



# 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-2009/3180-3183  
May 03, 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 February 2011 [Case No. NEPRA/TRF-133/KESC-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 February 2011 in Case No. NEPRA/TRF-133/KESC-2009(6).

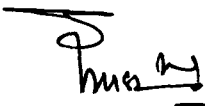
2. The Decision is being intimated to the Federal Government for the purpose of notification of the approved tariff in the official gazette pursuant to Section 31(4) of the Regulation of Generation, Transmission and Distribution of Electric Power Act (XL of 1997) and Rule 16(11) of the National Electric Power Regulatory Authority Tariff (Standards and Procedure) Rules, 1998.
3. Pursuant to the orders of Honorable High Court of Sindh, Karachi, passed in Writ Petition No. 1380 of 2009 titled the Law Foundation and 16 others Vs NEPRA and 9 others on 25.06.2010, the Fuel Adjustment Charges (FAC) of KESC shall not be passed on to the consumers till final orders are passed in the Petition. Copy of orders of Sindh High Court is enclosed for reference.
4. Please note that paras 09 – 10 of the Authority's Decision are required to be notified in the official Gazette. However, prior to the notification of the subject decision, Ministry of Water & Power may like to consult Law, Justice and Parliamentary Affairs Division for legal opinion in the light of order of the Sindh High Court as referred in para 3 above.

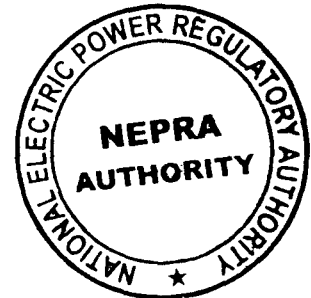
Enclosure: As above

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 )



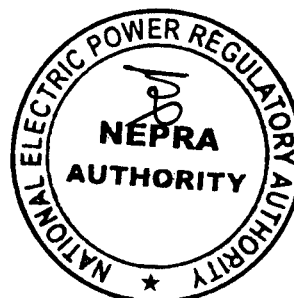
**DECISION OF THE AUTHORITY IN THE MATTER OF  
MONTHLY FUEL COST ADJUSTMENT OF KARACHI ELECTRIC SUPPLY COMPANY  
LIMITED DUE TO CHANGES IN FUEL PRICES FOR THE MONTH OF FEBRUARY, 2011**

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 surcharge adjustment (hereinafter referred to as "FSA").
2. KESCL submitted its request of monthly adjustment due to fuel price variation for the month of February, 2011 vide letter No. CMF/NEPRA/071/621 dated March 22, 2011. In accordance with the directions of the Authority, KESCL had also 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	February -11 Requested
<b>Variation in Fuel Price</b>	
Own Generation (Million Rs)	66.791
External/PPP (Million Rs)	425.105
<b>Total (Rs. in Million)</b>	<b>491.896</b>
Total Units Sent Out (GWh)	925.421
<b>Total Variation Ps/kWh</b>	<b>53.154</b>

3. Notice of hearing of the above mentioned KESCL's request was advertised by the Authority in the leading daily newspapers on April 06, 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 April 15, 2011.

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4. During the hearing, KESCL submitted that the fuel cost of KESCL own generation has increased as cost of furnace oil consumed by KESCL has increased from Rs. 44,781 per metric ton for the month of December 2010 i.e. reference month to Rs. 49,654 per metric ton for the month of February 2011. KESCL further submitted that the power purchase cost of KESCL has increased mainly due to increase in the unit price of electricity purchased from NTDC. KESCL elaborated that it had purchased 79.31% of its total power purchases from external sources for the month of February 2011 from NTDC whose unit price has increased from Rs. 5.705/kWh for the month of December 2010 to Rs. 6.419/kWh for the month of February 2011 i.e. an increase of Rs. 0.714/kWh.
5. Dr. Qazi Ahmed Kamal, representing Karachi Chamber of Commerce & Industry, submitted his detailed views/comments in the hearing whereby he raised the following issues as described hereunder.
  - He submitted that for the month of February 2011, KESCL is buying more units from external sources than it is generating from its own power plants. He added that KESCL bought around 60% of its total units sent out for the month of February 2011 from external sources and about 80% of the total external purchases were made from NTDC. He submitted that KESCL's current self generation is even lower than what KESCL used to generate when it was privatized. He submitted that KESCL is underutilizing its self generation capacity and as a result Karachi is being subjected to load shedding. In response to these observations KESCL submitted that its entire capacity as envisioned by the commentator was not available due to planned maintenances and allocation of some of this capacity as stand by generation. KESCL further submitted that, irrespective of non-availability of its generation capacity, had KESCL fully utilized its capacity on furnace oil, the price of electricity would have increased by Rs. 4.33 per unit. KESCL submitted that it is buying power from cheaper external sources instead of relying on costly self generation on furnace oil.
  - Dr. Qazi Ahmed Kamal submitted that there should be a correlation between the units generated and the fuel used by KESCL. He explained that there should be a plant wise table of reference that will tell how much quantity of gas or furnace oil produces how much electric power. The Authority observed that efficiency levels/heat rates for each production facility of KESCL have already been fixed by the Authority and monthly fuel price variation is allowed on the basis of these heat rates irrespective of what is the actual efficiency level of each power plant. Further, the Authority has also given directions to KESCL for carrying out heat rate tests of some of its power plants.
  - Dr. Qazi Ahmed Kamal submitted that there should be a mandatory level of line losses that must form a basis for all fuel related adjustments and if KESCL violates that standard then it should not be given any benefit. The Authority observed that in its determination dated December 23, 2009 KESCL has been allowed predetermined line losses. Currently the fuel and power purchase cost adjustments are allowed to KESCL on the basis of

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J.A. Kamal

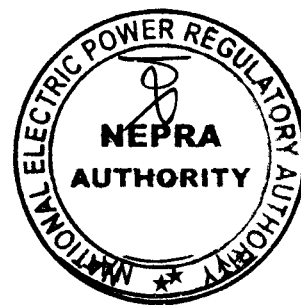


approved T&D losses at 23% which will decrease by 2% every year up to financial year ending on June 30, 2015 irrespective of actual line losses of KESCL.

6. Mr. Azizullah Memon, Additional Secretary Power Department, Government of Sindh also gave his comments during the hearing. He submitted that, despite getting furnace oil on subsidized rates from the government, KESCL is not passing on this advantage to the consumers. In response, KESCL submitted that this particular hearing is being conducted for the fuel price adjustments for the month of February, 2011 and no subsidy on furnace oil has been allowed by the government for February 2011. KESCL further submitted that, in the past whenever KESCL had received subsidy on furnace oil from the government, its effect had been reflected in its fuel price adjustment request.
7. The generation data, rates etc. of KESCL (both from self generation and power purchased from external sources) for the month of February, 2011 were scrutinized with respective invoices and other underlying documents. The Authority observed that NTDC/CPPA for the month of February, 2011 charged Rs. 6.419/kWh to KESCL as energy transfer rate against the energy transfer rate of Rs. 6.400/kWh approved by the Authority for monthly fuel cost adjustments of XWDISCOs. The Authority in its decision dated September 29, 2008 had directed that NTDC/CPPA shall treat KESCL at par with XWDISCOs for the purpose of sale of power and shall charge KESCL on the basis of similar mechanism as approved for XWDISCOs. Accordingly the Authority has allowed Rs. 6.400/kWh for the power purchased from NTDC for the month of February, 2011.
8. 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 February, 2011 works out to be Rs. 486.400 million (Ps. 52.559/kWh), as per the details tabulated hereunder:

Tariff Adjustments Summary	February -11 Requested	February -11 Allowed
<b>Variation in Fuel Price</b>		
Own Generation (Million Rs)	66.791	66.791
External/PPP (Million Rs)	425.105	419.609
<b>Total (Rs In Million)</b>	<b>491.896</b>	<b>486.400</b>
Total Units Sent Out (GWh)	925.421	925.420
<b>Total Variation Ps/kWh</b>	<b>53.154</b>	<b>52.559</b>

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 February 2011, the Authority has therefore decided to pass on Ps. 52.559/kWh to the consumers of KESCL as fuel surcharge adjustment. The paise per kWh, rounded off after taking into account its effect on the consumption of life line consumers, to be charged by KESCL in the prospective billing month of May 2011 from



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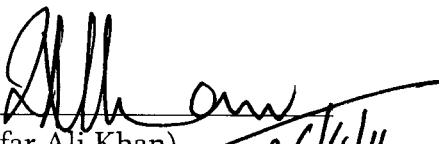
each consumer works out to be Ps. 53/kWh and shall be charged by KESCL according to the following schedule:

FSA to be calculated on the basis of billing for the month of	Ps/kWh	To be charged in Monthly Consumer bill of
February 2011	53.00	May 2011


10. The adjustment as referred to in para 9 above:

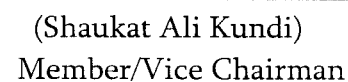
- i. shall be applicable to all the consumer categories except lifeline consumers of KESCL; and
- ii. shall be shown separately in the consumer bills of May, 2011 on the basis of units billed for the month of February, 2011.


Authority:

  
(Zafar Ali Khan)  
Member  
26/4/11

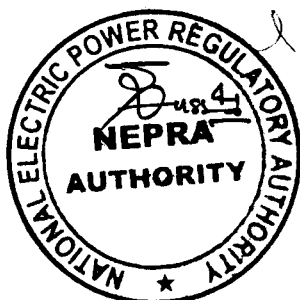
  
(Ghiasuddin Ahmed)  
Member  
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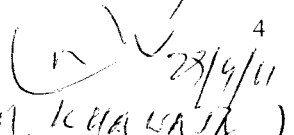
  
(Maqbool Ahmad Khawaja)  
Member

  
(Shaukat Ali Kundi)  
Member/Vice Chairman

  
(Khalid Saeed)  
Chairman

(\*) During Feb 2011, our generation of base was less than 50% of available capacity. In my opinion directives of Authority as per determination of 12/2009 have been violated. As such we do not qualify for adjustment as per Authority directive 12/2009. I therefore dissent from decision of Authority.



  
(M.A. KHAWAJA)  
Member (S)