



National Electric Power Regulatory Authority

Islamic Republic of Pakistan

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Registrar

No. NEPRA/R/TRF-100/ 2115-29

March 27, 2010

1. Chief Executive Officer, FESCO.
2. Chief Executive Officer, GEPCO.
3. Chief Executive Officer, HESCO.
4. Chief Executive Officer, IESCO.
5. Chief Executive Officer, LESCO.
6. Chief Executive Officer, MEPCO.
7. Chief Executive Officer, PESCO.
8. Chief Executive Officer, QESCO.

Subject: **Decision of the Authority in the matter of Fuel Price Adjustment for the Month of February 2010 for XWDISCOs and Notification of the Decision (S.R.O. 209(I)/2010 dated 27.03.2010)**

Enclosed please find a copy of decision of the Authority in respect of fuel price adjustment for the month of February 2010 for Ex-WAPDA Distribution Companies, along with its Notification (S.R.O. 209(I)/2010 dated 27.03.2010). This is for information and further necessary action accordingly.

Enclosure: As above.


(Syed Safer Hussain)

CC:

1. Secretary, Cabinet Division, Cabinet Secretariat, Islamabad.
2. Secretary, Ministry of Water & Power, 'A' Block, Pak Secretariat, Islamabad.
3. Secretary, Ministry of Finance, 'Q' Block, Pak Secretariat, Islamabad.
4. Managing Director, PEPCO, WAPDA House, Lahore.
5. Member (Power), WAPDA, WAPDA House, Lahore.
6. Chief Operating Officer, CPPA, WAPDA House, Lahore.
7. All Pakistan Textile Mills Association (APTMA) through Rashid Law Associates Attorneys & Corporate Consultants, 5th Floor, Ajmal House, 27-Egerton Road, Lahore



DECISION OF THE AUTHORITY IN THE MATTER OF FUEL PRICE ADJUSTMENT FOR THE MONTH OF FEBRUARY 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 February, 2010, necessary information as to the details of payments on account of fuel charges was obtained from the Central Power Purchasing Agency.
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 the 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 aforesaid purpose was fixed as 24th of March, 2010 in the NEPRA main office; notice thereof was got published in two leading national newspapers on 18th March 2010, inviting written/oral objections from the affected/interested persons/parties.
5. On the date fixed for hearing, representatives from Central Power Purchasing Agency (CPPA), Wapda Private Power Organization (WPPO), National Power Construction Company (NPCC), Ministry of Water & Power (GoP), representative from GEPSCO, Ittehad Chemical Limited and Associated Press of Pakistan were present. A citizen named Mr. Khaique was also present. No representative from Ministry of Finance attended the public hearing despite the service of notice.
6. In spite of publication of notice of public hearing in the newspapers dated 18th of March, 2010 no objections/comments were filed by any person. However, during the course of hearing, verbal comments only were given by the representative of Ittehad Chemical Limited.
7. Notwithstanding non-filing of any objection, the Authority duly reviewed and examined the details of generation cost provided by the CPPA. In order to carry out the verification of said information, a professional of NEPRA was deputed who visited CPPA office in WAPDA House Lahore on Saturday, 20th March 2010 and carried out 100% verification of generation cost for the month of February 2010. The verification of invoices revealed that some additional costs pertaining to supplemental charges under PPAs were also

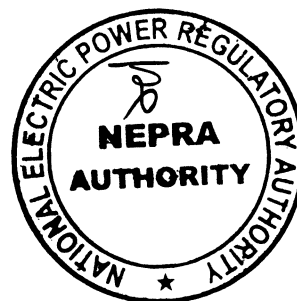


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included in the generation costs for the months of January and February 2010. CPPA used to disclose such information separately in the preceding months and the Authority disallowed the costs wholly or partially on merit depending upon the nature of the cost. The details of supplemental charges are as under:

Description	January 2010	February 2010	Total	
	Rs.	Rs.	Rs.	Rs./kWh
Markup to IPPs	560,223,156	240,696,995	800,920,151	0.14
Startup	6,565,992	-	6,565,992	0.00
PLAC	489,853	32,998,314	33,488,167	0.01
Open Cycle	2,496,336	-	2,496,336	0.00
Bonus	231,804,435	383,607,083	615,411,518	0.11
Fuel Differential	333,401,486	(8,590,922)	324,810,564	0.06
E. Duty	4,317,274	15,950,572	20,267,846	0.00
EPP Adjustment	265,679,268	302,660,424	568,339,692	0.10
Total	1,404,977,800	967,322,466	2,372,300,266	0.43

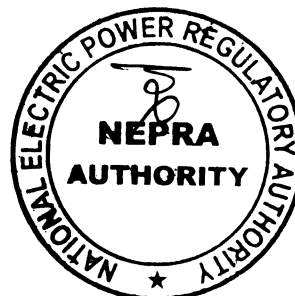
8. Responding to the queries raised by the Authority regarding the concealment of information and legitimacy of markup on delayed payment to IPPs, Chief Operating Officer CPPA stated that although the separate disclosure was not made, all costs were legitimate and in accordance with the terms of Power Purchase Agreements. He further explained that unless and until the circular debt was eliminated, markup on delayed payment to IPPs could not be avoided. CPPA was making every effort to resolve the issue of circular debt and raised the matter at appropriate level with the concerned quarters in the Government. However due to financial constraints, it was not possible to eliminate markup on delayed payment in the near future. CPPA requested the Authority to allow the cost to be passed on to the consumers.
9. The representative of Ministry of Water and Power, Mr. Rehan (Consultant Tariff), on the issue of markup on delayed payment to IPPs stated that in principle Ministry of W&P did not support to pass on to the consumers the impact of markup on delayed payment to IPPs, however, due to the existence of circular debt which was in the range of Rs. 180 billion at present, it was not possible to avoid the markup cost.
10. The representative from Ittehad Chemical, Mr. Javed Iqbal, Chief Financial Officer, sought permission to speak which was granted. He stated that Ittehad Chemical was a B-4 Industrial Consumer in Lahore; it had been consuming 20 to 30 million kilowatts each month in



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production of Caustic Soda. He stated that for every 1 paisa increase in the cost, its cost was increased by Rs. 30/ton and for every one rupee increase in cost; the impact was Rs. 3,000/ton. He further stated that from August onward, after a lapse of 1.5 to 2.5 months, notifications were issued increasing the cost on account of fuel price adjustment. This cost could not be passed on to the consumers which eroded the profits of the company. He described that the profits for the last nine months became negative because of the fuel price adjustments. He explained further that there are only two to three Caustic Soda plants in the country which are also providing Hydro Chloric Acid which are being used in the power plants and shutting down of the Caustic Soda Plants would directly hit the power plants. He requested that fuel price adjustment should be notified timely so that it could be passed on to our consumers.

11. The Authority gave due consideration to the arguments raised by the representative of Ittehad Chemical regarding charging of arrears of fuel adjustments. In this regard, it needs to be explained that making review of fuel charges on a monthly basis in the applicable tariff is a statutory duty imposed upon NEPRA through amendment in section 31(4) of the NEPRA Act. Because of the inherent gap between the consumption and billing of electricity, it is not possible to notify the adjustment for a specific month before finalization of generation cost which is completed in the following month. Fuel price adjustment is a regular feature of the electricity tariff and the industries can foresee the impact keeping an eye on the oil prices prevailing in the International Oil Market, availability of gas and hydrological situation in the country.
12. The details of fuel price variations provided by CPPA have been examined and it is observed that there is a substantial variation in fuel cost component of consumer-end tariff. During the month of February 2010 the pool fuel cost has increased by Rs.1.44/kWh (Annex-I&II). The main attributors to the increase in fuel cost component are increase in fuel prices, unfavorable generation mix, 17.5% reduction in hydro electric power and supplemental charges under PPA.
13. The Authority took serious notice of non-provision of full disclosure of information and directed CPPA to ensure that such practice must not be repeated in future. In the Authority's considered opinion, consumers who pay their bills in time can't be burdened with the markup on delayed payment to IPPs, therefore, the Authority in line with its previous decisions has decided to disallow the markup cost of Rs. 240.697 million to be passed on to the consumers. The Authority has also decided to disallow an amount of Rs. 560.223 million on account of markup cost for the month of January 2010. The Authority considers that the markup cost of Rs. 560.223 million would not have been passed on to the consumers if the information for the month of January 2010 had been disclosed appropriately. In view thereof the impact of total markup cost of Rs. 800.920 million pertaining to the months of January and February 2010, i.e., Rs. 0.14/kWh is disallowed.

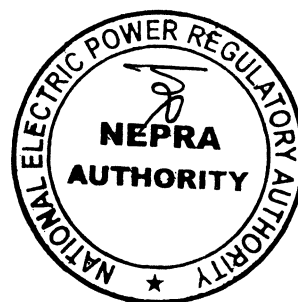


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14. The Authority agrees that the bonus is a legitimate cost; however, it is not a cost on account of fuel consumed rather it is an incentive for increased utilization of the plant. Bonus is being paid to the power producers for providing net electric output higher than the threshold as specified in the PPA. The incremental fuel cost due to increased generation has already been accounted for in the fuel cost. The Authority has therefore decided not to consider bonus of Rs. 615.411 million in the monthly fuel price adjustment and it will be considered at the time of quarterly tariff adjustments/determinations. The impact to the extent of Rs. 0.11/kWh on account of bonus for the months of January and February 2010 is, therefore, also disallowed to be passed on to the consumers.
15. On the issue of EPP adjustment, the CPPA explained that it mainly comprised of a transitional liability recognized due to conversion of accounting system from cash to accrual basis and hence related to the prior years. The Authority considers that such an adjustment is beyond the premise of monthly fuel price adjustment, therefore can not be considered at this point of time. The Authority however recognizes the legitimacy of the cost and has decided to consider Rs. 568.340 million at the time of quarterly tariff adjustments/determinations and for the purpose of monthly fuel price adjustment the impact of Rs. 0.10/kWh is not being passed on to the consumers.
16. The Authority further noted that during February 2010 NTDC claimed 3.3% transmission losses against the determined losses of 2.5% as per the Authority's determination dated 6th February 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.0.06/kWh on this account is also being disallowed to be passed on to the consumers.
17. The Authority on the basis of above has assessed Rs. 1.02/kWh fuel cost adjustment for the month of February 2010 as per the following:

Actual Fuel Cost Component for February 2010	Rs. 6.37/kWh
Corresponding Reference Fuel Cost Component (Determined) for the month of February 2010	Rs. 5.35/kWh
Fuel Price Variation for the month of February 2010	Rs. 1.02/kWh

18. The assessed fuel cost adjustment of Rs.1.02/kWh for the month of February 2010 is equivalent to the adjustment determined for the month of January 2010; therefore, effectively there will be no increase in the bill of the consumer on account of fuel price adjustment as compared with the month of January 2010.

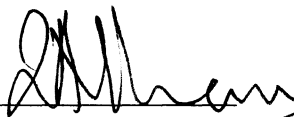


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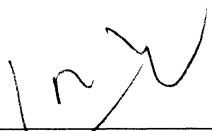


19. In the light of assessment made in paragraph 13 above the Authority directs CPPA to revise the fuel cost component invoiced to distribution companies.
20. The above adjustment as referred to in Para 17 above ;
- i) shall be applicable to all the consumer categories except lifeline consumers of all the DISCOs;
 - ii) shall be shown separately in the consumers' bill on the basis of consumption by the consumer in the month of February 2010.


AUTHORITY




(Zafar Ali Khan)
Member 26/3/10




(Maqbool Ahmad Khawaja)
Member



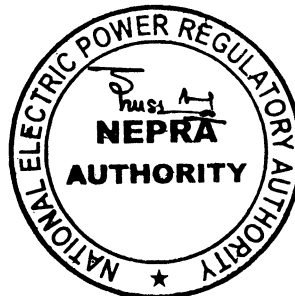
(Shaukat Ali Kundi)
Member 26.03.2010



(Ghiasuddin Ahmed)
Member/Vice Chairman



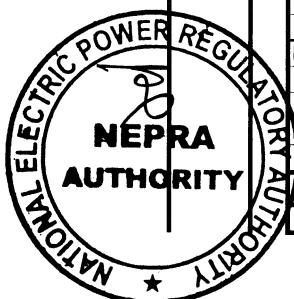
(Khalid Saeed)
Chairman



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

Annex-I

S.No.	Power Producer	Fuel	Dep. Capacity MW	Energy KWh	Energy Cost (Rs.)
1	Hydel				
	i. WAPDA	Hydel	6444	1,207,643,464	373,799,537
	ii. Jagran	Hydel	30	(313,420)	-626,213
	iii. Malakund-III SHYDO	Hydel	81.46	35,614,500	88,392,926
	Hydel Total:			1,242,944,544	461,566,250
2	Ex-WAPDA GENCOs				
	i. GENCO-I				
	Jamshoro Block 1 Unit 1	RFO		103,780,000	1,208,130,211
	Jamshoro Block 2 Unit 2-4	RFO		84,605,482	1,136,452,600
	Jamshoro Block 3	RFO		115,189,518	567,746,095
	Kotry 3-7	RFO		-	-
	Jamshoro Block 4	RFO		37,265,720	160,611,981
	Kotry 1-2	RFO	798.5	455,280	3,773,406
	Prev. Adjustment				173,059,598
	Jamshoro Total		798.5	341,296,000	3,249,773,891
	ii. GENCO-II				
	Central Block 1	RFO		-	0
	Guddu CC 11-13	RFO	390	168,201,702	560,078,027
	Central Block 2	RFO		-	-
	Guddu CC 5-10	RFO	530	163,932,126	605,237,409
	Central Block 3	RFO		21,154,545	237,358,226
	Guddu Steam 3-4	RFO	340	142,433,857	629,073,373
	Central Block 4	RFO		-	-
	Guddu Steam 1-2	RFO	140	66,337,470	313,577,221
	Prev. Adjustment				350,640,604
	Central Total		1400	562,059,700	2,695,964,860
	iii. GENCO-III				
	Northern Block 1	RFO		201,579,369	2,439,110,780
	MG Unit 1-3	RFO		1,338,345	5,718,882
	Northern Block 2	RFO		148,575,158	1,783,884,019
	MG Unit 4	RFO		-	0
	Northern Block 3	RFO		92,631,250	1,266,977,017
	MG Unit 5-6	RFO		974,058	4,687,751
	Northern Block 4	RFO		-	0
	GTPS FSD 5-9	RFO		-	0
		HSD	1,568	18,154,431	269,533,154
	Northern Block 5	RFO		32,348,000	516,879,839
	SPS FSD 1-2	RFO		-	0
	Northern Block 6	RFO		-	0
	GTPS FSD 1-4	RFO		-	0
		HSD		(16,484)	-442,549
	Northern Block 7	RFO		14,080,850	222,195,978
	NGPS Multan 1-4	RFO		-	0
	Northern Block 8	RFO		-	0
	Shahdra	RFO		(64,440)	-387,053
	Rental Sharaqpur	RFO	138	(70,000)	(311,157)
	Rental Bhiki	RFO	125	-	-
	Adjustment				-
	Northern Total:		1,831	509,530,537	6,507,846,661
	iv. GENCO-IV				
	Lakhra Power	RFO	31.2	2,694,000	7,267,065
	GENCOs Total:-		4,061	1,415,580,237	12,460,852,477
3	IPPs				
1	Kot Addu Block 1	RFO		1,970,800	19,485,776
		GAS		-	-
		HSD		1,170,200	15,758,343
	Kot Addu Block 2	RFO		457,373,300	5,053,771,964
		GAS		-	-
		HSD		4,626,700	68,216,749
	Kot Addu Block 3	RFO		-	-
		GAS		-	-
		HSD		53,006,000	830,534,806
	Adjustment				
	Kot Addu Total		1336	518,147,000	5,987,767,638



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Power Procurement Report (Provisional)
For the Month of February 2010

Annex-I

S.No.	Power Producer	Fuel	Dep. Capacity MW	Energy KWh	Energy Cost (Rs.)
2	Hub Power	RFO	1,200	630,195,600	7,091,969,607
3	Kohinoor Energy	RFO	124	69,873,000	720,100,158
4	AES Lalpir	RFO	350	204,250,000	2,167,099,549
5	AES Pakgen	RFO	350	175,455,113	1,856,495,462
6	Fauji Kabirwala	GAS	151	92,369,000	338,761,465
7	Japan Power	RFO	121	35,343,000	359,022,296
8	Uch	GAS	551	367,230,000	892,044,302
9	Rousch	GAS	395	275,207,531	833,211,218
10	Southern Power	RFO	119	48,747,724	510,451,838
11	Saba Power	RFO	126	36,716,453	395,871,589
12	Habibullah	GAS	129	77,845,313	236,586,457
13	Altern	GAS	26	-	-
14	Liberty	GAS	213	47,167,000	454,071,366
15	Chashma Nuclear	Nucl.	300	202,440,000	61,409,595
16	Tavanir Iran	Import	32	15,392,129	64,877,866
Sub-Total:				2,796,378,863	21,969,740,406
1	Attock-Gen	RFO	156	94,883,852	911,273,597
2	Atlas-Honda	RFO		115,866,759	1,101,695,868
3	Nishat Power	RFO		95,558	830,398
4	Foundation Power	GAS		16,236,920	155,874,432
Sub-Total:				227,083,089	2,169,674,295
IPPs Total			5,524	3,023,461,952	24,139,414,701
4	Others				
i.	TPS-Quetta	GAS	25	(66,000)	(594,000)
ii.	TPS-Shahdara	GAS		(64,440)	(579,960)
iii.	SPPs	Mixed	151	63,197,255	663,571,178
Others Total			176	63,066,815	662,397,218
G-Total:			16,084	5,745,053,548	37,724,230,646
Summary					
	Hydel			1,242,944,544	461,566,250
	Coal			2,694,000	7,267,065
	HSD			76,940,847	1,183,600,503
	F.O.			2,569,525,813	28,999,056,773
	Gas			1,571,918,960	5,759,181,215
	Nuclear			202,440,000	61,409,595
	Import from Iran			15,392,129	64,877,866
	Mixed			63,197,255	663,571,178
	Prev. Adjustment			-	523,700,202
Grand Total				5,745,053,548	37,724,230,646

Energy Sale Price	
Energy Cost (Rs.)	37,724,230,646
Adjustment (Rs.)	(6,728,516)
EPP charged to IPPs (Rs.)	36,565,046
EPP (Chargable) (Rs.)	37,680,937,084
Energy Sold (KWh)	5,553,426,428
Avg. Rate (Rs./KWh)	6.7852

Energy sold to IPPs (KWh)	=	1,702,083
		1.702083



Source Wise Generation

Sources	Reference		Actual	
	February 2010			
	GWh	%	GWh	%
Hydel	1,505	22.2%	1,243	21.6%
Coal	9	0.1%	3	0.0%
HSD	21	0.3%	77	1.3%
RFO	2,845	42.0%	2,586	45.0%
Gas	2,078	30.7%	1,556	27.1%
Nuclear	202	3.0%	202	3.5%
Import Iran	15	0.2%	15	0.3%
Mixed	98	1.5%	63	1.1%
Prev Adjust	-	0.0%	-	0.0%
Total	6,773	100.0%	5,745	100.0%
Sale to IPPs		0.0%	(2)	0.0%
NTDC Loss	(169)	-2.5%	(190)	-3.3%
Net Delivered	6,604	97.5%	5,553	96.7%

Source Wise Fuel Cost/Energy Purchase Price

Sources	Reference		Actual	
	February 2010			
	Mlns. Rs.	Rs./kWh	Mlns. Rs.	Rs./kWh
Hydel	573	0.38	462	0.37
Coal	19	2.04	7	2.70
HSD	231	11.03	1,184	15.38
RFO	27,350	9.61	29,155	11.28
Gas	6,385	3.07	5,603	3.60
Nuclear	103	0.51	61	0.30
Import Iran	59	4.05	65	4.22
Mixed	621	6.32	664	10.50
Prev Adjust	-	-	524	0.09
Total	35,342	5.22	37,724	6.57
Prev. Month Adj.	-	-	(7)	(0.00)
Sale to IPPs	-	-	(37)	(21.48)
Grand Total	35,342	5.22	37,681	6.56
Imp.of NTDC Losses		0.13		0.23
Net Total	35,342	5.35	37,681	6.79



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National Electric Power Regulatory Authority



NOTIFICATION

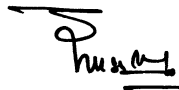
Islamabad, the 27th March, 2010

S.R.O. 209(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 February 2010 for Ex-WAPDA Distribution Companies:

Actual Fuel Cost Component for February 2010	Rs. 6.37/kWh
Corresponding Reference Fuel Cost Component (Determined) for the month of February 2010	Rs. 5.35/kWh
Fuel Price Variation for the month of February 2010	Rs. 1.02/kWh

Note: The assessed fuel cost adjustment of Rs.1.02/kWh for the month of February 2010 is equivalent to the adjustment determined for the month of January 2010; therefore, effectively there will be no increase in the bill of the consumer on account of fuel price adjustment as compared with the month of January 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 February 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 February 2010.


(Syed Safer Hussain)
Registrar