



National Electric Power Regulatory Authority

Islamic Republic of Pakistan

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Registrar

No. NEPRA/TRF-14/KESC-2002/6601-6604
June 30, 2009

Subject:- **Determination of the Authority on Karachi Electric Supply Co. Ltd. Request for Tariff Adjustment due to Variation in Fuel Price and Cost of Power Purchased for the Quarter January to March, 2009**
Intimation of Determination of Tariff pursuant to Section 31(4) of the Regulation of Generation, Transmission and Distribution of Electric Power Act (XL of 1997)

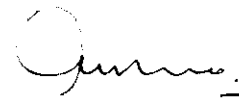
Dear Sir,

Please find enclosed the determination of the Authority along with Annexure-I, II & III (09 pages) applying the Tariff Adjustment Mechanism specified in Case No. NEPRA/TRF-14/KESC-2002 notified vide SRO 716(I)/2002, dated 12th October 2002.

2. Summary of decision is:
 - Adjustment on account of variation in fuel price and cost of power purchased during the quarter January to March, 2009.
3. The determination 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.
4. In view of above, the tariff adjustment intimated vide letter No. NEPRA/TRF-14/KESC-2002/7408-11 dated 07.05.2008, No. 9418-21 dated 07.08.2008, No. 334-337 dated 20.01.2009 and No. 1429-1432 dated 10.04.2009 need to be notified prior to the notification of Annexure-III to the attached determination containing the schedule of tariff.
5. The approval of the tariff is subject to the terms and conditions of schedule of tariff as notified vide SRO 819(I)/2001 dated November 29, 2001 and SRO 325(I)/2002 dated June 11, 2002.

Enclosure: As above

The Secretary,
Cabinet Division,
Government of Pakistan,
Cabinet Secretariat,
Islamabad


(Arshad Mehmood)

CC:

1. Secretary, Ministry of Water & Power, Islamabad.
2. Secretary, Ministry of Finance, Islamabad.
3. Secretary, Privatization Commission, Islamabad.



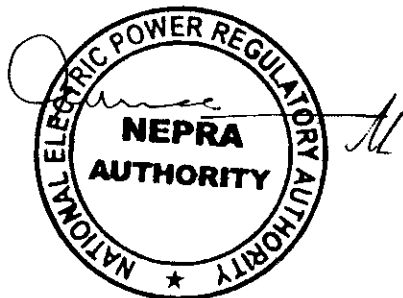


DETERMINATION OF THE AUTHORITY ON TARIFF ADJUSTMENT OF KARACHI ELECTRIC SUPPLY COMPANY LTD. (KESCL) FOR VARIATION IN FUEL PRICE AND COST OF POWER PURCHASE FOR THE QUARTER JANUARY TO MARCH 2009

Pursuant to the NEPRA's Determination No. NEPRA/TRF-14/KESC-2002, dated 10th September, 2002 as notified by the Federal Government vide SRO 716(I)/2002 dated 12th October 2002 (hereinafter the "Determination"), the tariff (hereinafter "Tariff") of Karachi Electric Supply Company limited (hereinafter "KESCL") is subject to adjustments: (a) every three (3) months to compensate for variation in the fuel price and cost of power purchased and (b) every year (in July) for indexation due to CPI (inflation).

2. In light of the aforesaid, KESCL vide letter No. DDRA/NEPRA/071/220 dated April 30, 2009 has sought adjustment in its tariff. KESCL has claimed that the variation in fuel cost due to fuel price variation and generation mix works out to be minus Rs. 4954 million or minus paisa 44.31/kWh, while variation in cost of purchase of power is calculated to be minus Rs. 1058 million or paisa 9.46/kWh. The cumulative effect has thus been worked out to be minus Rs 6012 million or minus paisa 53.77/kWh.
3. In addition to the above, KESCL claimed the following adjustment of cost in the current quarterly tariff adjustment request.
 - i) An amount of Rs. 6754 million or paisa 60.40/kWh pertaining to the un-recovered cost of fuel and power purchase due to the application of 4% cap till September 2008.
 - ii) Rs.4,622 million or Ps.41.33/kWh, comprising Rs.3,157 million on account of the difference between average Disco's rate and the fixed rate i.e. Ps.369/kWh and Rs.1,465 million reconciled arrears of NTDC with KESCL ending July 2008, due to the difference between marginal rate and fixed rate of Ps.369/kWh. In this regard, KESCL has referred to ECC's decision in support of its case. Therefore, KESCL's overall tariff adjustment request in view of the aforesaid is indicated hereunder:

Sr. #	Description	Mln Rs	Ps/kWh
1	Cost variation due to fuel price and power purchase for the quarter Jan-Mar 2009.	(6,012)	(53.77)
2	Adjustment of un-recovered cost due to 4% Cap	6,754	60.40
3	Adjustment of additional cost of power purchase from NTDC upto October 2008	4,622	41.33
	Total Required Adjustment	5,364	47.96



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4. The information/data submitted by KESCL along with its instant tariff adjustment request has been evaluated and discussed as hereunder:

i) **ADJUSTMENT IN TARIFF DUE TO FUEL PRICE VARIATION**

According to the information/data submitted by KESCL, the variation in the cost of fuel due to fuel price variation at KESCL's own generation system for the quarter January-March 2009, works out to be minus Rs.4,957 million or decrease in consumer-end tariff by paisas 44.33/kWh. The aforementioned reduction in the fuel cost from that of previous quarter has ~~been~~ occurred primarily due to decrease in the price of furnace oil purchased and consumed by KESCL at its own generation units during the current quarter and, therefore, approved by the Authority. (Annex-I)

ii) **ADJUSTMENT IN TARIFF DUE TO POWER PURCHASE COST VARIATION**

As per decision of the Authority already notified by GOP vide S.R.O. No 1131(I)/2008 dated October 30, 2008, KESCL is required to pay NTDC at an average (basket rate of NTDC) for the power purchased from NTDC. Accordingly, the variation in the power purchase cost from NTDC including IPP's and others, for the quarter under review has been worked out minus Rs.1059 million or minus Ps.9.47/kWh and therefore, approved by the Authority. (Annex-II)

iii) **UN-RECOVERED COST/LOSS IN REVENUE DUE TO 4% CAP**

KESCL's request for adjustment of un-recovered cost/Loss in revenue of Rs 6754 million (para 3(i) above) was considered by the Authority in its last two determinations for quarterly adjustments in KESCL's tariff dated January 20, 2009 and April 10, 2009 respectively. It was then decided by the Authority that KESCL does not qualify for such adjustment of loss in revenue due to the reason that the existing mechanism for adjustment in tariff due to fuel price variation and the mechanism for adjustment in tariff due to power purchase cost variation already approved by the Authority and notified by GOP doesn't allow for adjustment of such loss in revenue/cost. The Authority therefore, maintains that any loss to the utility either actual or implied which is not covered under the approved mechanism for adjustment in KESCL's tariff can not be considered a pass through cost and adjusted in KESCL's tariff. The Authority, therefore, maintains its previous decisions on the matter.

iv) **ADJUSTMENT OF ARREARS**

KESCL has claimed as per para 3(ii) above, a total of Rs.4,622 million or Ps. 41.33/kWh, comprising Rs.1,465 million on account of difference between the marginal cost rate

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and the fixed rate of i.e. (Ps.369/kWh) and Rs.3,157 million on account of the reconciled arrears for the period Aug-Oct 2009 due to difference between Discos rate and fixed rate of Ps. 369/kWh. KESCL has submitted the following working for the said amount along with recommendation of the Ministry of Water and Power for implementation on the decision of the ECC communicated to NEPRA vide letter No. PIII-3(1)/2008 dated June 09, 2009.

SUMMARY OF THE ECC DECISION

Description	Rs in Million
Disputed amount upto July 2008 i.e. difference between Marginal Rate vs. Fixed rate	34,965
Adjusted against debt service of PEPSCO/WAPDA by GOP	31,000
Total Remaining	3,965

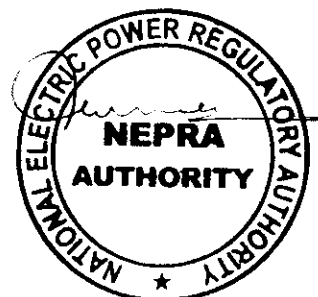
Total of the Remaining amount passed on to Discos	2,500
Total of the Remaining amount passed on to KESCL	1,465
Total	3,965

Total outstanding amount an account of Difference between Discos rate vs. Fixed rate of Ps 369/kWh for the period Aug-Oct 08	3,157
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Total Outstanding amount that needs to be adjusted in KESCL Jan-Mar 09 ATA (3157+1465)	4,622
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5. The Authority has observed that the dispute between NTDC and KESCL over the past arrears on the basis of marginal cost rate was under consideration by a committee already constituted by GoP. Since the decision of the committee over the matter has already been taken and approved by ECC, therefore, the Authority has decided to adjust the amount of Rs. 4,622 million or Ps. 41.33/kWh in KESCL's tariff. As a result of this adjustment of arrears, the amount already set-aside by the Authority in the last quarterly adjustment of KESCL, pending GoP decision, now stands settled/resolved.
6. In view of the above, the net combined effect, while incorporating both variations i.e. fuel price variation as well as the variation in power purchase cost and the outstanding arrears as per decision of GOP for the quarter Jan- Mar 09 works out to be minus Rs1,393.79 million or minus Ps.12.46/kWh

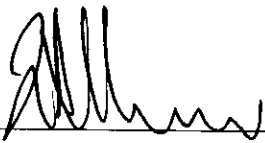
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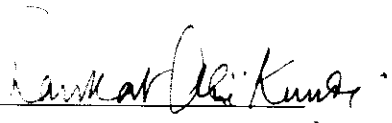
7. In order to compensate KESCL, on account of variation in fuel price and cost of purchase of power, the Authority has decided to allow a uniform decrease in consumer end tariff for all consumer categories by Paisa 13.00 per kWh, except for the life-line consumers consuming up to 50 units per month and agriculture consumers (category D-1 & D-2).
8. In light of the aforesaid, the Authority recommends to the Federal Government that the KESCL Tariff be modified in accordance with Paragraph-7 hereabove for the variation in cost of fuel and power purchase for the quarter January-09 to March-09. For this purpose a new schedule of tariff appended herewith as (**Annex-III**), is hereby intimated for Notification in the Official Gazette in accordance with the provisions of section 31(4) of the Regulation of Generation, Transmission and Distribution of Electric Power Act (XL of)1997, read with Rule-6 of the NEPRA Tariff Standards and Procedure Rules, 1998.

Authority



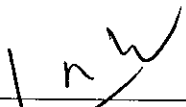
(Zafar Ali Khan)
Member

24/6/09

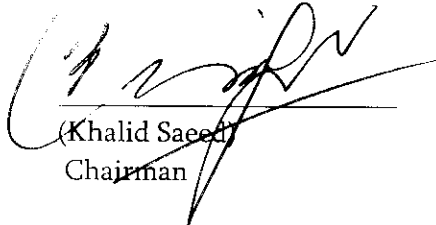


(Shaukat Ali Kundi)
Member

25/6/09



(Maqbool Ahmed Khawaja)
Member/Vice Chairman



(Khalid Saeed)
Chairman



Karachi Electric Supply Company Ltd.
Adjustment in tariff due to variation in fuel price
Quarter ending March 2009

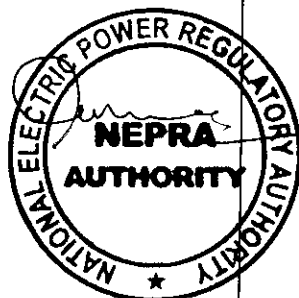
Description	Generation GWh				
	3rd Quarter			Next 3 Quarters	Total Jan- Dec 09
	Jan-09	Feb-09	Mar-09		
Generation on Furnace Oil at Bus Bar					
Korangi Thermal Power Station	-	-	-	189	189
Bin Qasim	92	110	118	783	1,103
Total Generation on F.O.	92	110	118	972	1,292
Generation on Gas at Bus Bar					
Korangi Thermal Power Station	61	50	51	525	687
Korangi/SITE Gas Turbine Power Station	16	8	73	579	676
Korangi Combined Cycle Power Plant	33	45	45	823	946
Bin Qasim Power Station	374	299	333	4,269	5,275
Total Generation on Gas	484	402	502	6,196	7,584
Generation on LD/HSD Oil					
Total Generation	576	512	621	7,168	8,876
Fuel Prices					
Furnace Oil (Without GST) Rs./M.Ton					
Previous Price	36,833	36,833	36,833	36,833	
Revised Price	22,598	22,969	21,838	21,838	
Gas Rs./ MMBTU					
Previous Price	350	350	350	350	
Revised Price	350	350	350	350	
Coverision Factor					
Furnace Oil Kg/kWh					
Korangi Thermal Power Station	0.32	0.32	0.32	0.32	
Bin Qasim	0.25	0.25	0.25	0.25	
Gas BTu/kWh					
Korangi Thermal Power Station	12,900	12,900	12,900	12,900	
Korangi /SITE Gas Turbine Power Station	16,000	16,000	16,000	16,000	
Korangi Combined Cycle Power Plant	8,554	8,554	8,554	8,554	
Bin Qasim	10,000	10,000	10,000	10,000	
Variation in Fuel Cost - F.O. Rs. Million					
Korangi Thermal Power Station	-	-	-	(906)	(906)
Bin Qasim	(325)	(378)	(438)	(2,910)	(4,051)
Sub-total	(325)	(378)	(438)	(3,816)	(4,957)
Variation in Fuel Cost - Gas Rs. Million					
Korangi Thermal Power Station	-	-	-	-	-
Korangi/SITE Gas Turbine Power Station	-	-	-	-	-
Korangi Combined Cycle Power Plant	-	-	-	-	-
Bin Qasim	-	-	-	-	-
Sub-total	-	-	-	-	-
Total Variation in Fuel Cost Rs. Million	(325)	(378)	(438)	(3,816)	(4,957)
Units expected to be sold in the next 12 Months (GWh)					11,182
Variation in cost due to fuel price for the quarter (Million Rupees)					(4,957)
Balance (Spillover) at the end of last quarter Oct-Dec 08) (Mln. Rs.)					-
Total Variation in cost due to fuel price variation (Million Rupees)					(4,957)
Total allowed Adjustment in average sale rate Ps./kWh					(44.33)

ATA-KESC-Jan-Mar 2009



Karachi Electric Supply Company Ltd.
Adjustment in tariff on account of purchase of power
Quarter ending March 2009

Description	Purchase of Power GWh				
	3rd Quarter			Next 3 Quarters	Total Jan-Dec 09
	Jan-09	Feb-09	Mar-09		
Source of Purchase					
Tapal	34	40	50	613	737
Gul Ahmad	5	6	11	613	635
WAPDA	248	327	439	3,193	4,207
KANUPP	32	-	31	304	367
PASMIC	13	13	10	47	83
Others	24	25	48	265	362
Total Purchase of Power	356	412	589	5,035	6,392
Reference Energy Purchase Price not subject to indexation Ps/kWh					
WAPDA	526.96	526.96	526.96	526.96	
KANUPP	245.58	245.58	245.58	245.58	
PASMIC	242.12	242.12	242.12	242.12	
Revised Energy Purchase Price not subject to indexation Ps/kWh					
WAPDA	665.60	567.85	528.98	528.98	
KANUPP	245.58	245.58	245.58	245.58	
PASMIC	242.12	242.12	242.12	242.12	
Reference Energy Purchase Price subject to fuel price change Ps/kWh					
Tapal	707.87	707.87	707.87	707.87	
Gul Ahmad	1,148.51	1,148.51	1,148.51	1,148.51	
Revised Energy Purchase Price subject to fuel price change Ps/kWh (fuel price indexation)					
Tapal	460.96	484.61	530.57	530.57	
Gul Ahmad	1,148.51	1,129.78	1,058.35	1,058.35	
Fuel Prices					
Reference fuel prices					
Tapal	31,950	31,950	31,950	31,950	
Gul Ahmad	50,320	50,320	50,320	50,320	
Revised fuel prices					
Tapal	20,805	21,873	23,947	23,947	
Gul Ahmad	50,320	49,500	46,370	46,370	
Reference Energy Purchase Price other than fuel subject to indexation (variable O&M)					
Tapal	18.50	18.50	18.50	18.50	
Gul Ahmad	10.00	10.00	10.00	10.00	
Reference Energy Purchase Price					
Tapal	60.60	60.60	60.60	60.60	
Gul Ahmad	32.75	32.75	32.75	32.75	
Revised Energy Purchase Price					
Tapal	65.65	65.65	65.65	65.65	
Gul Ahmad	35.49	35.49	35.49	35.49	
Indexation Factors for Energy Charges					
Reference Indexation Factors					
Tapal	3.82	3.82	3.82	3.82	
Gul Ahmad	3.82	3.82	3.82	3.82	
Revised Indexation Factors					
Tapal	4.14	4.14	4.14	4.14	
Gul Ahmad	4.14	4.14	4.14	4.14	
Reference Capacity Charges Rs./kW/Month					
Capacity Charges - non-escalable					
Tapal	375	375	375	375	
Gul Ahmad	768	768	768	768	
Capacity Charges -escalable					
Tapal	403	403	403	403	
Gul Ahmad	520	520	520	520	
Indexation Factors for Capacity Charges					
Reference Indexation Factors for escalable - US CPI	146.03	146.03	146.03	146.03	
Revised Indexation Factors for escalable - US CPI	149.21	149.21	149.21	149.21	
Reference Indexation Factors for escalable - Exchange Rate	75.17	75.17	75.17	75.17	
Revised Indexation Factors for non-escalable - Exchange Rate	79.70	79.70	79.70	79.70	
Dependable Capacity MW					
Tapal	125	125	125	125	
Gul Ahmad	128	128	128	128	
Variation in Cost of Purchase of Power Rs.Million					
Energy	262	45	(87)	(1,527)	(1,308)
Capacity	21	21	21	187	249
Total Variation in Cost of Purchase of Power	283	66	(67)	(1,341)	(1,059)
Overall units expected to be sold in next 12 months GWh					11,182
Variation in cost of power purchase for the quarter (Million Rupees)					(1,059)
Balance (Spillover) at the end of last quarter (Oct-Dec 08) (Mln. Rs.)					
Total Variation in cost of power purchase (Million Rupees)					(1,059)
Total allowed Adjustment in average sale rate (Ps./kWh)					(9.47)



KESC

SCHEDULE OF ELECTRICITY TARIFFS

TARIFF CATEGORY/PARTICULARS	Fixed Charges	Energy Charges	F.A.S	Additional Surcharge
	Rs/kW/Month	Ps/kWh	Ps/kWh	Ps/kWh

RESIDENTIAL --- TARIFF A-1

Up to 50 units consumption in a month	-	61	-	79
For consumption above 50 units				
For first 100 units (1-100) in a month	-	46	500	174
For next 200 units (101-300) in a month	-	63	500	247
For next 700 units (301-1000) in a month	-	156	500	382
Above 1000 units in a month	-	193	500	469

Under this Tariff, there shall be minimum monthly charges at the following rates, even if no energy is consumed during the month.

- a. Single phase connections Rs.45/-
 b. Three phase connections Rs.100/- plus Rs.25/- per kW for load in excess of 5 kW

COMMERCIAL --- TARIFF A-2

For first 100 units in a month	-	291	452	418
Above 100 units in a month	-	315	452	430

Under this Tariff, there shall be minimum monthly charges at the following rates, even if no energy is consumed during the month.

- a. Single phase connections Rs 150/-
 b. Three phase connections Rs 300/- plus Rs 30/- per kW for load in excess of 10 kW

INDUSTRIAL --- TARIFF - B

B-1 Up to 40 kW (At 400 Volts)	-	186	467	337
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There shall be minimum monthly charges of Rs. 70 per kW for first 20 kilowatt of load and Rs. 90 per kW for loads between 20-40 kW even if no energy is consumed.

B-2 From 41-500 kW (at 400 volts)	300	135	467	250
B-3* Up to 5000 kW (11 kV)	290	134	467	234
B-4* For all loads (at 66, 132 kV).	280	129	467	215
B-5* For all loads (at 220 kV and above)	273	129	467	208

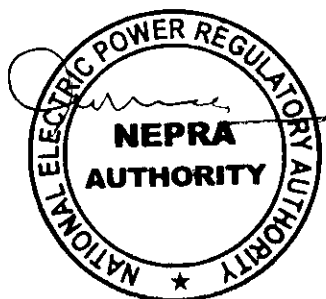
TIME OF DAY (TOD) TARIFF FOR INDUSTRIAL CONSUMERS

PARTICULARS	Fixed Charges Rs/kW/Month	Energy Charges		F A S Ps/kWh	Additional Surcharge	
		Off-Peak Hours	Peak Hours		Off-Peak Hours	Peak Hours
		Ps/kWh	Ps/kWh		Ps/kWh	Ps/kWh
B-2 From 41-500 kW (at 400 volts)	300	125	203	467	234	313
B-3 Upto 5000 kW (11 kV)	290	120	202	467	191	266
B-4 For all loads (at 66, 132 kV).	280	116	192	467	177	256
B-5 For all loads (at 220 kV and above)	273	116	192	467	170	251

Note: B-2 consumers can opt for TOD Tariff

All B-3 & B-4 consumers were to be converted to TOD Tariff by 30-06-2000, after installation of electronic meters with TOD provisions. Normal Tariff (*) will be only applicable to B-3, B-4 and B-5 consumers who have not been provided with TOD meters, till such time TOD meters are provided.

The time period for measuring the maximum demand of B-2, B-3, B-4 and B-5 industrial and TOD meters has been changed from 15 minutes to 30 minutes. Change to take effect on installation of meters capable of measuring the maximum demand in 30 minutes period.



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TARIFF CATEGORY/PARTICULARS	Fixed Charges	Energy Charges	F.A.S	Additional Surcharge
	Rs/kW/Month	Ps/kWh	Ps/kWh	Ps/kWh
<u>BULK SUPPLY --- TARIFF - C</u>				
C-1 (a) 400 Volts	-	129	492	353
C-1 (b) 400 Volts	220	114	492	354
C-2 (a) 11 kV	-	115	492	333
C-2 (b) 11 kV	216	111	492	345
C3 (at 66, 132 & 220 kV) --- for all loads	214	106	492	315

Note: The time period for measuring the maximum demand of C-1, C-2, and C-3 meters has been changed from 15 minutes to 30 minutes. Change to take effect on installation of meters capable of measuring maximum demand in 30 minutes period.

AGRICULTURE --- TARIFF - D

D-1 Sindh and Balochistan	72	80	497	236
D-2 Sindh and Balochistan	176	80	497	172

Note: Consumer falling in category D shall have the option to choose between Tariff D-1 and D-2.

TEMPORARY SUPPLY --- TARIFF - E

E-1 (i) Domestic Supply	-	216	500	388
E-1 (ii) Commercial Supply	-	386	452	528

For the above two categories, the minimum bill of the consumer shall be Rs 46/- per day subject to minimum of Rs.200/- for the entire period of supply, even if no energy is consumed.

E-2 (i) Industrial supply	-	241	467	382
E-2 (ii) Bulk Supply				
(a) at 400 Volts	-	181	492	409
(b) at 11 kV	-	169	492	391
E-2 (iii) Bulk supply to other consumers	-	190	492	407

SEASONAL INDUSTRIAL SUPPLY TARIFF-F

SUPPLY CHARGES	ADDITIONAL SURCHARGE
125% of the "Supply Charges" of relevant industrial supply tariff	125% of the Additional Surcharge of the relevant industrial supply tariff

Note: Tariff-F Consumers will have the option to convert to Regular Tariff and vice versa. This option can be exercised at the time of a new connection or at the beginning of the season. Once exercised, the option will remain in force at least for one year



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TARIFF CATEGORY/PARTICULARS	Fixed Charges	Energy Charges	F.A.S	Additional
	Rs/kW/Month	Ps/kWh	Ps/kWh	Surcharge Ps/kWh

PUBLIC LIGHTING TARIFF-G

G-1 Units Charges	-	220	471	488
G-2 (a) for 60 watts		Rs 495/per year per lamp		470
(b) for 100 watts		Rs 908/per year per lamp		470

Note: Consumer falling in category G shall have the option to choose between Tariff G-1 and G-2.

Fixed Line Charges Per Month Per Mile**Rs**

(i) Where the entire capital cost in laying street lighting supply line which is exclusively meant for street lighting is borne by the Corporation.	253
(ii) Where the entire capital cost in laying street lighting supply line, which is exclusively meant for street lighting is borne by the Consumer.	23
(iii) Where the entire capital cost in laying street lighting supply line, over the existing distribution system is borne by the Corporation.	158
(iv) Where the entire capital cost in laying street lighting supply line, over the existing distribution system is borne by the consumer.	33
(v) For street lighting supply through underground cables.	Rates to be negotiated

RESIDENTIAL COLONIES ATTACHED TO INDUSTRIAL PREMISES (TARIFF-H)

Consumers having their own transformers	150	500	426
Consumers not having their own transformers	151	500	428

Note:

Terms and conditions of the Schedule of Tariff as notified vide SRO 819(1)/2001 dated November 29, 2001 shall continue to remain in force.

