL's total furnace oil cost to Rs. 2.787 billion and the average furnace oil price stands at Rs. 34,595.69/Mtons against the reference furnace oil price of Rs. 56,579/Mtons of the reference month, i.e. March, 2011.

5. In this regard, the Authority also sent a letter to Ministry of Water & Power vide letter No. NEPRA/TRF-133/KESC-2009/3907 dated May 31, 2011 advising it to confirm that the figure of Rs. 1.966 billion as submitted by KESCL on account of subsidy by the GoP is correct and represents the full and final amount to be paid by GoP to KESCL as price differential between furnace oil and gas for the month of April, 2011.
6. The generation data, rates etc. of KESCL (both from self generation and power purchased from external sources) for the month of April, 2011 were scrutinized with respective invoices and other relevant documents and no discrepancy was found by the Authority.
7. In view of the above, the fuel cost variation of KESCL's own power generation and power purchases from external sources for the month of April, 2011 works out to be minus Rs. 899.261 million or minus Ps. 67.943/kWh, as per the details tabulated hereunder:

Tariff Adjustments Summary	April-11 Requested	April-11 Allowed
Variation in Fuel Price		
Own Generation (Million Rs)	(1086.227)	(1086.227)
External/PPP (Million Rs)	168.320	186.966
Total (Rs In Million)	(917.907)	(899.261)
Total Units Sent Out (GWh)	1323.554	1323.554
Total Variation Ps/kWh	(69.352)	(67.943)

8. It should be noticed that the variation in fuel cost component of power purchase cost requested by KESCL for the month of April, 2011 is Rs. 168.320 million, however, as per the Authority's workings, it comes out to be Rs. 186.966 million. The difference arises because KESCL used the claimed energy transfer rates of NTDC for the reference month of March, 2011 as the decision of monthly fuel cost adjustment for the month of March, 2011 was not issued by the Authority till then.
9. In order to allow KESCL for variation in fuel cost of its own generation as well as power purchased from external sources for the month of April, 2011, the Authority has therefore decided to pass on minus Ps. 67.943/kWh to the consumers of KESCL as fuel cost adjustment. The paise per kWh, rounded off after taking into account its effect on the consumption of life line and agriculture consumers, to be charged by KESCL from each consumer works out to be minus Ps. 69/kWh.



Handwritten initials/signature



10. The Authority has noted that:

- according to the schedule for recovery of FCA for the period April 2010 to February 2011 presented by the Authority to the Honorable Sind High Court on its directions, net figure of minus Ps. 49 / kWh on account of FCA is adjustable by KESCL in the consumer billing month of July 2011;
- the FCA allowed by the Authority for the month of March 2011 of plus Ps. 154 /Kwh is also adjustable by KESCL in the consumer billing month of July 2011; and
- The FCA allowed by the Authority for the month of April 2011 as detailed in the preceding paragraph is minus Ps. 69 /Kwh;

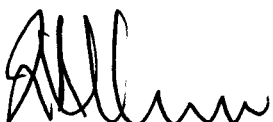
After consideration of the above figures of FCA, the Authority considers appropriate that for reducing the burden of FCA on consumers, FCA allowed for the month of April 2011 i.e. minus Ps. 69 /kWh, should be charged in monthly consumer bills of July 2011 together with the figure of minus Ps. 49/kWh and plus of Ps. 154 /Kwh as detailed above. The FCA shall be charged by KESCL according to the following schedule:

FCA to be calculated on the basis of billing for the month of	Ps/kWh	To be charged in Monthly Consumer bill of
April 2011	(69.00)	July 2011

11. The adjustment as referred to in para 10 above:

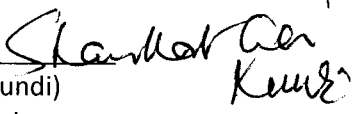
- shall be applicable to all the consumer categories except lifeline and agriculture consumers of KESCL; and
- shall be shown separately in the consumer bills of July, 2011 on the basis of units billed for the month of April, 2011.

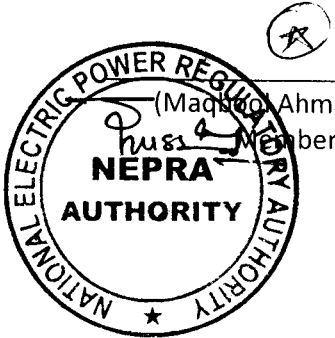
Authority:



 (Zafar Ali Khan)
 Member
 21/6/11

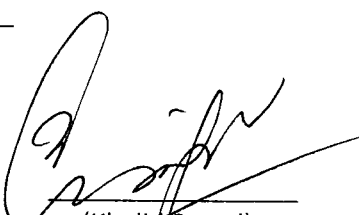

 (Ghiasuddin Ahmed)
 Member
 22/6

Not attended RM-11-273 of 07/6/2011


 (Shaukat Ali Kundi)
 Member/Vice Chairman
 30/6/2011




 (Mahmood Ahmad Khawaja)
 Member


 (Khalid Saeed)
 Chairman

(*) KESCL generation from own plants during April 2011 was less than 60% against available capacity. In my opinion 3 non utilization of its plants available capacity is against direction of Authority required for fuel adjustments as such KESCL do not qualify for this fuel adjustment and as such I dissent from decision of Authority. ——— UNWAVERING MEMBER (S)