

GEPSCO

GUJRANWALA ELECTRIC POWER COMPANY LTD.

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No. 6748 /FD/GEPSCO/CPC

Dated: ¹⁸~~16~~-01-2010.

CHIEF EXECUTIVE OFFICER

The Registrar,
National Electric Power Regulatory Authority
OPF Building, 2nd Floor, Sector G-5/2
Islamabad

Subject: - Revised Petition Data of GEPSCO for Determination of Quarterly Consumer-End Tariff (October-December 2009) Pursuant to Amendment in the NEPRA Act 1997.

Ref: NEPRA/R/TRF-126/GEPSCO-2009/1219 dated 15-12-2009.

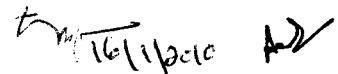
Enclosed please find herewith Revised Tariff Petition Data for the period of 2nd Quarter October, 2009 to December, 2009 of FY 2009-10 in respect of Gujranwala Electric Power Company Limited (GEPSCO) Gujranwala. This is in compliance to the Preliminary Discussion Meeting dated 5th January, 2010 regarding relief petition submitted by GEPSCO.

It is requested that the same my please be admitted for Tariff Determination of the 2nd Quarter October 2009 to December 2009 of FY 2009-10.

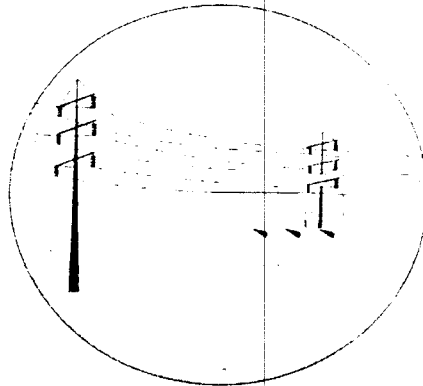

16/01

(Muhammad Ibrahim Majoka)
Chief Executive Officer
Gepco Ltd, Gujranwala

9c


16/1/2010

**GUJRANWALA ELECTRIC
POWER COMPANY LIMITED
(GEPCO)**



**Revised Data
Tariff Petition 2nd Quarter FY 2009-10**

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GUJRANWALA ELECTRIC POWER COMPANY LIMITED

Petition for Fixation of Consumer End Tariff For the 2nd Qtr (October-December 2009) FY 2009-10

Before

The Honorable National Electric Power Regulatory Authority

PETITION SUMMARY

1. DETAILS OF THE PETITIONER

i. NAME AND ADDRESS

Gujranwala Electric Power Company Ltd.
565-A Model Town, Gujranwala.

Distribution License No.04/DL/2002

ii. REPRESENTATIVES OF GEPCO.

- a) Engineer Muhammad Ibrahim Majoka, CEO.
- b) Engineer Bahadur Ali Khan, Technical Director.
- c) Engineer Sh. Muhammad Ilyas Operation Director.
- d) Engineer Ch. Muhammad Hussain CE (CSD)
- e) Muhammad Asad, Finance Director.
- f) Farrukh Aftab Ahmad, Manager Finance (CPC).

2. GROUNDS FOR PETITIONER'S INTEREST

Petitioner being a Power Distribution Company is a bona fide power distribution licensee. In order to perform its obligatory duties prescribed by the Authority (NEPRA) as per NEPRA Performance Standards (Distribution) Rules 2005, the petitioner needs adequate funding. There are three main sources of funding available with petitioner, (i) internal efficiency improvements, (ii) borrowings and (iii) adequate revenue through tariff. While the petitioner is already a highly motivated utility towards continuous internal efficiency improvements; yet such improvement measures require commensurate financial resources either through borrowings or adequate tariff. As per general principles of banking industry, international or local, the financial viability of borrowing organization is always taken as fundamental for lending decisions. In short, internal financial viability of a utility is the basic to embark upon and explore other resources of funds; which can only be ensured through adequate consumer end tariff.

GEPCO, in its status as power distribution licensee, earnestly feels that the existing tariff does not fulfil its liquidity and financial viability requirements and, therefore, is interested in adequate consumer end tariff applicable to its license jurisdiction area.

3. GROUNDS AND FACTS FORMING BASIS OF THE PETITION

FACTS

- Under the 1997 NEPRA Act, NEPRA is responsible for determining tariffs and other terms and conditions for the supply of electricity by the generations, transmission and distribution companies and to recommend these to the Federal Government, subject to the need to comply with guidelines, not inconsistent with the provisions of the NEPRA Act, laid down by the Federal Government. NEPRA is also responsible for determining the process and procedures for reviewing tariffs and recommending tariff adjustments.
- This petition is being filed in Pursuant to the recent Amendment in the Section 31 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 through Ordinance dated July 31, 2009.
- The last tariff determination made by honorable Authority on 9th December, 2009 for the first quarter FY 2009-10 based on NEPRA's estimates for full FY 2009-10, however, tariff was made effective from 21st December 2009 by GoP.vide SRO 1130(1)/2009.

GROUND & BASIS

- NEPRA has determined the tariff on the basis of actual results for the first quarter FY 2009-10 and excluded the actual figures for the first quarter from the FY 2009-10 determinations in arriving at the new revenue requirement. The same is reproduced hereunder:-

Revenue requirement FY 2009-10	Rs. 59,712 million
Less:	
First quarter revenue	Rs. (16,232) million
PPP Adjustment	Rs. (495) million
Revenue requirement for balance Nine months	Rs. 42,985 million
Sale target for balance nine months	4,535 GWh
Average tariff for balance nine months	Rs. 9.4784 / KWh

- Above revenue requirement is based on the distribution margin of Rs. 4,756 million which includes following:-

O&M expenses	Rs. 3,657 million
Depreciation	Rs. 771 million
RORB	Rs. 1,802 million
Other income	Rs. 1,474 million

- While O&M expenses have been estimated close to the minimum requirement, but repair and maintenance (R&M) expenses have been estimated on lower side. R&M expenses are the essential expenses to keep the system efficient while maintaining and improving the productivity levels.

Against the actual R&M expenses of Rs. 356 million during FY 2008-09, NEPRA has allowed Rs. 372 million. Actual R&M expenses during July 09 to December 09 comes to Rs. 230 million leaving available balance of Rs. 142 million for the second half (January 10 to June 10) FY 2009-10.

- Other income has been determined at Rs. 1,474 million against actual figure of Rs. 1,151.6 million FY 2008-09 which includes the reversal of financial charges amounting to Rs. 326 million that were reallocated to other DISCOs under the decision of PEPCO. Since there is no by product being produced in GEPCO and GEPCO is not in a business to earn other income whereas the mainstream business of GEPCO is distribution of electricity, it is not possible to set high targets to earn other income. However, GEPCO should reasonably recover the value of salvages of inventories and should earn some incidental income from security deposits, new connections and commissions.

RELIEF SOUGHT

- Delayed notification of tariff

NEPRA notified determined tariff on 9th December 09 which was notified by GoP effective from 21st December 2009, whereas tariff was applicable with effect from 1st October 2009. Had the tariff notified effective from 1st October 09, GEPCO would be invoicing GoP Rs. 1,723.46 million as subsidy.

- Target for losses

GEPCO's actual units lost come to 11.03% of units purchased during FY 2008-09 against target of 11.25%. NEPRA has set target of 10.50% FY 2009-10 by taking actual losses of 10.72% as actual FY 2009-10 which is an apparent error. GEPCO accepts the target of efficiency improvement by same ratio. Therefore the target losses FY 2009-10 be revised to 10.81%.

- PPP Adjustment

New mechanism of PPP adjustment has been introduced FY 2009-10. The new procedure has inherent error of charging the loss to DISCOs which is being caused purely because of formula. GEPCO is to pay the PPP Adjustment to CPPA on units purchased and receiving the PPP Adjustment from the consumers on the units sold. The additional burden on GEPCO for the second quarter FY 2009-10 comes to Rs. 57.51 million.

- Distribution Margin (DM)

GEPCO DM includes repair and maintenance budget on the lower side by Rs. 52 million and other income budget on the higher side by Rs. 406 million even if a optimistic view is adopted.

PRAYS

- GoP be advised to revise the date of notification of Schedule I with effect from 1st October 2009 enabling GEPCO to invoice for the subsidy. This will release the burden on the consumer and GoP which is piling up in the shape of "prior year adjustment" thereby putting pressure on the coming period tariff to be determined on higher side unnecessarily.

- GEPCO target for losses be revised to 10.81%.
- GEPCO distribution margin be revised by increasing repair & maintenance budget by Rs. 53 million and budget for other income be reduced by 406 million.

4. SUMMARY OF EVIDENCE

In support of the petition in hand following financial calculations are submitted for consideration of the Authority:

- i. Analysis for the 1st quarter FY 2009-10 along with analysis and forecast of other income based on historical trends.**
- ii. Analysis of operating profitability for the second quarter FY 2009-10 based on NEPRA determination.**
- iii. Analysis of operating profitability for the second quarter FY 2009-10 based on actual scenario.**
- iv. Summary of variances and calculations for relief sought.**
- v. Actual consumer mix for 2nd quarter FY 2009-10.**
- vi. Fixed cost variance of generation capacity charge and use of system charge for 2nd quarter FY 2009-10.**

Gujranwal Electric Power Company Limited
Analysis of Profitability - FY 2009-10

1st qtr FY 2009-10

Quantitative Analysis	Actual	NEPRA Determination	Variance - Favourable/ (Unfavourable)
Units purchased - GWh	2,251.71	2,251.93	(0.22)
Losses	13.49%	10.50%	-2.99%
Standard units sold - GWh	1,948.05	2,015.48	(67.43)
Current average tariff Rs./KWh	8.29	8.05	(67.43)

Projected Income statement

		Rs. Million
A	Sale	16,147.00
	PPP adjustment	501.22
	Total Revenue	16,648.22

B PPP - Actual/Transfer price
 PPP adjustment

12,626.00	12,626.00	-
12,626.00	12,626.00	-

DM

O&M
 Depreciation
 Other Income

900.00	888.00	12.00
191.00	192.75	(1.75)
(267.00)	(368.50)	(101.50)
824.00	712.25	111.75

C Total DM
 D=A-B-C Operating Profit

3,198.22	3,388.75	(190.53)
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Analysis:-

The major variances happened in losses and other income.
 - **Losses:** During wet season the amount of units lost is generally high whereas the amount of units lost is low during winter.

- **Other Income:** This item has been determined on the higher side. Ideally other income should be minimum in the ideal conditions and the residuals of the inventories consumed should be part of the other income. The major contributor to this head is late payment surcharge, TV fee commission, non-utility revenue and profit on security deposit. Analysis of historic data is given

	Projected 2009-10	Actual 2008-09	Actual 2007-08	Un-budgetable item
Surcharge on late payment	400.00	363.60	320.20	Budgetable
Non-utility operation including sale of residuals	125.00	108.40	101.80	Budgetable
New Connections	200.00	92.90	352.10	Budgetable
PTV fee commission	80.00	80.30	75.70	Budgetable
Profit on security deposits	163.00	96.20	59.60	Budgetable
Provisions written back	-	19.20	13.90	Not recognized by NEPRA
Others	100.00	391.00	75.90	Rs. 391 includes non-recurring item for reversal of financial charges.
	1,068.00	1,151.60	999.20	

Gujranwal Electric Power Company Limited
Analysis of Profitability - FY 2009-10

2nd Quarter - NEPRA Determination

	Oct-09	Nov-09	Dec-09	Sub-Total
Quantitative Analysis				
A Units purchased - GWh	496.00	472.00	383.00	1,351.00
B Standard loss	10.50%	10.50%	10.50%	10.50%
C=A-B Standard units sold - GWh	443.92	422.44	342.79	1,209.15
D NEPRA determined tariff for the period Rs/KWh	9.4784	9.4784	9.4784	9.4784
Projected income statement				
E=C * D Sale	4,207.65	4,004.06	3,249.05	11,460.76
F PPP - NEPRA determined transfer price	(3,547.00)	(2,951.00)	(3,056.00)	(9,554.00)
G=E - F Gross margin	660.65	1,053.06	193.05	1,906.76
DM				
O&M	(296.00)	(296.00)	(311.00)	(903.00)
Depreciation	(64.25)	(64.25)	(64.25)	(192.75)
Other Income	122.83	122.83	122.83	368.50
H Total DM	(237.42)	(237.42)	(252.42)	(727.25)
I=G-H Operating profit - NEPRA determination	423.23	815.64	(59.36)	1,179.51

Gujranwal Electric Power Company Limited
Analysis of Profitability - FY 2009-10

2nd Quarter - ACTUAL SCENARIO

	Oct-09	Nov-09	Dec-09	Sub-Total
Quattitative Analysis				
A Units purchased - GWh	570.90	478.13	452.60	1,501.63
B Standard loss	10.81%	10.81%	10.81%	10.81%
C=A-B Standard units sold - GWh	509.18	426.45	403.67	1,339.30
D Actual tariff applied during the period	8.12	8.12	8.12	8.12

	Rs. Million		
Projected income statement			
E=C * D Sale	4,134.57	3,462.75	3,277.83
F Subsidy impact on notification wef 21-12-09	-	-	114.26
G=E + F Total Revenue	4,134.57	3,462.75	3,392.10

I PPP - Based on NEPRA determined transfer price (3,817.52) (3,528.25) (3,460.35) (10,806.12)

J=G - I **Gross margin** **317.06** **(65.51)** **(68.26)** **183.30**

PPP Adjustment recovered on units sold	259.68	217.49	-	477.17
PPP Adjustment paid on units purchased	(291.16)	(243.85)	-	(535.01)
K PPP Adjustment loss	(31.47)	(26.36)	-	(57.83)

DM	(300.00)	(300.00)	(315.00)	(915.00)
O&M	(64.33)	(64.33)	(64.33)	(193.00)
Depreciation	89.00	89.00	89.00	267.00
Other Income	(275.33)	(275.33)	(290.33)	(841.00)
L Total DM				

M=J - K - L **Operating profit** **10.25** **(367.20)** **(358.59)** **(715.54)**

Gujranwal Electric Power Company Limited
Analysis of Profitability - 2nd Quarter FY 2009-10

	NEPAL	Actual Scenario	Shortfall/R elief Sought
Quantitative Analysis			
A Units purchased - GWh	1,351.00	1,501.63	
B Standard loss	10.50%	10.81%	
C=A-B Standard units sold - GWh	1,209.15	1,339.30	
D Actual tariff applied during the period	9.48	8.12	
		Rs. Million	
Projected income statement			
E=C * D Sale	11,460.76	10,875.15	
F Subsidy impact on notification wef 21-12-09	-	114.26	
G=E + F Total Revenue	<u>11,460.76</u>	<u>10,989.42</u>	
I PPP - Based on NEPRA determined transfer price	(9,554.00)	(10,806.12)	
J=G - I Gross margin	1,906.76	183.30	(1,723.46)
PPP Adjustment recovered on units sold	-	477.17	
PPP Adjustment paid on units purchased	-	(535.01)	
K PPP Adjustment loss	-	(57.83)	(57.83)
DM			
O&M	(903.00)	(915.00)	
Depreciation	(192.75)	(193.00)	
Other Income	368.50	267.00	
L Total DM	<u>(727.25)</u>	<u>(841.00)</u>	<u>(113.75)</u>
M=J - K - L Operating profit / (Loss)	<u>1,179.51</u>	<u>(715.54)</u>	<u>(1,895.05)</u>

GUJRANWALA ELECTRIC POWER COMPANY
FIXED COST ANALYSIS
FOR THE 2nd QUARTER (FY-2009-10)

Particulars		NEPRA Determination	Actual	Excess/(Less) Paid
Units Purchased	Gwh	1351	1501.63	
Generation Capacity Charges	Rs./Kwh	1.8135	1.8135	0.00
Total Generation Capacity Charges	Rs. Mln	2450	2723	273.17
UoSC	Rs./Kwh	0.2798	0.2798	0.00
Total UoSC	Rs. Mln	378.0	420.2	42.15
G. Total	Rs. Mln			315.31

**GEP
GUJRANWALA ELECTRIC POWER COMPANY LTD.
CONSUMER SALES MIX**

Categories		Oct-09	Nov-09	Dec-09	2nd Qtr
1- Residential - A1					
	Upto 50 Units	2.46%	4.77%	5.13%	3.94%
	1-100 units	25.32%	8.79%	9.97%	15.83%
	101-300	23.20%	30.26%	30.25%	27.40%
	301-700 Units	6.32%	6.86%	5.52%	6.25%
	Above 700 Units	1.59%	1.54%	1.21%	1.47%
	Temporary Domestic (Tariff E-1)	0.00%	0.00%	0.00%	0.00%
	Peak above 5 kW	0.00%	0.01%	0.01%	0.01%
	Off-Peak above 5kW	0.02%	0.02%	0.02%	0.02%
	Total Domestic	58.91%	52.25%	52.13%	54.91%
2- Commercial - A2					
	For Sanctioned Load up to 5 kW	0.00%	0.00%	0.00%	0.00%
	All units	4.41%	4.68%	4.67%	4.57%
	Temporary Commercial (E-1(ii))	0.02%	0.66%	0.03%	0.22%
	For Sanctioned Load > 5 kW		0.00%	0.00%	
	For Load exceeding 05 kW Regular	1.39%	1.46%	1.43%	1.42%
	Time of Day (TOD) - Peak	0.13%	0.02%	0.21%	0.12%
	Time of Day (TOD) - Off-Peak	0.56%	0.17%	0.94%	0.55%
	Total Commercial	6.52%	6.99%	7.27%	6.88%
3- Industrial B					
	B-1 (up to 5 kW)	4.65%	6.19%	6.29%	5.60%
	B-1 Peak	0.00%	0.00%	0.00%	0.00%
	B-1 Off-Peak	0.00%	0.00%	0.00%	0.00%
	B-2 (5-500 kW)	6.67%	9.10%	9.36%	8.19%
	B-2 Peak	0.18%	0.28%	0.31%	0.25%
	B-2 Off-Peak	1.21%	1.79%	1.94%	1.60%
	Temporary Industrial (Tariff E-2)	0.00%	0.00%	0.00%	0.00%
	B-3 11/33 kV (Peak TOD)	0.27%	0.54%	0.62%	0.45%
	B-3 11/33 kV (Off-Peak TOD)	11.73%	14.18%	13.32%	12.94%
	B-4 66/132 kV (Peak TOD)	0.00%	0.00%	0.00%	0.00%
	B-4 66/132 kV (Off-Peak TOD)	0.00%	0.00%	0.00%	0.00%
	Total Industrial	24.71%	32.08%	31.84%	29.02%
4- Single Point Supply for further distribution					
	C-1 For supply at 40/230 Volts				
	C-1(a) Sanctioned Load up to 5 kW	0.01%	0.01%	0.01%	0.01%
	C-1 (b) Sanctioned Load 5-500 Regular	0.10%	0.10%	0.12%	0.11%
	C-1(c) Peak	0.00%	0.00%	0.00%	0.00%
	C-1(c) Off-Peak	0.00%	0.00%	0.00%	0.00%
	C-2(a) For supply at 11-33 kv up to 5000 KW Regular	1.41%	1.39%	1.58%	1.45%
	C-2(b) Peak	0.00%	0.00%	0.00%	0.00%
	C-2(b) Off-Peak	0.00%	0.00%	0.00%	0.00%
	C-3(a) For supply at 66 kv & above Load > 5000 KW Regular	0.00%	0.00%	0.00%	0.00%
	C-3(b) Peak	0.00%	0.00%	0.00%	0.00%
	C-3(b) Off-Peak	0.00%	0.00%	0.00%	0.00%
	Total Bulk	1.52%	1.50%	1.71%	1.57%
5- Agricultural - Tariff D					
	D-1(a) Scarp & Drinking Water Schemes < 5 kW	0.39%	0.60%	0.58%	0.51%
	D-2 Agriculture Tube Wells	6.04%	4.04%	3.64%	4.73%
	D-1(b) More than 5kW including Scarp etc	0.00%	0.00%	0.00%	0.00%
	Peak	0.00%	0.00%	0.00%	0.00%
	Off-Peak	0.00%	0.00%	0.00%	0.00%
	Total T-Well	6.43%	4.63%	4.22%	5.24%
6- Public Lighting - Tariff G-1		0.13%	0.16%	0.19%	0.16%
7- Housing Colonies Attached to Industrial - H-1		0.02%	0.02%	0.02%	0.02%
8- AJK - Tariff K		1.76%	2.37%	2.61%	2.19%
	Time of Day (TOD) - Peak	0.00%	0.00%	0.00%	0.00%
	Time of Day (TOD) - Off-Peak	0.00%	0.00%	0.00%	0.00%
	Total	100.00%	100.00%	100.00%	100.00%

GUJRANWALA ELECTRIC POWER COMPANY LIMITED
Proposed Tariff For FY 2009-10 (2nd Quarter)

	Categories	PROPOSED Rates Q-2	
		Fixed Charge Rs/kW/M	Variable Charge (Rs./kWh)
1-	Residential - A1		
	Upto 50 Units	0 00	2 000
	1-100 units	0 00	8 000
	1-300 units	0 00	10 000
	1-700 units	0 00	12 000
	Above 700 units	0 00	14 000
	Temporary Domestic (Tariff E-1)	0 00	14 000
	Peak above 5 kW	0 00	13 000
	Off-Peak abov 5kW	0 00	7 500
2-	Commercial - A2		
	For Sanctioned Load up to 5 kW		
	All units	0 00	14 000
	Temporary Commercial (E-1(ii))	0 00	14 000
	For Sanctioned Load > 5 kW		
	For Load exceeding 05 kW -Regular	400 00	11 500
	Time of Day (TOD) - Peak	400 00	13 000
	Time of Day (TOD) - Off-Peak	400 00	7 000
3-	Industrial B		
	B-1 (up to 5 kW)	0 00	10 000
	B-2 (5-500 kW)	400 00	9 000
	B-2 Peak	400 00	13 000
	B-2 Off-Peak	400 00	7 000
	Temporary Industrial (Tariff E-2)	0 00	10 000
	B-3 11/33 kV (Peak TOD)	380 00	12 900
	B-3 11/33 kV (Off Peak TOD)	380 00	6 900
	B-4 66/132 kV (Peak TOD)	360 00	12 800
	B-4 66/132 kV (Off Peak TOD)	360 00	6 800
4-	Single Point Supply for further distribution		
	C-1 For supply at 400/230 Volts		
	C-1(a) Sanctioned Load up to 5 kW	0 00	10 500
	C-1 (b) Sanctioned Load 5-500 -Regular	400 00	9 500
	C-1(c) Peak	400 00	13 000
	C-1(c) Off-Peak	400 00	7 000
	C-2(a)For supply at 11.33 kv up to 5000 KW Regular	380 00	9 400
	C-2(b) Peak	380 00	12 900
	C-2(b) Off-Peak	380 00	6 900
	C-3(a) or supply at 66 kv & above load > 5000 KW Regular	360 00	9 300
	C-3(b) Peak	360 00	12 800
	C-3(b) Off-Peak	360 00	6 800
5-	Agricultural - Tariff D		
	D-1(a)Scarp <5 kW	0 00	10 000
	D-2 Agriculture Tube Wells	200 00	6 000
	D-1(b) More than 5kW including Scarp	0 00	
	Peak	200 00	13 000
	Off-Peak	200 00	5 000
6-	Public Lighting - Tariff G-1	0 00	13 000
7-	Housing Colonies Attached to Industrial - H-1	0 00	13 000
8-	AJK - Tariff K	360 00	8 750
	Time of Day (TOD) - Peak	360 00	13 000
	Time of Day (TOD) - Off-Peak	360 00	7 000