

THROUGH O.C.S:
MOST IMPORTANT:

No. SOPP:-6/34-2016-NEPRA/P-IV/2960
GOVERNMENT OF SINDH
ENERGY DEPARTMENT



Karachi dated 11th August, 2016

"SAY NO TO CORRUPTION"

To,

The Deputy Registrar,
National Electric Power Regulatory Authority,
Tower, Attaturk Avenue (East), G-5/1,
Islamabad

Subject:

**NOTICE OF ADMISSION IN THE MATTER OF PETITION FILED BY
K-ELECTRIC LIMITED (K-ELECTRIC) FOR THE DETERMINATION
OF ITS MULTI YEAR TARIFF (MYT) FOR THE PERIOD
COMMENCING FROM JULY 01, 2016 TO JUNE 30, 2026
(Case No.NEPRA/TRF-362/KEL-2016).**

I am directed to refer to National Electric Power Regulatory Authority's letter

No.NEPRA/SAT-I/TRF-362/9661-70, dated 01-07-2016 on the subject noted above and to
enclose herewith requisite comments on the subject petition for further necessary action.

3. Please acknowledge receipt of this letter, for record and reference.

(FAISAL HUSSAIN)
SECTION OFFICER (POWER)

C.C to:-

- The Director, Directorate of (A.E / PDS), Energy Deptt: GoS, Karachi.
- The Director, Directorate of VEP, Energy Deptt: GoS, Karachi.
- The Chief Executive Officer, STDC Karachi.
- The Consultant, Directorate of (EM&RC), Energy Department, Govt. of Sindh, Karachi.
- The Electric Inspector Karachi Region-I & II, Karachi.
- PS to Secretary, Energy Deptt: GoS, Karachi.

(FAISAL HUSSAIN)
SECTION OFFICER (POWER)

Registrar
By No. 8/35
Dated 12-08-16

Senior Advisor Tariff-I
By No. 6658
Date: 15-8-16



GOVERNMENT OF SINDH
ENERGY DEPARTMENT

BEFORE

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY (NEPRA), ISLAMABAD
(Case No.NEPRA/TRF-362/KEL-2016).

Comments.....Under Rules 6 & 7 of NEPRA
(Tariff Standards and
Procedures) Rules 1998.

Petitioner.....K-Electric Limited.

Subject.....Determination of Multi Year
Tariff (MYT) from July 01, 2016
to June 30, 2026

Filed By.....Energy Deptt: Govt. of Sindh.

That having received notice of admission referring to petitioner i.e K-Electric's Multi-Year Petition filed before NEPRA, Energy Department Govt. of Sindh has reviewed the contents of petition and has the following comments to file before authority for consideration.

2. That the petitioner is a Public Limited Company, providing public utility services to the city of Karachi and its suburbs.

3. That the petitioner has filed this petition to grant / extend applicability period of existing tariff till June 30, 2026 alongwith some modifications / adjustments thereto which are mentioned here under;

- i) An increase of Rs 0.66/kWh in Operation and Maintenance (O&M) component of the existing tariff.
- ii) Change in clawback formula thresholds from 12%, 15% and 18% to 15%, 18% and 20%.
- iii) In the existing tariff adjustments, the level of X factor in the O&M cost adjustment formula should be lower of the current levels or 30% of increase in Consumer Price Index (CPI).
- iv) In existing tariff, a working capital component should be included to cover late payments by Government entities and Government of Pakistan (GoP) in respect of Tariff Differential Subsidy (TDS) claims due to circular debt.

Energy Department
Government of Sindh

- v) In existing tariff, a force majeure clause to be included for the allowance of irrecoverable costs or lost revenue from business disruption in case of a force majeure event.

4. That the petitioner is bound to operate under license granted by National Electric Power Regulatory Authority (NEPRA) for generation, transmission & distribution.

5. The petitioner intends to extend its business and trying to secure 10 years loan on the basis of filed petition to strengthen the investors' confidence and to attract lenders to make long time investments.

6. That the petitioner highlights an investment plan of PKR 496 billion across functions in the next decade. This is centered on a vision to cater for Karachi's current and future demands. The expansion of its infrastructure will improve the quality of service to the citizens of Karachi, boost economic growth, and also provide an avenue for job creation in the city / province. The Petitioner is proposing a plan to invest in all the three sectors viz generation, transmission and distribution. Government of Sindh has already taken measures to invest in the generation business through gas / renewable technologies. To cater the transmission business in the province, a new entity Sindh Transmission & Dispatch Company (Pvt.) Limited has been established which will invest in the transmission business throughout the province. The petitioner, being a utility, should invest and focus on the improvement of its distribution business to achieve reliability and quality service to the end consumer.

7. It is a fact that privatization brought significant Foreign Direct Investment in the country. No doubt petitioner faced multiple issues relating with labour unions and internal operations in the immediate aftermath of take over, but despite difficulties have shown improvement to some extent in the services since 2009. A lot more can be done to improve the services for the benefit of people of Karachi. Like-wise:

- i) The Business Plan shows addition of coal, LNG and dual fuel based generation capacity but does not show any addition of environment friendly power (Wind / Solar) therefore, addition of renewable energy in the business plan is essential.

The authority may emphasis upon the initiatives taken by Government of Sindh for addition of new Renewable Energy technologies for sustainable development specially when tariffs of wind /solar are in single digits.

- ii) The total demand for the year 2026 has been calculated as 5243 MW. Retiring / aging of the plants has not been taken into account. Replacement of 650 MW NTDC supply in 2020 has also not been covered to balance the demand supply gap. Therefore, above ambiguity is required to be clarified by the petitioner for the information of stakeholders.

Energy Department
Government of Sindh

iii) Maintenance of spinning reserves has not been mentioned for the next 10 years which is necessary for system stability hence the petitioner may clarify the maintenance of spinning reserves for the sake of understanding of all stakeholders.

iv) The fleet efficiency of plants for 10 years has been envisaged from 37 % to 43%, that is not sufficient in lieu of 72% addition of new power plants. The efficiencies of new proposed power plants and existing power plants may separately be defined to evaluate the actual performance of petitioner company.

8. That the efforts of petitioner in past few years have added new power plants, losses. This has allowed the petitioner to decrease / minimize load shedding; their efforts for reducing load shedding from industries contributed in improved economic growth of the city.

9 (a). That the petitioner has planned transmission projects in lieu of the proposed increase in the tariff i.e Rs. 0.66/Kwh in operation and maintenance (O&M) component of the existing tariff across the board, (b) modification of values in the clawback formula thresholds from 12%, 15% and 18% to 15%, 18% and 20%, in the existing tariff at which the surplus return shall be shared with customers through reduction in tariff (c) adjustment in the existing tariff with efficiency factor ("X") applicable to operation & maintenance costs, and (d) inclusion of working capital allowance & (e) cost of force majeure event provision should be lower than the current levels or 30% increase in Consumer Price Index (CPI) however, the petitioner has not mentioned the breakup of estimated amount / financial impact of planned projects in relevant components for the proposed period of 10 years which requires to be clarified by designing a bar chart / work plan for the knowledge of stakeholders. Probably the financial impact of all projections would be in trillions which is expected to be borne by consumers / stakeholders.

Also, the MYT requested by the petitioner is for 10 years starting from July 2010 till June 2026 on the basis of projected investments in the future which are yet to be materialized. The impact of those future investments to be incorporated in the MYT from the beginning is unjustified. Alternatively, the petitioner should plan investments and ask for an increase in tariff once the investments are being executed and costs are justified to be included in the tariff.

The petitioner has at various instances in the tariff petition mentioned the fact of improvement in the Operations & Maintenance and minimizing Transmission & Distribution (T&D) Losses, thus achieving higher efficiency levels. Asking to keep the efficiency factor X at the same (previous) levels on one side and achieving better O&M efficiency levels on the other side requires clarification.

Energy Department
Government of India

9 (b). The petitioner introduced / proposed two new entries at (d & e) of para-9 which have no provision in existing tariff structure. This would be additional unnecessary burden on the shoulders of consumers / stakeholders. The financial health of the company as given in Table -1 (Page18 of the petition) has improved from negative (- 8%) to positive (+23%) in six years, therefore the demand of "Working Capital allowance" and "Cost of Force Majeure event" does not carry merit. The claw back mechanism threshold may also be retained on the stage of 12%, 15% and 18% as per existing structure design. Petitioner's financial position has grown significantly from FY09 to FY15 and the debt burden has reduced. Petitioner's current Debt to Equity ratio of 0.24 and Interest Coverage of 2.54 times shows better cashflow performance and company should be kept at the same level so that the benefit of higher returns can be shared with general public also.

Likewise, the cost of any force majeure event to be shared with end consumers is unjustified and will overburden the consumers. The entire cost of force majeure could be mitigated by transferring it to the insurance cover. The cost of insurance cover will be much lower than overburdening consumers with complete cost of force majeure.

Keeping in view better financial performance, the petitioner seems to have enough cashflow coverage to pay-off debt repayments. Hence, the working capital requirements can be met through petitioner's own resources as well.

10. The petitioner has used technical terms to make the petition attractive. From page 3 onwards petitioner has tried to safeguard the interest of the company. No support / relief is proposed for consumers / stakeholders in the instant petition.

11. The petitioner has developed business plan at para 4.4 page-11 of the petition but component / year wise break-up of completion period of the proposed projects 2016-2026 have neither been mention nor any bar chart / work plan is shown. The authority may ask details about location wise yearly transmission enhancement plan along with single line diagram.

12. The proposed business plan neither show any impact on the net metering policy recently announced by NEPRA nor any arrangements to implement this policy are there. The authority may ensure the provision of net metering / roof top solar system during the proposed 10 years plan as practiced worldwide for sustainable energy.

13. That the petitioner has good performance reputation as compared to other DISCOs in the province. Best efforts of the company are always appreciated but still it has space to improve for providing best services to the Karachities at their door step.

Energy Department
Government of Sindh

14. That the petitioner and the Energy department of Govt. of Sindh have begun to work together. The under construction Sindh Nooriabad Power Project indicates that petitioner has serious thoughts for coordinating with Sindh Government in future planning and upcoming projects in the interest of people of the province. The sustainability of the petitioner's investment requires robust tariff structure while protecting interest of consumer. As mentioned above in para-6, the petitioner and other market players have advantageous space to work in collaboration with the Energy Department Government of Sindh for Generation business as various renewable energy initiatives have already been taken by Sindh Government. Therefore, the petitioner may establish a strong linkage with Government of Sindh for future development.

15. That the petitioner's business plan, projections and forecasts contained in this petition are only intended for NEPRA for evaluation and determining multi year tariff which is based on expectations / estimates. In the light of above observations and keeping in view the requirements of general public, Energy Department proposes that petitioner may rationalize the increase in the tariff of Rs. 0.66/Kwh in operation and maintenance (O&M) component of the existing tariff upto 25%. Time period of ten years required to be rationalize up to 33% in first term in order to ascertain the performance and achievement of the petitioner. Further increase may be considered thereafter. However National Electric Power Regulatory Authority (NEPRA) is the competent forum to evaluate the petitioner's request.

Energy Department
Government of Sindh

ENERGY DEPARTMENT
GOVT. OF SINDH

For my friend S. N. A.

— SAT-I
Copy to:

— SACTch)

— DG (M&E)

— Dir (L-)

— M/F

2-09-16

co-chairman

V-(MCT)

M (L-)

M (CA)

The Registrar
National Electric Power Regulatory Authority
Islamabad

Ref. No. RA&SP/NEPRA/200
Dated: September 19th, 2016

Subject: Intervention request regarding the proceedings of K-Electric's Multi Year Tariff (MYT) Petition for the period commencing from July 1, 2016 to June 30, 2026.

Dear Sir

This is with reference to letter no. NEPRA/SAT-I/TRF-362/12318 dated September 2, 2016. Our response on the comments of Energy Department, Government of Sindh, to the subject petition are given below:

Investment in distribution system (Para 6)

KE is a vertically integrated utility generating, transmitting and distributing power. It has the overall responsibility for developing and managing the power infrastructure in Karachi and has to carry out end to end planning of the city's energy system. Therefore it has prepared a holistic business plan covering all three business units.

KE has planned to increase the overall capacity through addition of plants on its own fleet, investment with IPPs to set up new projects and attracting new power producers through offering a bankable security. Sindh Nooriabad project under partnership with Government of Sindh is an example where KE has agreed to purchase power from an IPP set up under public-private partnership.

KE has planned investment of Rs. 179 billion in Transmission system in the next 10 years. This much needed investment will help to relieve and upgrade the existing overloaded network and to enhance the network to complement the increase in generation capacity in the coming years.

We appreciate the initiatives of Government of Sindh (GoS) in generation and transmission businesses. Sindh Transmission & Dispatch Company (STDC) formed by GoS will help to improve the situation of power transmission in the province. While STDC will cater the transmission needs of the province, KE's investment will be more focused in its licensed area to maintain, upgrade and enhance the current transmission system, to supplement the increase in generation capacity and purchase of power, inline with the growing demand.

As mentioned by the Intervener regarding investment in distribution system, KE has also prepared a comprehensive plan to invest Rs. 108 billion, in the next 10 years, in expanding and improving the performance of the distribution segment. This investment program will enhance the distribution capacity, increase the reliability of power supply, provide sustainable and improved customer service and will help to embrace the latest technology in the sector. This distribution investment plan includes:

- Augmentation of the existing dilapidated network;
- Network expansion through addition of 1,000 new 11kv feeders and 4,500km of additional 11kv power lines;
- Investment in smart grid technology in line with global technological advancements;

- Targeted loss reduction projects such as Aerial Bundled Cabling;
- Preventing and corrective maintenance for the upkeep and improvement of the overall network; and
- Recovery drives and initiatives to improve the collection ratio.

Further details of the distribution investment plan can be referred to in the petition. These initiatives will help to overcome the challenges of overloaded network, high T&D losses and low recovery ratio and will improve the overall customer experience.

KE's privatization (Para 7)

We are thankful to GoS on recognizing the fact that KE's privatization had a significant positive impact on the country's economy and so far KE's journey after privatization has proved to be successful. Para wise comments on the points raised in this paragraph are given below:

Renewable energy projects (Para 7i)

Considering the current shortage and growing demand of electricity, KE has planned to focus more on base load plants to bridge the demand supply gap. However, KE is fully cognizant of the importance of renewable energy projects and has planned to add renewable energy in its power portfolio by attracting independent power producers.

In this regard, KE is engaged with several reputable solar power project developers for setting up 100-150 MW solar power plants under IPP structure in its licensed area. As an example, The Meeco Group headquartered in Switzerland, through its local subsidiary Oursun Solar, is developing a 50 MW Solar IPP, wherein KE will be the power purchaser. The project work has commenced and upfront tariff has been allowed by NEPRA.

Impact of outgoing capacity and availability of spinning reserves (Para 7ii & iii)

The 10 year business is prepared keeping in view the useful lives of existing plants. Further, the investment and contracting strategy is designed to allow KE to reduce reliance on the 650MW provided by NTDC/CPPA-G, which is assumed to cease in FY 20. Accordingly, KE has included replacements in the business plan with the plan to almost double its current available capacity and create a surplus/spinning reserve by FY 26.

Fleet efficiency (7iv)

KE has added over 1,000 MW to its generation capacity in the last 7 years through four state of the art gas based plants. These plants were the optimum solution of that time and are highly efficient such as BQPS-2 which has gross efficiency of 45.5% on Higher Heating Value (HHV) and approximately 50.5% on Lower Heating Value (LHV). It is important to note that KE's overall fleet efficiency also includes BQPS-1 which is comparatively older and has lower efficiency.

Moving forward, KE plans to add dual fuel, LNG and Coal plants on its fleet. These plants will be added based on latest available technology and will help to further raise the fleet efficiency. For example the 250 MW dual fuel plant is expected to have an efficiency of 50.1 % (Gas fuel on LHV).

Further, with respect to separate heat rate benchmarks, it should be noted that NEPRA has already defined separate heat rate benchmarks for each plant.

Investment plan and Tariff (Para 9a)

KE's tariff structure is a performance based tariff, the essence of which is that it self penalizes the entity for any in-efficiency. Under this mechanism, the consumer does not have to bear the burden of a guaranteed return being built in in the tariff, rather the entity is incentivized to investment in order to improve the efficiency, beat the benchmarks and earn a reasonable return.

The investments do not impact tariff as there is no provision for investment or guaranteed return in the tariff. KE is responsible to arrange resources for investments and the only way KE can earn a return is by outperforming against the benchmark set by the Regulator. Therefore, the intervener's concern of taking the impact of future investments in MYT is not correct.

This tariff structure has resulted in lower tariff for the end consumers especially when KE was experiencing high losses. In cost plus tariff, the utility is allowed a guaranteed return and hence the tariff would have been higher when the company was incurring huge losses. However since KE was not guaranteed any return as per the performance based mechanism it had to bear the burden of losses and could not earn any return by increasing the tariff. It was only by improving generation efficiency and reducing T&D losses that KE was able to reduce costs and become profitable.

KE has requested for a continuation of the I-MYT with certain modifications to deliver its investment plan. Customers will benefit from this investment through greater supply of electricity, greater system resilience and lower real tariffs. Further, the tariff structure has an in-built protection mechanism to ensure that excess efficiency gains are shared with consumers in the form of claw-back. Therefore, while this tariff structure will provide KE the opportunity to earn reasonable return, consumers will also benefit from reduction in tariff due to sharing of claw-back once thresholds are crossed.

The modifications requested are aimed to resolve the issues currently faced by KE, rather than taking the impact of future projects. Increase in O&M has been requested on the basis of continuing shortfall in O&M expense versus O&M component allowed in tariff. Currently, KE is facing shortfall of Rs. 1.44/kWh (2016) and KE has asked only for a small portion of this shortfall to prevent diversion of significant funds in bridging the gap. Similarly, modification in x-factor has been requested as KE is only getting an annual increase of only 0-1% in this low inflation scenario.

Circular debt is a well-known issue of the power sector and KE is also one of the victim. KE has requested for working capital cost on additional financing cost incurred due to piling up receivables from government entities. Further, change in claw back threshold is requested to rationalize KE's returns in line with the current market rates of returns.

These modifications are necessary to resolve the above mentioned issues and enable KE to deliver its ambitious business plan. The business plan has been prepared assuming these modifications are allowed and delivery of business plan is linked with these modifications.

Improved financial performance (point 9b)

The intervener has stated that KE's financial situation has improved over the years and hence the company should not be allowed any working capital allowance and force majeure clause and that clawback thresholds should remain the same.

LW

It is important to note that KE was in a fragile financial position in 2009 and had operated at a loss for several years accumulating total losses of Rs. 66.4 billion by FY09. Through various improvement measures, KE was able to earn profit in the year 2012. KE has earned profit before tax, as given in the table below, of Rs. 1.7 billion to Rs. 15 billion in the last four years.

	2012	2013	2014	2015
	Rs. in million			
Profit before tax	1,752*	4,001*	9,575	15,076
Share capital and reserves				
Opening	113,837	125,313	128,389	130,709
Closing	125,313*	128,389*	130,709	157,784
Average	119,575	126,851	129,549	144,247
Return %	1%	3%	7%	10%
Return on operating Assets (Fixed assets and intangible)				
Opening operating assets	167,514	170,443	165,186	170,663
Closing operating assets	170,443*	165,186*	170,663	214,003
Average	168,979	167,815	167,925	192,333
Return on assets	1%	2%	6%	8%

*These numbers are as per restatement in 2014

As can be seen from the table above, KE has earned a return on capital & reserves ranging from 1% to 10% and a return on assets ranging from 1% to 8% in the last four years. These are lower than the current market returns as IPPs are being allowed dollar based IRR ranging from 15% to 17% (IRR of 22-23% in PKR terms).

In spite of low profit, KE's shareholders did not take any dividends and preferred to re-invest all the profits back in the company to continue the improvement process. Therefore the change in clawback threshold is only a request to rationalize KE's returns in line with the current market rates of returns so that KE is given a level playing field and it continues investing in system upgradation.

Consumer's interest in I-MYT (Para 10)

KE has requested for an extension of the existing I-MYT in order to be able to deliver its investment plan at the lowest cost and be able to reduce the real tariff in the long term.

KE has performed well under the previous regulatory period and has completely changed from an unsustainable loss making utility to an efficiently run profitable utility. KE's tariff structure is a performance based tariff, the essence of which is that it self penalizes the entity for any in-efficiency. Under this mechanism, the consumer does not have to bear the burden of a guaranteed return being built-in in the tariff, rather the entity is incentivized to investment in order to improve the efficiency, beat the benchmarks and earn a reasonable return.

As explained above, this tariff structure has resulted in lower tariff for the end consumers especially when KE was experiencing high losses. The integrated performance based tariff structure provides the appetite for further investment and a bankable security structure to pave way for financing specifically in the absence of any GOP support or sovereign guarantee.

Therefore the continuation of this structure will benefit the consumers in form of increased capacity, improved performance, reliable supply and better customer experience. While consumers will benefit from the investments without bearing any cost of guaranteed return, clawback will provide protection to consumers from the burden of excess efficiency gains. Moreover, the increased efficiencies will result in lower tariffs in real terms.

Break up of business plan (Para 11)

KE has already provided the break-up of its Rs. 496 billion investment plan in section 5.4.1 of the petition, in considerable detail. To re-iterate, of the Rs. 203 billion to be invested in generation, Rs. 162 billion will be invested in new generation projects which includes 250 MW dual fuel plant at Korangi to be commissioned by FY 2018, 450 MW LNG plant with expected COD FY 2020 (equity partnership), 700 MW (350 x 2) coal plant with expected COD in FY 2020 (equity partnership) etc.

Further KE has also provided a break up of its investment in transmission system over the next 10 years and details of each transmission package are provided in the petition (section 5.4.1).

Net metering policy (Para 12)

With respect to the concerns regarding net metering, we would like to state that the matter is under discussion with NEPRA currently as KE has requested certain clarifications from NEPRA. Moreover, a 'Distribution Code Review Panel' constituted under clause CM 5 of NEPRA Distribution Code is also working on the amendment in the Regulations related to Net Metering.

Increase in O&M component (Para 15)

The intervener has suggested that KE's request of increase in O&M to be rationalized upto /reduced by 25% i.e. Rs. 0.495/kWh be allowed to KE as opposed to Rs. 0.66/kWh requested in the petition.

We would like to state that in 2009 petition KE asked for an increase of Rs. 0.64/kWh in the O&M component as the shortfall in O&M had accumulated due to an in-sufficient base tariff in 2002 and an increase in costs faster than CPI. NEPRA, however, allowed an increase of 15 *paisas* which meant that the deficit kept accumulating.

Since the new management takeover in 2009, KE has brought in efficiencies in O&M costs by implementing a number of operational improvements across all business units. However, in spite of these efforts, O&M grew in real terms due to increase in generation, transmission and distribution capacities and other efforts for performance improvement. As per the table below, KE's O&M shortfall stands at Rs. 1.44/kWh in FY 2016. KE is willing to absorb more than half of this cost and is only asking for a one time increase of Rs. 0.66/kWh.

	2016
O&M (Rs. Million)	37,240
Units Billed (Gwh)	12,865
O&M cost per unit (Rs./ kWh)	2.89
O&M cost allowed in tariff (Rs./kWh)	1.45
Shortfall (Rs./kWh)	1.44

KE has already requested for a small portion of the shortfall which will ensure that it does not divert significant funds away from planned capital expenditure in order to meet the deficit in the recovery of O&M costs. Further, as per the business plan after incorporating the impact of 66 paisa, KE will still be bearing average shortfall of Rs. 1/kWh in the next 10 years on account of O&M therefore, this request may not be further rationalized/reduced.

Modification in x-factor (Para 9a)

With respect to the X factor modification, in the current low inflation scenario increase in CPI in May 2015 was 3.16%. This meant that with X factor at 2% (for Generation & Transmission) and 3% (for Distribution) KE was only allowed an indexation of 1.16% and 0.16% respectively. Given that the utility is already experiencing a significant shortfall in O&M component allowing such negligible indexation would result in further exacerbating the deficit. Although KE has planned to bring in efficiencies in O&M, it should be noted that several cost heads increase faster than the rate of CPI growth and KE is currently being allowed an increase significantly lower than the inflation itself. Therefore it is only reasonable to modify the X factor so that KE has some cushion to manage its O&M costs while also continuously working towards making them more efficient.

Tariff Control Period (para 15)

K-Electric (KE) is an integrated utility having overall responsibility for developing and managing the power infrastructure in Karachi. As explained above, KE has to carry out end to end planning of the city's energy system without any sovereign guarantee or GOP support.

The electricity supply industry is characterized by long-term capital investments. This is especially true for generation and transmission investments (where NEPRA already allows long term tariff). This is because generation and transmission projects essentially require long term planning and involve long gestation periods. As an integrated utility, KE needs to plan for the long term and it requires a longer tariff control period to support its planning horizon.

Long tenor and regulatory certainty are essential to give investors and lenders the transparency and confidence necessary to make such long term investments. KE has been able to secure 10 year loans on the basis of a continued I-MYT tariff. A longer tariff control period will provide lenders with the necessary comfort that debt will be repaid.

It is important to note that debt tenors of up to 10 years for large infrastructure projects typically demand tariff revenue projections for 10-15 years to become financially viable. In the absence of sovereign guarantees, KE has to create its own security structures and the I-MYT supports the company in securing financing for new capacity and providing bankable transaction structures to IPPs.

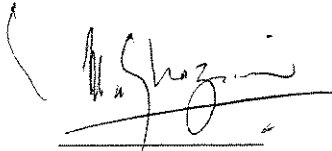
Therefore KE has requested for continuation of I-MYT for a 10 year period which should be holistically viewed keeping in consideration KE's role of overall responsibility of all three functions.

Collaboration with Government of Sindh

KE is collaborating with the Government of Sindh in SNPC and STDC projects and looks forward to working closely with the Department of Energy in the future as well.

We hope that the above responses have addressed the concerns of the intervener.

Sincerely,



M. Aamir Ghaziani
Director (Finance & Regulations)

Comments



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Face Book : voice of Karachi (vok)

Dated: 30th June 2016

Registrar
NEPRA
Nepra Office Building
Ataturk Avenue East
Opp. Federal Flood Commission Building
G-5/1, ISLAMABAD

Respected Registrar,

I am a representative of one of our city's leading Civil Society Organizations, VOICE OF KARACHI (VOK) and am writing to you in regarding the multiyear tariff petition filled by K- Electric (KE).

Being part of an organization that aims to work towards betterment of Karachi, I felt my input on this issue was necessary.

Utility tariffs for public services effect the welfare of the society, economic efficiency, as well as the financial performances of public utilities. From what I understand , a change to determining tariffs for ten years will have positive effect on the above mentioned areas and will give sense of certainty to the citizens of Karachi. Not only would we have an idea of what to expect but KE would also be able plan its business in a more economically efficient way.

Karachi has seen dark times but since the of KESC to KE things have improved immensely. Power outages and load shedding have decreased, especially compared to Lahore and Islamabad. Considering the size of Karachi and its population, as far as electricity is concerned, we are much better off. I definitely believe that a lot more improvement is needed but I understand the reality that it will not happen overnight but gradually.

Another very important aspect I would like t mention about KE is that is one of the most socially responsible organizations in Karachi and set an example for other corporate. From providing free electricity to numerous schools and hospitals, to supporting NGOs, creating platforms for the youth, contributing towards a greener Karachi and rehabilitating communities, KE is fulfilling its social corporate responsibility.

Thus I feel KE genuinely cares about this city and has brought this request in order to improve conditions and therefore I would like to show my support for K Electric in this petition.

Thanking you,

Sincerely


Amir Esbhani
V. President

For information & n/a M.
- SAT-2
- M/F
DDF-VI 18/7/16
AGS
11.07.16
cc. chairman
vc/m(T)

Registrar	7093
By No.	11-07-16
Date	

Senior Advisor Tariff
By No. 5766
Dated 18-7-16

Ehsan A. Malik
Chief Executive

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The Registrar NEPRA
NEPRA Office Building
Ataturk Avenue East
Opposite Federal Flood Commission Building
G - 5/1, Islamabad

Dear Sir,

Multyear Tariff Petition Filed by K-Electric Limited for Tariff Determination

This has reference to the Notice published by NEPRA in the national newspapers requesting comments from various interested parties on K-Electric's request for tariff determination for the period July 01, 2016 to June 30, 2026.

The Pakistan Business Council (PBC) is a business policy advocacy forum representing 53 of the largest businesses in the country including some of the major corporates in the manufacturing and financial services sectors. Close to 60% of our member companies have either their production facilities based in the areas served by K-Electric or have their Head Offices in Karachi.

For Pakistani companies to be able to compete in the regional and global arenas the availability, reliability and cost of grid power is a major input factor. Since 2009, the consumers of K-Electric especially the industrial sector, have seen a significant improvement in availability and reliability of grid power.

We are writing to request NEPRA to support any petition filed by K-Electric for a review in its tariff which includes significant investments in the integrated utility. All investments and initiatives proposed by K-Electric which lead to a further increase in the availability and reliability of grid power and a long term sustained reduction in cost of power, will help increase the competitiveness of industry.

Thank you and regards

Manz

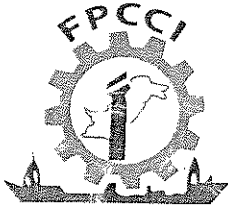
For information sir/ma
— SAT-I
June 30, 2016

— mlf

11.07.16
cc. chairman
m(7)/ve
17/7
ADP DDI-VI
13/7

Color Advisor Tariff-I
By No. 5767
Date 12-7-16

Registrar
By No. 7092
Dated 11-07-16



**THE FEDERATION OF PAKISTAN
CHAMBERS OF COMMERCE & INDUSTRY**
وفاق ایوان ہائے تجارت و صنعت - پاکستان

S. Khalid Tawab (S.I)
Senior Vice President

For information & m/f A.
— SAT-I
— SA (Tah)
— m/f

FPCCI-SVP/NEPRA/2016-6684
August 24, 2016

Registrar NEPRA
NEPRA Tower, G-5/1 (East)
Islamabad

15.09.16
r. chairman
vc/m (T)
m (LH)
mcca)

Subject: Comments K-Electric Multi-Year Tariff Petition Submitted to NEPRA.

Dear Sir,

We are writing in response to your notice in the newspapers inviting comments on K-Electric Limited's Multi-Year Tariff Petition submitted to NEPRA.

The Federation of Pakistan Chambers of Commerce and Industry is a consortium encompassing a vast majority of Karachi's Chambers of Commerce and Industry, and 107 associations of Trade and Industry across the country as well. The enterprises operating within our ambit are major contributors to the national economy, and our business's operations are dependent on a consistent supply of electricity.

Since its privatization, KE claims to have worked extensively to improve its facilities and ensure a better quality of service. One evidence is their policy to exempt industries from any loadshedding which is followed most of the times in years. This business friendly move has been welcomed by almost all associations. The company also claims to have invested PKR 120 billion in generation, transmission and distribution which can be verified by NEPRA itself. In past few years, we have seen loadshedding situation in many parts of the city has improved, with some exception in rains, peak summer and heat wave situation.

Karachi city continues to grow at a very fast rate, and we were concerned about K-Electric's plans to cater to this growth. We have reviewed their petition which outlines an extensive investment plan valued at PKR 496 billion being spent on generation, Transmission & Distribution, which should be monitored by NEPRA on regular basis. As per KE's claims in the petition, they initiated a major enhancement to their transmission network called to provide a solid infrastructure for the future expansion of Karachi. There is also news of work having begun

By No. 9054
Dated 15-09-16

Senior Advisor Tariff
By No. 7321
Date: 16-9-16

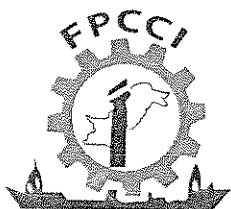
FPCCI Head Office, Karachi
Federation House, Main Clifton.
Abdullah Shah Ghazi Road,
P.O. Box 13875, Karachi-75600.
Tel: (92-21) 35873691-94
Fax: (92-21) 35874332
E-mail: info@fpcci.com.pk, URL: www.fpcci.org.pk

FPCCI Capital Office, Islamabad
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Fax: (92-51) 2251894
E-mail: islamabad.capital@fpcci.com.pk

FPCCI Regional Office, Lahore
50-A, Tufail Road,
Lahore Cantt.
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FPCCI Regional Office, KPK Peshawar
Suit # 9 & 10, 2nd Floor, Azam Tower,
University Road, Peshawar.
Tel: (92-91) 5704291-2
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FPCCI Regional Office, Quetta
Bungalow No. 46,
Shabaz Town,
Phase -3, Quetta.
Tel: (92-81) 2869070
Fax: (92-81) 2899109
E-mail: quetta.regional@fpcci.com.pk



**THE FEDERATION OF PAKISTAN
CHAMBERS OF COMMERCE & INDUSTRY**
وفاق ایوان ہائے تجارت و صنعت - پاکستان

S.Khalid Tawab (S.I)
Senior Vice President

on a 700 MW power plant, and new grids are being set up near industrial zones to facilitate their growth as well. This gives us confidence in KE's ability to deliver on their promises. However, we would request NEPRA to give assurance to the business community about completion of these projects in the best interest of the city and country.

K-Electric is a part of Karachi and we believe that the company is taking a keen interest in the consumer's concerns but there is still room for improvement in terms of overbilling complaints & quality supply of electricity. We believe that the growth of our industries and its people depends on a stable supply of power at an affordable price, which will only be possible when more investment is made. We believe it is NEPRA's responsibility to ensure that this investment commitment is fulfilled.

KE claims that this tariff model will bring the cost of electricity down which is essential to provide relief for the people of Karachi and to the Industries of Karachi. We hope and expect that KE will live up to this claim as well in accordance with NEPRA's consumer friendly policy.

We therefore request NEPRA to take a fair and balanced approach and reduce KE's tariff and make it equal to similar consumer categories in the rest of the country in order to keep uniformity, so the business community of our city will smoothly run their business and sustains investment in the long-term.

FPCCI is hopeful that NEPRA (being an independent regulator), is going to take decision in the best interest of the country and provide relief to the people and also to the business community. We also expect NEPRA to play their role in implementing best practices of power utilities in Pakistan's power sector like; unbundling of power utilities, non-monopolistic market etc which can bring the electricity cost down.

Regards,


Sheikh Khalid Tawab (S.I)

FPCCI Head Office, Karachi

Federation House, Main Clifton,
Abdullah Shah Ghazi Road,
P.O. Box 13875, Karachi-75600.
Tel: (92-21) 35873691-94
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E-mail: info@fpcci.com.pk URL: www.fpcci.org.pk

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FPCCI Regional Office, Quetta

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Shabaz Town,
Phase -3, Quetta.
Tel: (92-81) 2869070
Fax: (92-81) 2899109
E-mail: quetta.regional@fpcci.com.pk



THE CITIZENS FOUNDATION

July 1, 2016

The Registrar,
National Electric Power Regulatory Affairs
2nd Floor, OPF Building
Shahrah-e-Jamhuriat
G-5/2, Islamabad.

For information & u/c pl.
12/7
SAT-1
MF
COPY to:
- SAC Tech
- DG (M+E)
- Div Lic
cc: chairman
- v/c mtr
- mtr
- m/c app

Subject: Advocacy for K-Electric Limited's Petition on Integrated Multi-Year Tariff

Dear Sir,

I am writing in response to your announcement in the newspapers dated 24th June inviting comments on the petition submitted for your review by K-Electric (KE). As Vice President of The Citizens Foundation (TCF), I would like to share some information on the organization's relationship with K-Electric as a corporate citizen.

The Citizens Foundation operates 1,202 school units across Pakistan, 396 of which are located in Karachi. More than 60,000 children belonging to the most disadvantaged slums and katchi abadis in Karachi are enrolled in these schools receiving a quality education from KG to Matriculation level. Our aim is to create agents of positive social change through education.

We have had a deep and long lasting relationship with K-Electric as a fellow corporate citizen of Karachi. K-Electric provided us a very valuable tract of land in Gulshan-e-Hadeed, Karachi many years ago which has directly enabled the education of hundreds of students enrolled at the primary campuses built on this plot. Beyond this one-time assistance, KE generously provides free electricity to all our schools as well as our Regional and Head Offices in Karachi. This support has been ongoing for a number of years and amounts to millions of rupees every year. Beyond the financial support itself, the company is actively engaged in our schools whether it is in the form of activities to raise awareness in our school communities or encouraging its employees to volunteer as mentors to our promising students. It is relationships such as these that enable TCF to continue its work of preparing our less privileged students for the challenges facing them.

In our extensive interaction with senior and middle management at the company over time, we have consistently seen a culture at KE focused on broader community welfare beyond trying to meet short term financial objectives alone. K-Electric is a company that affects every single person in Karachi deeply and we believe that while it is often the subject of criticism and challenge, any such enterprise must also find its due share of encouragement and acknowledgement for what it consistently does right and for the

REGISTRAR
DY No. 7056
04-07-16

Senior Advisor: TCF
DY No. 5706
04-07-16

July 1, 2016

To
Registrar NEPRA
NEPRA Office Building, Ataturk Avenue East
Opposite Federal Flood Commission Building
G-5/1, Islamabad

Subject: Multiyear Tariff Petition Filed by K-Electric Limited, for Determination of Tariff for the Period Commencing From July 01, 2016 to June 30, 2026

Dear Sir,

With reference to you Notice for Admission (PID) (I) (6897/15) published in the newspaper, I have the following request to make in the contexts given.

Sindh Institute of Urology and Transplantation (SIUT) is one of the most reputed medical institutions in the South Asian region, providing specialized medical care to the population at large suffering from kidney, liver, related cancers and ethical transplant procedures "Free of Cost" with lifelong follow up along with medication.

As Director SIUT, I would like to share my comments to be included in the proceedings of this case.

The respective organization has an extensive programme meant to assist welfare institutions in the city whereby they provide free electricity supply as a Corporate Social Responsibility service. In this regard, the organization conducts good practices and has been recognized as such regularly in the past few years. SIUT has been the beneficiary where KE provided free electricity to our satellite dialysis units in Bara Maidan Nazimaabad, Cantt Bazaar Shah Faisal Colony, Garden East and SIUT Mehrunnisa Hospital in Korangi.

Over just the past one year alone, one can see the vast improvement in terms of electricity supplied to the institutions. We have found the organization and its employees to be receptive to feedback with a strong sense of duty to serve the welfare institutions.

With respect to this petition, we think that these changes have been brought about by not only investing in better energy options, but also by maintaining current installations.

Kindly include my observations in the proceedings in an attempt to see a just step be taken.

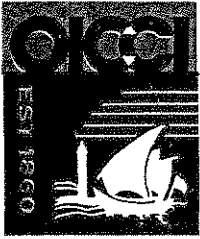
Thanking you,
Sincerely,



Dr S Adibul Hasan Rizvi
Professor and Director

Fr information
- SAT-I
Gp. 10.
- m/f
13/7
DDF-VI
16/7
11.07.16
cc: Chairman
VC/M(T)

Com



For information + u/c
SAT-1
ME
copy - to: 12/7
- SA Ctee/
- Div CAC, ADG
DDT-VI
- 4/7.
cc: chairman
- VC/MCI,
- MCI,
MCA!

Overseas
Investors
Chamber of
Commerce
and Industry

June 30, 2016

The Registrar NEPRA
NEPRA office building, Ataturk Avenue East
G-5/1, Islamabad

NEPRA press notification about the multiyear tariff (MYT) petition of K- Electric Limited

Dear Sir,

This has reference to your recent notification in the press about the multiyear tariff petition of K- Electric Limited for determination of tariff for the period July 1, 2016 to June 30, 2026

OICCI is a collective body of major foreign investors in Pakistan. All the leading multinational companies based in Pakistan are OICCI members. Our members contribute the largest share, over one third, of the total taxes collected in Pakistan. Over 70% of our members are based in Karachi and are extremely satisfied with the improving quality of service and care provided by KE in the recent past. As the shareholding of KE includes a major foreign equity portion, it is also an OICCI member company.

In relation to above petition, we have been given to understand that KE is planning to invest roughly \$ 5 billion during the next ten years to add new capacity, as well as to improve efficiency of the existing generation capacity of the company. Besides, KE has indicated plans to invest another about \$ 3 billion in improving the transmission and distribution system in the city. All in all, KE has indicated that an additional 4200 MW capacity would be made available during the above period. Addition of about 28% increase in transmission network are part of the plan during the next ten years.

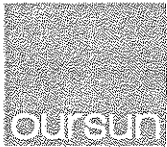
In view of the ambitious capacity enhancement plans shared by KE and based on their ever improving operating performance in the recent past, we support their application for tariff review to be considered according to the rules and subject to necessary verification as per NEPRA approval process. We have full confidence that the above capacity will add more incentives for foreign investors to expand their operation in Karachi and also attract new Foreign Direct Investment in Karachi/Pakistan.

Best regards

M. Abdul Aleem
CE/Secretary General

Registrar
By No. 7065
Dated 04-07-16

Senior Advisor Tariff
By No. 5761
Dated 12-7-16



clean energy
services and solutions

July 14, 2016

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

Registrar	7295
Dy No.	
Dated: 15-07-16	

For information & reply
18/7 SAT-I
Spec:

15.07.16
a. chairman
vc/m(T)
M(LC)
M(CA)
S O (Tech)
WPDG (M&E)
Dw (L) - m(F)
AD/8
DDI-V

Ref: Your letter NEPRA/SAT-I/H/TRF-362/9671-9713 dated June 27, 2016 seeking comments on MYT request of K Electric

Dear Sir:

We refer to the letter by NEPRA in relation to the Multi Year Tariff Request by K Electric in which you have sought comments from stakeholders. Given the Eid Holidays, we did not get your letter until Monday July 11, 2016, and are therefore responding as soon as we could.

Oursun Solar Pakistan Limited has an agreement with Karachi Electric to sell 50 MW of solar power to them. From what we understand, NEPRA has approved the Power Acquisition for the same. Our relationship with K Electric is therefore one of a supplier and customer. While as a regulator, your canvass is much broader as it relates to the subject at hand, we would like to offer the following comments as investor (with foreign shareholding) dealing with K Electric.

It is an undisputed fact that the present shareholders and management of K Electric has made a remarkable turn-around of the company from one that was perpetually in red and had poor performance indicators to one that is economically stable and sustainable for the long term. In particular it is noteworthy that:

1. A large part of Karachi, and in particular the industry, does not face any load shedding
2. The losses have been reduced substantially
3. A huge amount of investment has gone into new generation projects by K Electric itself (with capacity in excess of 1000 MW)
4. New projects are being undertaken to add another 2000 MW + to cater for the growing demand

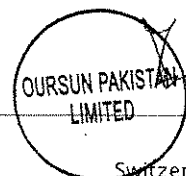
It is clearly an acknowledgment on the part of the lending community as well as investors that the company is not only on the right track, but is translating improvement plans into real

Page 1 of 2

The meeco Group

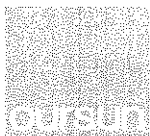
www.meeco.net

oursun Pakistan Limited.
10 Ali Block, New Garden Town
Lahore, Pakistan
Tel: +92 111 687 786



Worldwide Offices

Switzerland (Head Office) - Cyprus
France - Germany - Greece - India - Italy
Malawi - Mauritius - Pakistan - Paraguay
South Africa - Spain - UAE - UK - USA



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measurable actions on the ground. Only because of this acknowledgment and belief, investors like our shareholders, as well as others, are ready to supply power to K Electric happily, even without a sovereign guarantee which is available to IPPs selling to NTDC. In simple terms, as far as the bank market is considered, K Electric is considered a better credit on a standalone basis compared to NTDC, which needs credit enhancement by the sovereign guarantee.

While it is not our place to comment on many of the specific requests made by K Electric, it would not be out of place to first assess how K Electric made this turnaround. And as the regulator, NEPRA must validate this by encouraging K Electric to keep on improving further.

K Electric needs to build new generation projects to keep up with the requirements in the future. It also needs to make improvements in T&D. Finally, it also needs to shut down old and inefficient generation to upgrade its overall fleet efficiency. All of this needs major investments in the hundreds of billions of rupees. As we all know, this investment will need recovery and a reasonable return. The can only come through predictable cashflow, which in turn requires a rational and defined tariff regime, since such capital recovery will take more than a decade. Of course, as a regulator, NERPA needs to balance the interests of the customers and those of investors. What is important to recognize is that if investment in K Electric is not encouraged/safeguarded through fair compensation, then the interests of the K Electric customers will also be compromised because the availability of sufficient power and the quality of service will both go down over time.

Regards

A handwritten signature in black ink, appearing to be "Zain ul Abidin", is written over a circular stamp. The stamp contains the text "OURSUN PAKISTAN LIMITED" in a bold, sans-serif font.

Zain ul Abidin
Chief Financial Officer

The Registrar,
National Electric Power Regulatory Authority,
NEPRA Office Building, Attaturk Avenue East,
G-5/1, Islamabad
BY TCS.

27th September 2016

2. The National Electric Power Regulatory Authority,
Marriott Hotel, Karachi
(Hand delivered in person)

Sub: Comments: Hearing of Multiyear Tariff Petition filed by K Electric
At Marriott Hotel, Karachi on 27th and 28th Sept. 2016

We the following signatories/Members of the Provincial Assembly of Sindh offer our comments, as under, in response to the public Notice issued by PEMRA that appeared in the Newspapers of Karachi.

1. The so-called service providers, instead of providing service to the people have become blood suckers. K Electric in Karachi, after nationalization, has least bothered to improve the service delivery, especially, in low-income colonies like, Lyari, Surjani, Orangi, Memon Goth, Neelum Basti, Delhi Colony, Korangi, and so on. Frequent outage has become the norm in Karachi. At times the non-supply of electricity last for more than 15 to 24 hours.
2. The frequent breakdown of power supply not only causes denial of electricity but also adversely affects the supply of drinking water as the water can not be lifted to overhead tanks from the underground tanks.
3. The unannounced load-shedding that too stretches from 4 to 6 hours, especially, during scorching heat, makes the life miserable.
4. The Complaint centres never respond to the complaints. In case of power failure the telephones are put on engage tone.

SEMPER ADVISORI TARIFF
Dy No. 7586
Date: 30-8-16

Registrar
Dy No. 9443
Dated: 30-9-16

Mr. JAB
3/10/16

Dir (T)

8
3/10

For information

SAT-2

Cap 10

SA (Tech)

DC (mt)

m/f

30.09.16

Chairman

ve (mct)

m (H)

mcca

5. Despite frequent outages the electricity bills do not show any reduction in the charges.
6. Hundreds and thousands consumers have installed power generators that causes a great strain on the resources of the poor and middle-class population and despite it the K Electric bill does not show any reduction in the total amount of bill, In brief the generators expenses remain over and above the normal bill of K Electric.
7. In view of the high cost of living with soaring prices of food, rentals, transport, education and health etc. it would be disaster if the K.Electric is allowed to raise the rate even by 0.66 kWh in operation and maintenance component of tariff. Hence we shall not accept any increase in tariff in any form or excuse.
8. Similarly, any increase in the draw-back formula threshold shall ^{not} be tolerated.
9. Working capital is always included in the tariff. It is unbelievable that this component is ~~not~~ part of tariff. In any case we shall not allow any increase in the existing rate of the tariff.
10. Force majeure does not apply in case of K.Electric. Power is switched off the moment black cloud hover over Karachi though it does not rain. In slight shower, the light goes out and for hours it is not restored.
11. It is ridiculous to allow the K Electric to maintain the proposed increase in tariff for ten years (1916 to 26). With the advancement in technology, with the availability of cheap solar and wind energy and with the less expensive furnace oil (imported (gas or oil) through pipe line from Iran), there is absolutely no justification to allow the increased tariff for another years.
12. We strongly feel that the existing tariff be reduced and K Electric instead of remitting billions abroad, improve the service delivery.

Dr. D. Masud
1. (M. Mo'in Aamir Pirzada)
2. (Qamar Abbas Rizvi)



Ref: CO/Sec/NEPRA/1255

June 29, 2016.

Registrar NEPRA,
NEPRA Tower, G-5/1 (East),
Islamabad, Pakistan.

Dear Registrar,

Subject: Tariff Petition Filed by K-Electric Limited

The Layton Rahmatulla Benevolent Trust (LRBT) is the largest provider of eyecare in the country with a network of 19 hospitals & 55 clinics. LRBT mission is to "Ensure that no man, woman or child goes blind just because they cannot either afford or access the treatment. Our 74 facilities are located in such a way that most Pakistanis are within a 3 hour bus journey of one of them. In the 31 years of our existence 33 million patients have visited our Out Patients Departments (OPD), 3.3 million surgeries have been performed entirely free of cost for the poor. We treat 36 % of all eye patients visiting Out Patients Departments, perform 27 % of all surgeries & 32 % of Paediatric eye surgeries.

We have 2 hospitals in Karachi; 1 at Korangi and the second in North Karachi. K-Electric's privatization has been a godsend for us and other similar organizations in the healthcare sector. With the establishment of their CSR program, they are supplying free electricity to our Karachi hospitals. This has reduced our growing operational costs, allowing us to use the savings for treating more poor patients. With the Government not allocating sufficient funds for healthcare in the Budget it is left to organisation like us to fill the gap. Our partnership with Karachi's electricity supplier allowed us to positively impact more lives across the city.

Our experience with KE has shown us the truth behind their commitment to deliver and serve Karachi effectively. Last year, K-Electric and LRBT partnered to provide relief to the underprivileged area of Altaf Town and many other areas in Karachi. Further K-Electric has recently installed a new upgraded pole-mounted transformer (PMT) at our Korangi hospital and also done the underground cabling from it to our hospital free of cost. I am grateful to K-Electric for its generosity which helps us to move towards our ambitious mission of ensuring that no man, woman or child goes blind just because they cannot afford the treatment.

There is also a noted improvement in the operations side. K-Electric not only has a better governance and infrastructure in place but also has a committed team of professionals who are compassionate and willing to go the extra mile for the benefit of the people of Karachi. We at LRBT are witness to their commitment in giving back to the society.

The Layton Rahmatulla Benevolent Trust

Page 1 of 2



In this respect, we feel that the tariff petition by K-Electric will enable them to continue on this vision to serve the people of Karachi. It is our humble request to the Regulator to take into view this facet of KE's performance, and provide a ruling that is impartial and fair.

Yours Sincerely

A handwritten signature in black ink, which appears to read 'N. Saquib Hameed'. The signature is fluid and cursive, with a long horizontal stroke at the end.

Najmus Saquib Hameed
Chairman

KARACHI BUSINESS INTELLIGENCE WING

September 28, 2016
"Most Important Matter"

His Excellency Mian Muhammad Nawaz Sharif, Prime Minister of Pakistan
Mr. Fawad Hassan Fawad, Principal Secretary to PM
Mr. Mohammad Ishaq Dar, Federal Minister of Finance
Mr. Khawaja Asif, Federal Minister of Water & Power
Mr. Shahid Khaqan Abbasi, Federal Minister of Petroleum & Natural Resources
Mr. Miftah Ismail, Chairman Board of Investment
Mr. Muhammad Zubair, Chairman Privatization Commission
Mr. Ahsan Iqbal, Federal Minister of Planning
Dr. Waqar Masood, Federal Secretary, Ministry of Finance
Mr. Yunus Dagha, Federal Secretary, Ministry of Water & Power
Mr. Arshad Mirza, Federal Secretary, Ministry of Petroleum
Mr. Ahmad Sukhera, Secretary, Privatization Commission
Mr. Qamar Zaman Chaudhry, Chairman National Accountability Bureau
Dr. Ishrat ul Ebad Khan, Honorable Governor of Sindh
Syed Murad Ali Shah, Honorable Chief Minister of Sindh
Lt. Gen. Naveed Mukhtar, Corps Commander Sindh
Maj. Gen. Bilal Akbar, DG Rangers Sindh
Mr. Sardar Muhammad Yaqoob Khan Nasar, Chairman, Senate Standing Committee on W&P
Mr. Muhammad Arshad Khan Laghari, Chairman, NA Standing Committee on W&P
Mr. Tariq Sadozai, Chairman NEPRA
Mr. Wang Yundan, Chairman Shanghai Electric Power (SEP)
Editor in Chief – The Express Tribune, The News, Dawn, Business Recorder, etc.

Registered

Copy to members

Register	Dy No. 9694
Dated 7-10-16	

SUB: SERIOUS OBSERVATIONS ON SHANGHAI POWER's K-ELECTRIC DEAL

Your Excellency/Gentlemen:

We as patriotic Pakistani citizens would like to bring to your kind attention some serious concerns on the **dubious** Shanghai Power's K-Electric deal. These questions are being raised in the best interest of 22+ million people of Karachi as follows:

- 1) What is Shanghai Electric Power's (SEP) **strategic angle** in taking over K-Electric (KE)? Does SEP regard KE a **collateral beneficiary** of the China Pakistan Economic Corridor (CPEC) initiative by default, or would SEP at some stage ask for KE and its upcoming projects to be formally included in the CPEC list? In this regard, what GOP **sovereign support**, implied or otherwise, have been sought and given to incentivize SEP to take over management control of KE (*reference the recent meeting in Islamabad between the PM, SEP's Chairman and Abraaj Capital's CEO on 2 September 2016*)?
- 2) As per our team's research, SEP (www.shanghaipower.com) does not have any managerial experience in the electricity **distribution & supply** sector; they are basically a power generation company. While it is true that Abraaj Capital is also a private equity firm and had no prior experience in this segment when they took over KESC in 2008, they

Confidential

email: kbi021wing@gmail.com

SAT-2

Dir (H)

SA (Tech)

DG (MIE)

LA (KIP)

MIF

07-10-16

cc: chairman

VC/MCT

M (C)

M (CA)

KARACHI BUSINESS INTELLIGENCE WING

learnt it the hard way over the past several years. So should we now expect SEP to go through the same learning curve & on-the-job training in dealing with 22+ million consumers of Karachi; or should GOP proactively insist that SEP include in their consortium a qualified institutional third party that has the relevant electricity distribution & supply experience in similar markets like ours?

- 3) Post takeover, would SEP treat KE as a **dumping ground** for its own products, services, and people without going into any competitive tendering process which would definitely hurt the long-term interest of KE's consumers as well as its other shareholders? How much of the Rs. 500 billion (US\$ 5 billion) new capital expenditure over the next 10 years that KE's current management has **promised** to NEPRA in today's public hearing in Karachi will be sourced from SEP and its affiliates? Or, is there a separate 10-year Business & Capital Expenditure Plan that SEP has shared with and committed to GoP/NEPRA? If yes, then can that be made available on NEPRA's website in the public interest? Apart from the US\$ 1.5-2.0 billion that SEP is reportedly paying Abraaj Capital to take over its 66% management stake in KE:
 - (i) *How much extra capital is SEP committing to invest in KE itself to improve its generation/transmission/distribution infrastructure? and...*
 - (ii) *How much of that capital expenditure shall be additional foreign equity from SEP rather than more debt raised against KE's collateral and cash flows?...and...*
 - (iii) *What corporate guarantees and penalties for non-compliance have been sought by GoP/NEPRA from SEP that they will definitely undertake this much-needed investment program at KE post-takeover?*
- 4) Why is NEPRA has not followed the model of **unbundling** of KE which is already in place in rest of the country that there are separate generation, transmission, and distribution companies to allow greater transparency in calculating/charging the end consumer tariff? *Is it also true that unbundling would have resulted in a lower end consumer tariff, which is why KE insisted on submitting a decade-long Integrated Multi Year Tariff (I-MYT) petition that NEPRA accepted for public hearing starting today?* Can NEPRA share with the public its internal or external analysis demonstrating that the KE consumer is not better off if KE's tariff is unbundled like rest of the country? This also has a direct impact on KE's valuation and the share price SEP is paying for Abraaj Capital's 66% stake. Would GoP/NEPRA rather protect Public Interest as opposed to Corporate Interest on this account?
- 5) According to various news reports, SEP is willing to pay US\$ 1.5 – 2.0 billion to acquire Abraaj's 66% management stake in KE. If the deal is so favorable, then **why is GoP/PC not insisting on its statutory right to chip along and also sell to SEP its residual minority 25% stake in KE worth US\$ 550-750 million at the same price?** Since GOP has no managerial control over KE's affairs post privatization, and it is the role of NEPRA to regulate KE's affairs in the public interest, then why wouldn't GoP/PC insist on also benefitting the national exchequer by selling its remaining minority shares in KE (just like GOP has announced its intention to sell its remaining 40% equity stake in KAPCO)?
- 6) Is it true that there is a Sindh High Court **Stay Order** in play related to a 2005 anti-privatization petition by various petitioners restraining the current majority shareholders

KARACHI BUSINESS INTELLIGENCE WING

from transferring their shares and control, directly or indirectly, to anyone without such restraining order being lifted?

- 7) In KE's annual accounts, the company has disclosed a disputed **Contingent Liability** of approximately Rs. 50 billion (US\$ 500 million) toward late payment / interest claims of SSGC and NTDC. There are **rumors** in the market that these two claims are now being **settled** at Rs. 25 billion which is 50%, to help in facilitating the pending SEP/Abraaj Capital's sale transaction. If true, how would the various parties to this continuing dispute (including KE and SSGC as PSX-listed entities) account for this reported settlement in their books? *Given the huge amounts involved, would it not be more appropriate to have an independent expert adjudication or arbitration award in place to avoid future controversies, allegations, NAB enquiries, etc.?*
- 8) There is **credible information** in the market that to help facilitate the pending SEP/Abraaj Capital sale transaction, KE is entering into a new power purchase agreement with NTDC/WAPDA to receive approximately half of the existing **650 MW** electricity supply from the national grid and at a much higher **Marginal Cost** for next five years. This would reportedly increase load shedding in Karachi as well as the consumer tariff during the next several years. Is this one of the mandatory commitments that needs to be fulfilled before handing over KE's control to SEP, and would the various court stay orders on this subject be vacated now?
- 9) Has the **Government of Sind (GoS)** officially been taken on board with this forthcoming change in management control at KE and the related conditionalities, given the strategic importance of this utility company in maintaining **law & order, etc.** in Karachi?
- 10) Finally, in the best interest of transparency, would GOP make available all of the important terms & conditions of this proposed transaction for a public hearing before granting its NOC, since a lot more is at stake for 22+ million people than just a private transaction between two foreign investors?

We looking forward to a favourable response to the above queries.

Thanks & Regards



Syed Mujtaba Rizwi
Director General
Karachi Business Intelligence Wing

Confidential

email: kbi021wing@gmail.com

15th September 2016

Registrar
NEPRA
Islamabad

Subject: MOST URGENT & IMPORTANT: Serious Concerns about K-Electric Tariff

Dear Authority,

We write to you in order to request Authority at NEPRA to answer the following before giving another raise in the tariff to the power giant of Karachi who has failed to provide quality service to its consumers? Citizens of Karachi are already burdened with the heavy tariff and KE has earned approximately Rs 80 billion (USD 800 million) profit in last few years as per their audited financials available on their website. There were certain commitments which were made by Government & Karachi Electric management, are these commitments fulfilled? Here are certain observations on the tariff petition available on NEPRA's website:

1. Unbundling of K-Electric

Power utility companies are unbundled worldwide and it was also unbundled in Pakistan several years ago (GENCOs, NTDC, DISCOS, etc.). Separate and autonomous generation, transmission, and distribution/retail business units are to provide better quality of service to the consumers, among other reasons. Even K-Electric had announced and sought explicit GOP Support to unbundle the company in their agreements with Government of Pakistan in 2005 & later in 2009. It has been more than 10 years since the privatization of KE and the rest of the power sector in Pakistan already operates in an unbundled set-up so it is important for us to know the rationale of accepting this petition of making Karachi Electric owners from rich to richest:

- Why has NEPRA admitted this new MYT petition and did not insist on separate tariffs for generation, transmission, and distribution for more transparency and allocation of responsibility from a consumer standpoint?
- Whether NEPRA has commissioned an internal and external analysis on the net benefit, or otherwise, to the KE consumers of maintaining status quo, and if so, will this analysis/report be shared with the public?
- When would an ordinary consumer in Karachi have a "choice" between KE and another electricity supplier, and would that not be better served under an un-bundled scenario where market is open for everyone and there is no monopoly.

2. Shareholders/Owners Guarantee

As mentioned in the I-MYT tariff petition, KE has committed to a capital expenditure of Rs. 500 billion over the next 10 years across the generation, transmission, and distribution segments of the business, which is indeed welcome. In this regard, we and the public of Karachi would like to know:

- How NEPRA will actually guarantee this investment against the upfront tariff increase and other benefits sought by KE, in other words, what is the consequence/penalty of KE being unable or unwilling to undertake this much needed CAPEX plan for whatever reason that it has committed to under the I-MYT? We have seen announcements of various projects by Karachi Electric in

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For information & n/f
— SAT-I
Gp ID:
— DG (M&E)
— SA (Tech)
— Dir (LA)
— LACIP) - m/f

26.09.16
C: chairman
VC/In(T)
m(LA)
m(LA)

By No. 9301
Dated 26-09-16

By No. 7553
Dated 27-9-16

KARACHI BUSINESS INTELLIGENCE WING

last 2-3 years and nothing has been on ground on those projects except advertisements. NEPRA has not taken any action on those commitments as well.

- b) How NEPRA will get direct assurances, in the form of corporate guarantees, bank guarantees, escrow account etc. from the existing KE owners Abraaj Group and also from the upcoming Chinese owners Shanghai Powers. We believe this to be an absolutely critical and relevant of the ongoing sale process of the Company that the Abraaj Group is pursuing (item 3 below).

3. Sale of KE by existing owners

It is a publicly known fact that the owner of KE is an offshore company KESPOWER which has majority shareholding of Abraaj group and is selling its all shareholding to Shanghai Electric. In view of the foregoing, and also related to item 2 above, will Authority NEPRA would like to answer the following:

- a) Any I-MYT commitments made by the current K-Electric management and board of directors of the Abraaj group are enough to be trusted? When we all know that they will sell the company and leave the country. Do we have to listen to the lame excuses and blame game again on old management that these commitments were made by the old owners?
- b) Has NEPRA made any official announcement or given commitment for betterment in service to the public on the ongoing sale process of K-Electric?
- c) How does the timing of this tariff petition and NEPRA's final decision relate to this change of ownership process? This is also relevant in the context of the dissatisfactory operational performance of Karachi Electric in terms of overbilling, unannounced load shedding of several hours, blackouts, long and increased technical faults whilst the management's is totally busy in putting all efforts to sale the company.

We expect NEPRA Authority members to respond to these pertinent questions and also consider these points before quickly deciding the petition. We would also like to know what actions NEPRA has taken against KE's operational nonperformance other than the media statements which we saw many times.

This issue is under discussion at various events in Karachi and most of the key opinion makers are on same page that NEPRA has already decided to allow KE's existing tariff instead of decreasing it. We would request NEPRA to ensure transparency and also request NEPRA to provide relief to consumers of Karachi.

Thanks and Regards,



Syed Mujtaba Rizwi
Director General
Karachi Business Intelligence Wing

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HBL

HABIB BANK

حیب بینک

Dated: October 5th, 2016

The Registrar
National Electric Power Regulatory Authority
NEPRA Tower Attaturk Avenue (East), Sector G-5/1,
Islamabad.

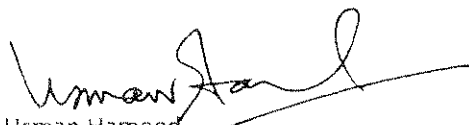
Dear Sir,

Subject: Comments on K-Electric's Multi Year Tariff (MYT) Petition for the period commencing from July 1, 2016 to June 30, 2026.

This is reference to the Multi Year Tariff petition filed by K- Electric for the determination of tariff for the period commencing from July1, 2016 to June 30, 2026. We would like to submit our comments on the subject tariff petition which were also presented in the hearing held in Karachi on 27th and 28th September 2016.

Long term financing ranging from 7 to 16 years is typically arranged by financiers for large infrastructure projects. These include power related financing for generation / efficiency improvements and transmission. In order for such projects to be bankable, financial institutions require that a long term tariff is agreed in order to provide a defined cashflows stream to repay debt obligations undertaken by a company.

Yours Sincerely,


Usman Hameed
GM, Project Finance

For my friend A
N/A.
SAT - I
Safar 10:
SAT (Tech)
M/F
OT. x. 16
cc. charma
VC/MT)
M(LH)
M(CA)

Registrar
By No. 9711
Dated: 7-10-16

Habib Bank Limited
Investment Banking
20 HB Plaza
11 Chundrigar Road
Karachi, Pakistan

Ph (92-21) 32474394
Fax (92-21) 32435914

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1941-2016



No. CPPA-G/2016/Admin/4586

Dated: August 12, 2016

Deputy Registrar NEPRA,
NEPRA Tower, Ataturk (East)
G-5/1, Islamabad.

Subject: COMMENTS: NOTICE OF ADMISSION IN THE MATTER OF PETITION FILED BY K-ELECTRIC LIMITED FOR THE DETERMINATION OF ITS MULTI YEAR TARIFF (MYT) FOR THE PERIOD COMMENCING FROM JULY 01, 2016 TO JUNE 30, 2026 (CASE NO NEPRA/TRF-362/KEL-2016)

Ref: (1) Notice regarding admission of multiyear Tariff Petition filed by K-Electric limited for the period of July 2016 to June 2026 published in Express News on 24-06-2016.

(2) Dy. GM (Finance) CPPA-G letter No. CEO/CEO/DGMF/MF-II/8546-47 Dated 02/08/2016 on the subject matter addressed to the Deputy Registrar NEPRA.

(3) Company Secretary CPPA-G letter No. CPPA-G/2016/Admin/CS/134-37 Dated 22/07/2016 regarding information request pertaining to subject petition addressed to Deputy Registrar NEPRA.

CPPA-G expresses its interest in participating in Multiyear Tariff Petition proceedings of K-Electric Ltd. Through this letter CPPA-G is filing its overall comments that also cover the preliminary filed earlier. Our major observation on the Integrated Multi-Year-Tariff (I-MYT) is that the overall petition lacks details on assumptions, rationale and plans that form its basis. Therefore, we requested for additional information through the letter referred at serial number 3 above so as to develop holistic understanding and furnish comprehensive comments. However, up till now the requested information has not been received by this office.

Therefore, based on the limited information available, the following high-level comments are submitted for the consideration of the Authority that:

- 1) NEPRA should consider conducting a comprehensive review of the last I-MYT control period, in terms of their actual performance against targets set by the Authority and Government of Pakistan (GoP). In this regard it is further submitted that:
 - a. K-Electric agreed to meet the requirements of the Implementation Agreement (IA) with Government of Pakistan and as any other utility under the regulatory regime is mandated to meet the regulatory targets for losses, collections, O&M, investments, while also meeting the performance standards for generation, transmission and distribution framed by the regulator. In the start of the last control period, K-Electric was allowed the O&M, Depreciation, Losses, and investments and according the rate was set to cover these costs.

- b. Please refer to **Annexure-A**, a chart which depicts typical trend of expenses (O&M, depreciation, losses, investment etc.) that we have assumed K-Electric would have got approved in the start of the seven year I-MYT control period. What we are requesting before the authority is the detailed review of what was approved in-terms of these allowed expenses that K-Electric has charged to the customers and the actual expenses. For instance if the investments were not made as allowed by NEPRA, than the depreciation expense allowed at the start of the control period and was subsequently made part of rate would have resulted into incremental revenue and eventually higher returns rewarding the utility for not meeting the investment targets.
- c. Moreover, the Authority may also consider conducting an annual review of the K-Electric performance against the targets and true-up the expenses and subsequently adjust the tariff. Also, our company is of the opinion that the control period shall be of three years.
- d. Furthermore, one important point to bring before Authority's notice is the quality of product (electricity) and the services provided to the customers. The product and the allied services shall meet the NEPRA prescribed standards. In **Annexure-B**, we have copied the excerpts from NEPRA's state of the Industry Report 2015 regarding K-Electric's performance.
- e. From the review of the NEPRA's report, one can depict K-Electric's slow progress in enhancing the generation, transmission and distribution assets and meeting other targets. This also reflects bad on K-Electric's internal capacity to perform integrated planning based on specialized studies. No information is provided about MVA's that will be added in the distribution network, logically it should be more than 3,370 MVA planned to be added through power transformers. Therefore, it is suggested that NEPRA before approving this huge investment may please conduct a thorough review of the planning processes, capabilities and plans.
- f. K-Electric has further asked for an approval of huge investment to the tune of Rs. 496 Billion in next ten year. A huge investment claim was a bit exposed when the heat wave of summer 2015 hit the streets of Karachi.
- 2) K-Electric is requesting a change in clawback thresholds from 12%, 15% and 18% to 15%, 18% and 20% to allow returns for KE to commensurate with the level of investment required and inherent risk in the business. Also K-Electric in support to this request argues that the IPPs have been allowed higher returns so this change may be approved. Following is our submission in this regard:
- a. That the geopolitical, security and socio-economic situation of Pakistan (including Karachi) has improved over the years. The interest rates are lowest on record and overall economy has shown steady growth over. For K-Electric, the initial teething problems faced by the

management are almost over and as claimed corporate governance is far better than couple of years ago.

- b. That the reason for increasing the clawback threshold as mentioned by K-Electric is the level of investment. In our opinion with improved financial health, secured collateral, improved credit ratings over-time and long-term nature of the loan allows K-Electric to secure loans at low interest rates and also earn decent returns on equity on the given clawback thresholds.
- c. That for a monopolistic vertically integrated utility with growth in consumption and improving external environment, the risks of doing business should have decreased and shall also lessen over-time.
- d. Finally, comparing K-Electric with other IPP's which were established under different Power Policies (with certain incentives) is not an appropriate comparison, as the Power Plants within K-Electric were not established under these power policies.

Therefore, in view of above submissions, we are of the opinion that K-Electric needs to base the request for increasing the clawback threshold on some other concrete grounds.

- 3) K-Electric is requesting a modification of the adjustment mechanism for O&M costs to the effect that the efficiency factors X, in any year of the control period, should be lower of the existing (2% or 3% according to the business unit) or 30% of the increase in CPI for the relevant control year. This as per K-Electric will help the business in periods of low inflation.

We are of the opinion that the 2-3% X-factor for K-Electric needs to be re-examined, as other regulators also uses higher values. Further, to our understanding the X factors for K-Electric apply only to O&M cost components (which make only up to 10% of total tariff) and not to the total costs, and therefore seem to provide lower targets for efficiency.

- 4) K-Electric in the petition has asked to allow an increase of Rs. 0.66/kWh to help reduce the ongoing deficit in the recovery of O&M cost. The recent trends, showing O&M costs are increasing at faster rate than CPI, means that previously O&M costs could have been increasing at lower rate than CPI. Therefore, if any modification in this regards is to be made, it should be applied retrospectively so that the previous possible gains could also be passed-on to the customers.
- 5) In the petition K-Electric has mentioned to cease the 650MW in 2020. The company should have ceased this intake from NTDC in 2015 and additional five years of intake needs some serious considerations by the Privatization Commission and the Authority. Further, it is noted in the petition that K Electric in 2026 will have available capacity of 5,349 MW and Peak Demand of 5,243 MW, a net surplus of only 106 MW, which to our understanding as based on the Grid Code is too less of a reserve (contingency, operating and spinning reserves) to comply with Grid Code requirements.

- 6) CPPA-G is of the view that for forming the next I-MYT for K-Electric, the revenue requirements for Generation, Transmission and Distribution segments of the business should be worked out separately and then aggregated to form the integrated petition. In this regard, CPPA-G also suggests that the financial statements for generation, transmission & distribution business shall be prepared separately by K-Electric. This will allow a better insight into the different segments of the business, the margins, and will help in a better way to understand the efficiency and in-efficiencies.
- 7) K-Electric anticipates that the maximum demand will grow by 72% in next 10 years. Usually, the demand is forecasted for low, normal or high scenario. Does this 72% increase is for normal scenario? Further, no details of forecast method and assumption are found in the petition. The forecast method and assumptions taken to forecasts need to be validated before allowing over \$4 billion investments in next 10 years.

Further, demand side management and energy efficiency measures are key initiatives for any electric utility to implement and reduce the overall requirement of generation and subsequently the infrastructure required to transmit and distribute it. The petition lacks details of measures implemented, the results of such measures and the planned initiatives and the results of such initiatives in this regard.

- 8) K-Electric has not achieved the target of T&D losses (15% in 2015) which was set by Authority in its last determination. Rather, in 2015, T&D losses of the company stood at 23.7%. Moreover, the segregation of losses in technical and commercial is also not mentioned in the petition. What we need to know is what percentage of the loss reduced from 35.9% to 23.7% in 2015 was commercial and technical? What percentage of the loss planned to be reduced from 23.7% to 13.8% (as per K-Electric Petition) in 2026 will be commercial and technical? This is important, as technical and commercial losses need different interventions, with huge difference in the capital requirements, which are not provided separately in detail.
- 9) Moreover, as the claim that K-Electric is exempting 61 % of the area from load shedding is commendable, however, we need to also consider that what will happen to overall administrative losses, say in couple of years when the supply will be more than the demand. Currently huge portion of the administrative losses are managed by K-Electric by load-shedding the areas with low collections and high losses. Once the supply exceeds demand, to our understanding AT&C based load shedding would may become difficult to implement, resultantly the losses especially the administrative may become more challenging to control. To our understanding for a utility like K-Electric the technical losses are in single digit range and rest are the administrative losses. Also, collection rates are 90.5% in 2015, which may also deteriorate if the shedding of non-paying area is over in future. Therefore, NERPA may look into the K-Electric's plans in detail that how they will control/decrease the administrative and technical losses.



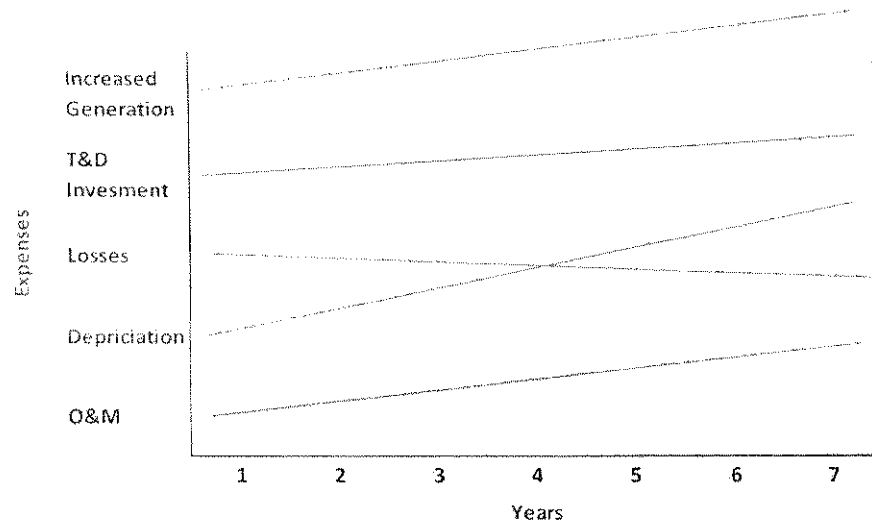
- 10) Further no concrete description of smart technologies that will be employed by K-Electric is provided in the petition. Smart technologies and smart grid is a big concept, what will be implemented and what benefits will be accrued, needs some concrete elaboration.

Omer Haroon Malik
Manager Strategy and Market Development
For Chief Executive Officer, CPPA-G Islamabad

Cc:
1. CHG CPPA-G
2. Master File

Annexure-A

A Typical Tariff Components Expenses Run Chart



The chart above depicts a typical trend of expenses. However, if the losses and investment targets are not met then the utility's revenue and eventually the profits are elevated on account of not meeting the targets. Therefore, a comprehensive review of K-Electric's performance against targets needs to be done before approving the next LMYT.

Annexure-B**Excerpts Regarding K-Electric's Performance from
NEPRA's State of the Industry Report 2015**

The remarks of NEPRA on KE's system copied from State of the Industry Report 2015 **page 10** is reproduced, "The loading profile of EHT network during June 2015, shows that out of a total 129 power transformers, 45 are overloaded. Out of these, 16 are overloaded between 90% and 100% whereas a number of transformers are noted to be operating at more than 100% of their rated capacity. It is also noted that in order to ensure that power transformers are loaded within their limits, feeders are isolated by K-Electric as a routine, so that overloading can be avoided. The Authority has noted that EHT system of K-Electric lacks enough capacity to transmit power to the underlying network. NEPRA has taken cognizance of this unwarranted situation and is proceeding as per law".

On page 37, as per State of the Industry Report 2015 "The record shows that K-Electric has generally supplied around 2100 to 2200 MW to its transmission and distribution network. Supplying more than above power through the system this June to meet increased load demand, has brought the constraints in its system to fore with increased tripping of grids, overloading of power transformers, damage to Pole Mounted Transformers and fire incidents in the grid stations. Such behavior of the underlying network directly points to inadequacy of its transmission and distribution systems as these could not support the supply of additional power from generation plants. The Authority attributes this as a failure of K-Electric to timely plan, strengthen and construct its transmission and distribution networks so that reliable power supply is ensured.

Also, **on page 37** Legal proceedings in the form of explanation and Show Cause Notices were initiated against all DISCOs and K-Electric due to non-compliance of PSDR, 2005

On page 55, K-Electric has not complied with the frequency limits which are permissible under NEPRA Performance Standards Transmission Rules (PSTR,) 2005.

Further Reportedly, K-Electric has added/refurbished 4 grid stations of 132 kV whereas no transformation capacity has been added at 220 kV level over the 5-year period which stands at 3000 MVA.

No. CPPA-G/2016/Admin/CS/134-37

Dated: 22-July-2016

Deputy Registrar NEPRA,
NEPRA Tower Ataturk (East)
G 5/1 Islamabad.

Subject: **NOTICE OF ADMISSION IN THE MATTER OF PETITION FILED BY K-ELECTRIC LIMITED FOR THE DETERMINATION OF ITS MULTI YEAR TARIFF (MYT) FOR THE PERIOD COMMENCING FROM JULY 01, 2016 TO JUNE 30, 2026 (CASE NO NEPRA/TRF-362/KEL-2016)**

Reference: Notice regarding admission of multiyear Tariff Petition filed by K-Electric limited for the period of July 2016 to June 2026 published in Express News on 24-06-2016.

It is requested that, CPPA-G needs following information/Records from K-Electric Ltd before providing comments on the subject Tariff Petition:

Historical Data - Pervious Tariff Control Period (07 Years)

- Audited Financial Statements
- Plant wise power generation (MW & MWh), Cost (Fixed & Variable) & Consumption
- Allowed & Actual O&M Expenses
- Allowed & Actual Investment
 - Generation
 - Transmission
 - Distribution
 - Customer Service
- Year wise Customers growth
- Customer demand (MW & MWh)
- Yearly Billing & Recovery detail
- Detailed fixed Assets as on 30-06-2016

For information & mfa p.
SAT-I
Safid
SA (Tech)
D/Reg-I
cc: chairman
M(LC)
M(CA)

10 Years (Proposed Tariff Control Periods)

- Business Plan
- Projected Power Demand & Supply (MW)
- Generation Plan & Sales forecast (MWh)
- Projected Power Purchase Cost, Source wise & Plant wise
- Future Investments Plan
 - Generation
 - Transmission
 - Distribution
 - Customer Service
- Projected O&M Cost

Mr. Sajjad
Dy. Dir. (T)
To Director
Dissem.
38/7

7573
Dy. Dir. (T)
Dated: 26-07-16



Central Power Purchasing Agency Guarantee Limited

A Company of Government of Pakistan



- g) Division wise detail of TOU meters to be installed
- h) Calculation of working capital

It is, therefore, requested to please direct K-Electric to provide above mentioned information, enabling CPPA-G to submit its comment on the subject Tariff Petition to NEPRA.

(Noman Rafiq)

Company Secretary, CPPA-G.

For Information:

1. PS to Chief Executive Officer, CPPA-G.
2. Chief Financial Officer, CPPA-G.
3. Chief Operating Officer, CPPA-G.

For information & ref. to
SAT-I
SAC (ah)
DG (MSE)
Dis (L) - m/f



MYT
K-ELECTRIC
Energy That Moves Life

The Registrar
National Electric Power Regulatory Authority
Islamabad

23.09.16
cc: Chairman
VC/M(T)
M(DC)
M(CA)

Ref. No. RA&SP/NEPRA/204
Dated: September 20, 2016

Subject: Intervention request regarding the proceedings of K-Electric's Multi Year Tariff (MYT) Petition for the period commencing from July 1, 2016 to June 30, 2026.

Dear Sir

This is with reference to letter no. NEPRA/SAT-I/TRF-362/12318 dated September 02, 2016. Our response to the comments of Central Power Purchasing Agency Guarantee Limited (CPPA-G) are given below:

Performance under last tariff control period (Para 1)

The intervener has incorrectly connected the requirements of the Implementation Agreement (IA) with the regulatory targets for operational performance allowed by NEPRA under the tariff. We would like to clarify that the IA included a requirement of investing equity of USD 361 million, which was complied with by the investor.

Further, KE has a performance based tariff structure, the essence of which is that it self penalizes the entity for any inefficiency. Under this mechanism, the consumer does not have to bear the burden of inefficiency at the utility's end, rather the entity is incentivized to investment in order to improve the efficiency, beat benchmarks set by the Regulator and earn a reasonable return.

The investments do not impact tariff as there is no provision for investment or guaranteed return in the tariff. KE is responsible to arrange resources for investments and the only way KE can earn a return is by outperforming against the benchmark set by the Regulator. Therefore, the intervener's request of carrying out a review of investment allowed in tariff vs actual investments made etc. are not valid as no such component are allowed in the tariff.

Similarly, with respect to intervenors request to review actual O&M of KE with O&M allowed in tariff it is essential to understand that under a performance based tariff efficiency gains / (loss) are to be absorbed by the utility. Excess efficiency gains are however capped through claw back mechanism which ensures that profits beyond a certain threshold are shared with consumers.

K-Electric has completely changed from an unsustainable loss making entity to an efficiently run profitable utility. Under the current tariff regime, KE has been able to invest over Rs. 120.7 billion in the last 7 years. This has resulted in an increase of 1,037 MW in generation capacity along with an improvement in fleet efficiency from 30.4% in FY 09 to 37% in FY15. Further T&D losses have reduced from over 35% in FY 09 to 23.7% in FY15, system resilience and customer service have significantly improved and 61% of the city is exempt from load shed.

With respect to the intervener's concern regarding KE's planning process, we would like to state that KE has a thorough and detailed planning process. KE conducts detailed studies/analysis to understand the

requirements given the technical constraints. Technical studies are conducted and feasibilities are drawn to evaluate the impact of any new addition on the integrated system. KE has highly qualified professionals with capabilities to understand the technical and commercial aspects of any expansion in infrastructure and where required, competent consultant/advisory firms are also engaged.

Clawback (Para 2)

The intervener has stated that KE's comparison with IPPs is invalid. We would like to clarify that we are not stating that KE is similar to IPPs but want to highlight that IPPs operate in a rather risk free environment. They are not only provided sovereign guarantee but their finance cost is also pass through and they are guaranteed full recovery of the power supplied. KE on the other hand has the responsibility to plan for generation, transmission and distribution of power to Karachi and its suburbs and hence is exposed to an array of risks, including right of way for its transmission and distribution projects, circular debt and non-payment by private consumers etc. It has to provide a bankable security in the absence of any GoP support to not only secure financing for projects but also when acting as a power purchaser. Recently, NEPRA has allowed Matiari to Lahore Transmission line project a dollar based IRR of 17%, which again like an IPP is backed by sovereign guarantee. In spite of all these factors, KE, as shown below, is allowed a return far lower than what IPPs and other private investors like Lahore to Matiari Transmission project earn.

KE has earned profit before tax, as given in the table below, of Rs. 1.7 billion to Rs. 15 billion in the last four years.

	2012	2013	2014	2015
	Rs. in million			
Profit before tax	1,752*	4,001*	9,575	15,076
Share capital and reserves				
Opening	113,837	125,313	128,389	130,709
Closing	125,313*	128,389*	130,709	157,784
Average	119,575	126,851	129,549	144,247
Return %	1%	3%	7%	10%
Return on operating Assets (Fixed assets and intangible)				
Opening operating assets	167,514	170,443	165,186	170,663
Closing operating assets	170,443*	165,186*	170,663	214,003
Average	168,979	167,815	167,925	192,333
Return on assets	1%	2%	6%	8%

*These numbers are as per restatement in 2014

As can be seen from the table above, KE has earned a return on capital & reserves ranging from 1% to 10% and a return on assets ranging from 1% to 8% in the last four years. These are lower than the current market returns as IPPs are being allowed dollar based IRR ranging from 15% to 17% (IRR of 22-23% in PKR terms).

In spite of low profit, KE's shareholders did not take any dividends and preferred to re-invest all the profits back in the company to continue the improvement process. Therefore the change in clawback threshold is only a request to rationalize KE's returns in line with the current market rates of returns so that KE is given a level playing field and it continues investing in system upgradation.

O&M X Factor modifications (Para 3)

With respect to the X factor modification, in the current low inflation scenario increase in CPI in May 2015 was 3.16%. This meant that with X factor at 2% (for Generation & Transmission) and 3% (for Distribution) KE was only allowed an indexation of 1.16% and 0.16% respectively. Given that the utility is already experiencing a significant shortfall in O&M component allowing such negligible indexation would result in further exacerbating the deficit. Although KE has planned to bring in efficiencies in O&M, it should be noted that several cost heads increase faster than the rate of CPI growth and KE is currently being allowed an increase significantly lower than the inflation itself. Therefore it is only reasonable to modify the X factor so that KE has some cushion to manage its O&M costs while also continuously working towards making them more efficient.

Increase in O&M Component of tariff 0.66 paisa (Para 4)

The intervener has incorrectly assumed that previously O&M costs were increasing at a lower rate than CPI and therefore any adjustment should be allowed retrospectively. We would like to clarify that the shortfall in O&M had accumulated due to an in-sufficient base tariff in 2002 and an increase in costs faster than CPI. Therefore, KE had requested for an increase of Rs. 0.64/kwh in the O&M component in 2009 petition, NEPRA, however, allowed an increase of 15 paises which meant that the deficit kept accumulating.

Since the new management takeover in 2009, KE has brought in efficiencies in O&M costs by implementing a number of operational improvements across all business units. However, in spite of these efforts, O&M grew in real terms due to increase in generation, transmission and distribution capacities and other efforts for performance improvement. As per the table below, KE's O&M shortfall stands at Rs. 1.44/kwh in FY 2016. KE is willing to absorb more than half of this cost and is only asking for a one time increase of Rs. 0.66/kwh (i.e. 46% of the shortfall).

	2016
O&M (Rs. Million)	37,240
Units Billed (Gwh)	12,865
O&M cost per unit (Rs./ Kwh)	2.89
O&M cost allowed in tariff (Rs./Kwh)	1.45
Shortfall (Rs./Kwh)	1.44

KE has requested for a small portion of the shortfall which will ensure that it does not divert significant funds away from planned capital expenditure in order to meet the deficit in the recovery of O&M costs. It is notable that, as per the business plan after incorporating the impact of 66 paisa, KE will still be bearing average shortfall of Rs. 1/Kwh in the next 10 years on account of O&M.

Import from NTDC and Surplus Reserve (Para 5)

With respect to Power Purchase Agreement (PPA) with NTDC, KE is currently in negotiations with the Government to continue power purchase from NTDC for another five years. The business plan forecasts investment in generation to add capacity and generate a supply surplus (excluding NTDC/CPPA G) of 106 MW against peak demand by 2026. This surplus is projected against peak demand which is only during certain hours of the day and the surplus when compared to average demand is significantly higher. Moving forward, as KE will continue investment not only in generation capacity but also demand side management this surplus over peak demand will further increase.

Separate Revenue Requirement & Statements for Generation, Transmission & Distribution (Para 6)

As explained earlier in response to para 1, KE does not follow a tariff structure where revenue requirements are calculated. Instead KE follows a performance based tariff structure where NEPRA has already given separate operational benchmarks such as generation heat rate, auxiliary consumption and T&D losses. Further, with audited financial statements that are publically available KE has given all stakeholders significant visibility into its operations and finances. Moving forward, KE is willing to work with the Regulator to device segmental reporting procedures for each business unit to further provide insight into operations and performance of the company.

Demand Forecast (Para 7)

K-Electric has conducted detailed demand analysis based on historic demand situations and the prevailing scenario, in order to develop forecasts that provide a realistic demand situation that needs to be planned for accordingly.

There is a strong correlation between GDP growth and growth in power demand historically and the same was considered while calculating demand. KE used future GDP growth numbers as per NTDC planning studies of economic growth to determine its demand growth analysis.

Demand Side Management, Energy efficiency measures and Smart Technologies (Para 7 and 10)

Sustainability and mitigating the adverse effects of climate change are one of the key driving principles at K-Electric. KE runs a comprehensive Energy Conservation & Energy Efficiency program which includes creating awareness to propagate best practices and educate end consumers as well as carry out free of cost energy audits according to global ISO and GHG standards. KE's programs have helped it create awareness and reach out to over a million individuals and save over 240 MW, release 445 MVA (equivalent of 130,000 households with 3kw per household) and help reduce CO² emissions by 1.05 million metric tons per annum.

KE has already started a pilot project to implement smart technologies across its power system. Further, all generation & transmission points and feeders have smart meters installed. KE was one of the first power utilities in Pakistan to embrace smart technology for more reliable and effective power delivery and monitoring.

Going forward, KE plans to invest around Rs. 108 billion in its distribution infrastructure which includes installation of smart technologies across its network. KE also plans to continue its efforts and focus on demand side management over the long term as its power network moves towards smart technologies.

T&D Losses (Para 8 & 9)

We would like to highlight that the performance benchmarks set initially were aggressive. This issue was also highlighted in the 2009 petition, however, the benchmarks were not revised. KE, however, did not shy away from the challenge and invested to realistically improve T&D as much as possible and continues to do so.

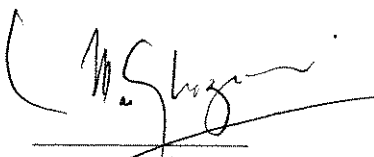
We would also like to add that, T&D loss phenomena should be understood in the light of ground realities. Karachi is a unique city with its own challenges and dynamics. Unlike other major cities of Pakistan, a significant proportion of Karachi's population lives in illegal settlements on 'unleased' land. KE is unable to install meters in these areas due to the illegal nature of the settlements and has limited avenues to curb the theft of electricity, by residents, through illegal connections to the distribution network. Furthermore, the volatile law and order situation in the city especially restricted access to certain areas, due to localized issues, continues to affect the company's ability to curb theft and ensure timely payments.

Total T&D loss is significantly affected by high loss areas such as Liyari, Gadap, Orangi, Baldia and Surjani, etc. KE has administratively divided its distribution areas in 29 parts with each area having its own Integrated Business Centre (IBCs). 12 out of 29 IBC areas are categorized as high loss where distribution loss percentage is 36.4% (2016) due to the challenges above, whereas distribution loss in rest of the 17 IBC areas is 13.7% (2016) i.e. below 15%. While KE has been able to reduce Transmission losses to an internationally acceptable level of 1.4% which are pure technically, reducing Distribution losses and its bifurcation into commercial and technical losses remains a challenge due to factors given above. KE's business plan targets both reduction in technical loss and commercial loss and through investment of around Rs. 108 billion in distribution not only the reliability of the system is expected to improve but T&D losses are also targeted to be reduced to a level of 13.8% by 2026.

In addition, KE has invested in improving its recovery ratio over the years through several awareness building campaigns, facilitating consumers through easier bill paying options and crack down campaigns such as Operation Burq. The Segmented Load Shed policy is not the sole means to controlling theft/non-recovery. KE envisions a gradual decrease in load shedding with additional capacity added to system and as areas move from high loss to low loss through investment in targeted programs to curb power theft and non-payment. Therefore, it is incorrect to assume that KE will not be able to recover bills if load shed is reduced.

We hope that the above responses have addressed the concerns of the intervener.

Sincerely,



M. Amir Ghaziani
Director (Finance & Regulations)



**National Electric Power
Regulatory Authority (NEPRA)**

NOTICE OF ADMISSION

**MULTIYEAR TARIFF PETITION FILED BY K-ELECTRIC LIMITED
(K-ELECTRIC) FOR DETERMINATION OF TARIFF FOR THE
PERIOD COMMENCING FROM JULY 01, 2016 TO JUNE 30, 2026**

بذریعہ دستی، فیکس، پوسٹ، ای میل

جناب،

۹. جدول زیر را در ۱۴۰۱/۱۲/۱۲

کافی ٹوہرائے ضروری کاروائی:-

2. ڈی جی، ایف آئی اے، اسلام آباد۔
3. ڈائریکٹر، ایف آئی اے، سندھ، کراچی۔
4. ڈی جی، آئی بی، اسلام آباد / کراچی۔
5. ڈی جی، آئی ایس آئی، اسلام آباد / کراچی۔
6. صدر مملکت، اسلامی جمہوریہ پاکستان۔
7. پاکستان کے شہریوں خصوصاً کراچی۔

مضمون: اعتراضات بخلاف کے۔ الیکٹرک لمیٹڈ (ابراج، عالمی اقتصادی دہشت گرد) برائے توسیع کئی سالوں (دس سال) کیلئے محصولات کے فیصلہ پر جو کہ (TRF-133) 2009 میں جاری کیا گیا تھا۔

السلام عليكم

1. جناب والا اٹیل ممتاز بیٹا زہرہ ممتاز بجلی صارف نمبر-149646-LA پاکستان کا شہری رہائشی کراچی، کے-
الیکٹرک لمیٹڈ (ابراج عالمی اقتصادی دہشت گردوں، پاکستان پینل کوڈ کے سیکشن کے تحت) کی جانب سے دائر
استغاثہ جس میں کئی سالوں کے محصولات (MYT-TRF-133) میں توسیع کیلئے درخواست کی گئی ہے، کے
بارے میں شدید اعتراضات پیش کرتا ہے جو کہ چھان چھٹک اور پڑتال کے بعد فیصلے میں مد نظر رکھے جائیں۔

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13/4

For information

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Chab:

— SA (Tech)

— DG (MRE)

— Dir (LW)

— M/F

cc: ch
va

761
12-07-16

By No.
Date:

cc: chairman
vc/m(t)
m(lc)
m(ca)

By No: 5841
Date: 13-2-12

2. جناب والا پہلا سوال / اعتراض یہ ہے کہ استغاثہ دائر کرنے والے کے - الیکٹرک ابراج کے عالمی اقتصادی دہشت گردوں نے جب اپنا استغاثہ مورخہ 31 مارچ 2016 کو نیپرا اتھارٹی کے روبرو جمع کرادیا تھا جس کا ویب سائٹ ایڈریس مندرجہ ذیل میں ہے تو:

<http://www.nepra.org.pk/Tariff/Petitions/2016/K-Electric%20Integrated%20MYT%202016%20-%20Jun%2030th%202026.pdf>

The Registrar
National Electric Power Regulatory Authority (NEPRA)
NEPRA Tower
Attaturk Avenue (East),
Sector G-5/1, Islamabad

Ref: RA/NEPRA/2016/142
March 31st, 2016

July 1, 2016 to June 30, 2026

Dear Sir,

Please find enclosed Integrated Multi Year Tariff Petition ("I-MYT Petition") for the period commencing from July 1, 2016 to June 30, 2026.

It is therefore, requested to admit the tariff Petition and kindly acknowledge and issue the receipt.

Sincerely,

M. T. Ahmed
Muhammad Tayyab Ahmed Fareen
Chief Executive Officer
K-Electric

TRF Section
National Electric Power Regulatory Authority
Attaturk Avenue (East), G-5/1, Islamabad
Date: 31/03/16
Time: 15:20

استغاثہ قبول کرنے والے نیپرا اتھارٹی کے کمال کے اہلکاروں کو (MYT-TRF-133) ختم ہونے کے عین (7) سات دن پہلے ہی کیوں خیال آیا کہ استغاثہ کو قبول کر لیا گیا ہے اور اس پر اعتراضات، مخالفت کے بنا پر تحریری بحث کی جائے، یعنی 24 جون 2016 کو جبکہ (MYT-TRF-133) ختم ہونے کی معیاد 30 جون 2016 مقرر کی گئی تھی۔

Notice of Admission: Multiyear Tariff Petition Filed by K-Electric Limited for Determination of Tariff for the Period Commencing from July 01, 2016 to June 30, 2026

24-06-2016

K-Electric Limited - Integrated Multi Year Tariff Petition for the period commencing from July 01, 2016 to June 30, 2016

View

View

جب (MYT-TRF-133) کی معیاد 30 جون 2016 کو ختم ہو چکی ہے جس کی وجہ سے 30 جون 2016 کے بعد سے قانونی طور پر کے۔ الیکٹرک ابراج کے عالمی اقتصادی دہشت گرد کراچی اور ملحقہ صارفین سے کسی بھی قسم کے محصولات کا تقاضا بالکل بھی نہیں کر سکتے ہیں، تو نیپرا کے صرف نااہل اہلکاروں نے ایسا غیر قانونی اقدام کرنے کا جواز کیوں پیدا کیا؟

3. جناب والا اعتراض کنندہ (انیل ممتاز) اب نہایت مختصر اور جامع اعتراض پیش کرے گا جو کہ نیپرا اتھارٹی اور کے۔ الیکٹرک ابراج کے عالمی اقتصادی دہشت گردوں کیلئے کسی چیلنج سے کم نہ ہو گا۔ جناب والا نیچے پہلے نیپرا اتھارٹی کی جانب سے جاری رپورٹ کے ویب سائٹ ایڈریس پیش کئے جا رہے ہیں، اس کے بعد نیپرا کی جانب سے فیصلوں کا ویب سائٹ ایڈریس پیش کیا جائے گا جو کہ کے۔ الیکٹرک ابراج کے عالمی اقتصادی دہشت گردوں سے متعلق ہیں جس میں نیپرا اتھارٹی نے ہی اہلکاروں نے لے۔ اینسٹر ابراج لے تنس پیشہ ورانہ بددیاسیوں، نااہلیوں، تین خلاف ورزیوں کے ایسے ایسے ہوش اڑانے والے حقائق رقم کئے ہیں کہ اگر جناب آئن اسٹائن اور تھومس ایڈیسن صاحب زندہ ہوتے تو شرم سے خود ہی دارالافتاء سے کوچ کرنے کو ترجیح دیتے۔ جناب والا ان رپورٹوں اور فیصلوں کے متعلق میرا دائرہ جامع تحریری تبصرہ کے۔ الیکٹرک ابراج کی جانب سے نہ صرف اعتراض کنندہ کو موصول ہونا چاہئیں بلکہ اس کو پاکستان کی عوام کیلئے ویب سائٹ پر بھی نشر کیجئے گا؛

Performance Evaluation Report of NTDC & K-Electric for Year 2010-14 .4

<http://www.nepra.org.pk/Standards/Performance%20Evaluation%20Report%20of%20NTDC%20and%20K-Electric.pdf>

Performance Evaluation Report of Distribution Companies & K-Electric for Year 2013-14 .5

<http://www.nepra.org.pk/Standards/Performance%20Evaluation%20Report%20of%20Distribution%20Companies%20&%20K-Electric%20for%20Year%202013-14.pdf>

Performance Evaluation Report of Distribution Companies & K-Electric for Year 2012-13 .6


<http://www.nepra.org.pk/Standards/Performance%20Evaluation%20Report%20of%20DISCOs%20and%20K-Electric.pdf>

LAD-01 K-ELECTRIC SHOW CAUSE NOTICE 25-03-2016

7

<http://www.nepra.org.pk/Tariff/KESC/2016/LAD-01%20K-ELECTRIC%20SHOW%20CAUSE%20NOTICE%2025-03-2016%203862.PDF>

8. نیپرا کا فیصلہ جس کی کاپی نیپرا کے صرف بدنیت الہکاروں نے نیپرا کے ویب سائٹ پر شائع / چپاں نہیں کیا ہے:

	<p>National Electric Power Regulatory Authority Islamic Republic of Pakistan</p> <p>NEPRA Tower, Alaturk Avenue (East) G-5/1, Islamabad Ph: +92-51-5206500, Fax: +92-51-2600021 Web: www.nepra.org.pk, E-mail: info@nepra.org.pk</p>
Registrar	
No. NEPRA/TCD 09/5956-93	12-6-2014
Chief Executive Officer K-Electric Limited (KEL) KE House, Punjab Chowrangi, 39-B, Sunset Boulevard, Phase-II Defence Housing Authority Karachi.	
Subject	Decision of the Authority regarding Six Complaints including the Complaint of Mr. Muhammad Ilyas, General Secretary, Muslim Islahi Committee Karachi, referred by Human Rights Cell, Supreme Court of Pakistan against KESC regarding Begus/Assessed/Average/Theft Billing by KESC - blatant Violation of the Electricity Act as well as NEPRA Rules Complaint # KESC-432/2012
Please find enclosed herewith the decision of the Authority in the subject matter for next day action and compliance within later weeks period.	
Encl: Attached	(Syed Saifur Hussain)
Copy to:	

9. جناب والا اعتراض کنندہ انیل ممتاز یہ شدید اعتراض اٹھاتا ہے کہ جب نیپرا نے اپنے اوپر پیش کئے گئے فیصلوں اور رپورٹوں میں کے۔ الیکٹرک ابراج کی جانب سے کی گئیں سنگین خلاف ورزیوں، بدترین نااہلیوں اور بددیانتیوں کی نشاندہی خود ہی رقم کی ہوئی ہے تو کے۔ الیکٹرک ابراج کا لائسنس کیوں معطل نہیں کیا جاتا ہے؟ اور کیوں کے۔ الیکٹرک ابراج کیلئے ٹیرف / محصولات میں مزید دس سال کیلئے رعایت دینے کیلئے استغاثہ قبول کیا جاتا ہے جبکہ یہ بات انیل ممتاز ریکارڈ پر لا چکا ہے کہ متعین (MYT-TRF-133) پر نہ تو کے۔ الیکٹرک ابراج نے ایک بار بھی عمل کیا اور نہ ہی نیپرا کے صرف بدنیت الہکاروں نے قومی اور عوامی مفاد میں اس کو عملی جامہ پہنا سکا ہے؟

10. جناب والا نیپراسے درخواست ہے کہ کے۔ الیکٹرک ابراج کے عالمی اقتصادی دہشت گردوں کی جانب سے ایک قانونی حیلہ جو غنصر پیش کیا جائے گا جس کے بارے میں قانون میں "FRAUD & CHICANERY" کی اصطلاح استعمال کی جاتی ہے، وہ یہ کہ چوں کہ یہ کیس عدالت میں پیش ہے اس وجہ سے اس پر جواب نہیں دیا جاسکتا ہے، تو جناب اگر ایسا کوئی جواب کے۔ الیکٹرک ابراج کے عالمی اقتصادی دہشت گرد پیش کرنے کی جسارت کریں تو ان کو یہ قانون بتا دیجئے گا کہ پاکستان میں کوئی بھی ادارہ یا شخص ایک بار پھر دہرا دیتے ہیں کہ کوئی بھی ادارہ یا شخص پاکستان کے شہری کے حقوق سلب نہیں کر سکتا جو کہ آئین پاکستان میں لکھے گئے ہیں جس کیلئے عدلیہ کے تمام قاضی حضرات ایک لفظ انگریزی میں اکثر بیان کرتے ہیں جو کہ عام طور پر عوام کو سمجھ نہیں آتے ہیں یا اس پر توجہ نہیں دیتے ہیں وہ ہے "WITHOUT PREJUDICE" یعنی "تقصیب کے بغیر" جس کا عوام کو حق حاصل ہے، اور اوپر بیان کئے گئے اعتراضات کے جس جوابات آئیں گے ان میں 19 اے کے تحت ملتے جلتے ہیں۔

11. جناب والا امید ہے کہ۔ الیکٹرک ابراج کے عالمی اقتصادی دہشت گرد اور نیپراسے اتھارٹی کے اہلکار آئین کا احترام کریں گے اور اعتراضات کا مفصل تحریری جواب دیں گے۔

12. جناب والا نوٹ رکھیے گا کہ 24 جون 2016 سے لے کر 11 جون 2016 تک چھ دن ہفتہ اتوار کی چھٹیاں تھیں اور چار دن کی عید الفطر کی چھٹیاں تھیں جو کہ حکومت پاکستان نے سرکاری طور پر تعویذ کی تھیں اس بنا پر یہ ناممکن تھا کہ 15 دنوں کے اندر اتنی جامع اعتراضات کو پیش کیا جاسکتا تھا جو کہ آج مورخہ 11 جون 2016 کو پیش کیا جا رہا ہے۔

13. اب کی بار پھر اعتراض کنندہ امید کرتا ہے کہ اوپر بیان کئے گئے ٹیکنیکل حقائق / خدشات / اعتراضات / سوالات / دلائل اور ٹھوس ثبوت جو کہ نیپراسے ایکٹ کے سیکشن 39، 43، 46 (2) (h) اور 9، نیپراسے سٹریٹیجی کوڈ سیکشن 1 PI کے تحت، الیکٹریٹی ایکٹ سیکشن 39 کے تحت ساتھ میں آئین کے آرٹیکل 2، 5، 8، 4 اور 19-A کے تحت بتائے اور پوچھے گئے ہیں ان پر نظر ثانی اور اقدامات قوانین کے تحت فوری کئے جائیں گے تاکہ سماعت میں صحیح صورت حال کی عکاسی ہو سکے۔ اور حالات کے پیش نظر جو اعانت، طمانی، نقصانات صحیح / مناسب سمجھتے ہوں، ملکی، قومی اور عوامی مفاد میں جاری کریں۔



انیل ممتاز ولد ممتاز علی خان، صارف نمبر—LA-149646

25-جی، عسکری اپارٹمنٹ-3، اسکول روڈ کینٹ، کراچی۔ میل نمبر-03454011715

ای میل: aneelmumtaz01@gmail.com

MONDAY JUL 11, 2016

CC TO, SERIOUS OBSERVATIONS, FOR NECESSARY ACTION UNDER ANTI- NATIONAL & ANTI CONSTITUTIONAL ACTIVITIES, CORRUPTION AND ACTUALLY WHAT HAPPENING WITH INNOCENT K-ELECTRIC'S (ABRAAD) CONSUMERS:-

1. THE HONORABLE CITIZENS OF PAKISTAN
2. THE PRESIDENT OF I.R.o. PAKISTAN.
3. THE REGISTRAR, SUPREME COURT OF PAKISTAN.
4. THE JUSTICES OF SUREME COURT OF PAKISTAN.
5. The CHIEF JUSTICE, HIGH COURT OF SINDH, KHI.
6. THE REGISTRAR, HIGH COURT OF SINDH, KARACHI.
7. THE JUSTICES OF HIGH COURT OF SINDH, KHI.
8. THE DG, FIA, ISLAMABAD.
9. THE DIRECTOR, ANTI POWER THEFT UNIT, FIA ISLAMABAD.
10. THE DIRECTOR, FIA, SINDH ZONE, KARACHI.
11. THE DEPUTY DIRECTOR, CCC, FIA, KARACHI.
12. THE ADG, ACW, FIA, ISLAMABAD.
13. THE DIRECTOR ANTI TERRORIST WING, FIA, ISLAMABAD.
14. THE AUDITOR GENERAL OF PAKISTAN ISLAMABAD
15. THE DG COMMERCIAL AUDIT, AGOP KARACHI.
16. THE CHAIRMAN, PUBLIC ACCOUNTS COMMITTEE, NATIONAL ASSEMBLY OF PAKISTAN.
17. THE CHAIRMAN, STANDING COMMITTEE, WATER & POWER, NATIONAL ASSEMBLY OF PAKISTAN.
18. THE STANDING COMMITTEE, LAW, JUSTICE & HUMAN RIGHTS, NATIONAL ASSEMBLY OF PAKISTAN.
19. THE STANDING COMMITTEE, WATER & POWER, SENATE, ISB.
20. THE ECC, THROUGH CABINET DIVISION, ISLAMABAD.
21. THE PRIME MINISTER OF PAKISTAN.
22. THE CHAIRMAN NAB, ISLAMABAD.
23. THE ADD. DIR., A&P DIVISION NAB HQ ISB.
24. THE DG, NAB, SINDH, KHI.
25. THE SECRETARY INTERIOR, GOP, ISLAMABAD.
26. THE SECRETARY, WATER & POWER, ISLAMABAD.
27. THE SECRETARY FINANCE, GOP, ISLAMABAD.
28. THE SECRETARY, LAW, JUSTICE & HUMAN RIGHTS DIVISION, GOP, ISB.
29. THE MD, PPRA, ISLAMABAD.
30. THE SECRETARY, PRIVATIZATION COMMISSION OF PAKISTAN.
31. THE CHAIRMAN, FBR, GOP, ISLAMABAD.
32. THE DG, I&I-IR, FBR, GOP, ISLAMABAD.
33. THE CHIEF COMMISSIONER (HQRS) RTO-II, KHI.
34. THE DIRECTOR, I&I-IR, KARACHI.
35. THE CHAIRMAN SECP, ISLAMABAD.
36. THE JOINT DIRECTOR, (ENFORCEMENT) SECP, ISB.
37. THE JOINT REGISTRAR, SECP, KARACHI.
38. THE REGISTRAR, PEC, KHI OFFICE.
39. THE CHAIRMAN, COMPETITION COMMISSION OF PAKISTAN, ISB.
40. THE CHAIRMAN, HEC, PAKISTAN, ISLAMABAD.
41. THE IG, THROUGH, THE DIGP/FINANCE, SINDH POLICE.
42. THE DIG, SOUTH, KARACHI POLICE.
43. THE SHO, MANZOOR COLONY AREA POLICE STATION KHI.
44. THE SECRETARY, DEFENCE, ISB.
45. THE JOINT CHIEF OF STAFF, CHAKLALA, RWP.
46. THE COAS, RAWALPINDI.
47. THE CORP'S COMMANDERS OF PAKISTAN.
48. THE DG, MI, RAWALPINDI.
49. THE DG, NI, NHQ, ISLAMABAD.
50. THE DG, ISI, KHI OFFICE.
51. THE COMLOG, COMCOAST, COMKAR, DNI(S), HQ, KHI.
52. THE AG (H. DTE), GHQ, ISB. & ADH (AC), KHI.
53. THE DG, INTELLIGENCE BUREAU, KHI OFFICE.
54. THE DIRECTOR GENERAL RANGERS, SINDH.
55. THE REGISTRAR, ISLAMABAD HIGH COURT.
56. THE REGISTRAR, LAHORE HIGH COURT.
57. THE REGISTRAR, PESHAWER HIGH COURT.
58. THE REGISTRAR, BALUCHISTAN HIGH COURT.
59. THE CHIEF SECRETARY, GOVT. OF PUNJAB.
60. THE CHIEF SECRETARY, GOVT. OF KPK.
61. THE CHIEF SECRETARY, GOVT. OF BALUCHISTAN.
62. THE FEDERAL OMBUDSMAN'S OF PAKISTAN, ISB, KHI.
63. THE JUSTICES OF SESSION COURTS, KHI.
64. THE GENERAL SECRETARY, PAKISTAN BAR COUNCIL, ISB.
65. THE SECRETARY, SINDH BAR COUNCIL, KHI.
66. THE G.S, SUPREME COURT BAR ASSOCIATION, ISB.
67. THE H. SECRETARY, SINDH HIGH COURT BAR ASS.
68. THE G.S, KARACHI BAR ASSOCIATION.
69. THE COUNCIL, IOEP, KHI. OFFICE.
70. THE PRESIDENT, KCCI, KARACHI.
71. THE GENERAL SECRETARY, FPCCI, KHI.
72. THE SECRETARY GENERAL, APTAMA, LALAZAR, KHI.
73. THE CHAIRMAN, SITE ASSOCIATION OF INDUSTRIES, KHI.
74. THE CHAIRMAN, K.A.O.T. INDUSTRIES, KHI.
75. THE TRANSPARENCY INTERNATIONAL, KHI.
76. THE HELP LINE TRUST, KHI.
77. SHERI-CBE, KHI.
78. HUMAN RIGHTS COMMISSION OF PAKISTAN, KHI.
79. ANJUMAN E MUTASREEN, K-ELECTRIC, KHI.
80. THE SHARE HOLDERS ASSOCIATION OF KESCL.
81. THE CHIEF SECRETARY, GOS, KHI.
82. THE CHAIRMAN, ENQUIRIES & ANTI CORRUPTION ESTABLISHMENT, GOS, KHI.
83. THE SECRETARY, LOCAL GOVT., GOS, KHI.
84. THE HOME SECRETARY, GOS, KHI.
85. THE SECRETARY, ENERGY DEPT., GOS, KHI.
86. THE SECRETARY, LAW, PARLIAMENTARY & HR DEPT., GOS.
87. THE EIK, REGION-II, GOS, KHI.
88. THE CHAIRMAN, SUPREME JUDICIAL COUNCIL, THROUGH SECRETARY, ISLAMABAD.
89. THE MD, KWSB, KHI.
90. THE ADD. SECRETARY, ENERGY DEPT., GOS, KHI.
91. THE ADG, ANTI-TERRORIST WING, FIA HQ, ISB.
92. THE APEX COMMITTEE, SINDH, KHI.
89. THE NORTH KARACHI INDUSTRIAL ASSOCIATION, KHI
90. THE OPIC USA.
91. THE SENATE OF PAKISTAN.



National Electric Power Regulatory Authority (NEPRA)

NOTICE OF ADMISSION

MULTIYEAR TARIFF PETITION FILED BY K-ELECTRIC LIMITED (K-ELECTRIC) FOR DETERMINATION OF TARIFF FOR THE PERIOD COMMENCING FROM JULY 01, 2016 TO JUNE 30, 2026

All stake holders, interested/ affected persons and general public are notified that the Authority (NEPRA) has admitted the Multi Year Tariff (MYT) petition filed by K-Electric for determination of tariff for the period commencing from July 01, 2016 to June 30, 2026.

1. K-Electric vide its petition has requested the Authority to extend the applicability period of existing tariff till June 30, 2026 along with some modifications/ adjustments thereto which are mentioned as hereunder:
 - i) An increase of Rs 0.66/ kWh in Operation and Maintenance (O&M) component of the existing tariff.
 - ii) Change in clawback formula thresholds from 12%, 15% and 18% to 15%, 18% and 20%.
 - iii) In the existing tariff adjustments, the level of X factor in the O&M cost adjustment formula should be lower of the current levels or 30% of increase in Consumer Price Index (CPI).
 - iv) In existing tariff, a working capital component should be included to cover late payments by Government entities and Government of Pakistan (GoP) in respect of Tariff Differential Subsidy (TDS) claims due to circular debt.
 - v) In existing tariff, a force majeure clause to be included for the allowance of irrecoverable costs or lost revenue from business disruption in case of a force majeure event.
2. In terms of rules 6 & 7 of NEPRA (Tariff standards and procedures) Rules, 1998 any interested person who desires to participate in the proceedings may file an intervention request within fifteen (15) days from the date of publication of this notice. Such intervention request shall state the name and address of the person filing the same, objections and the manner in which such person is or likely to be substantially and specifically affected by the determination in the proceedings. The intervention request may also contain the contentions of the person making the same, the relief sought and the evidence, if any, in support of the case.
3. Any person may file the comments within fifteen (15) days of the publication of this notice and the Authority, if deemed fit, may permit the participation of such person into the proceedings and also may consider these comments in the final determination. All comments shall be addressed to:

Registrar NEPRA

NEPRA Office Building, Ataturk Avenue East,
Opposite Federal Flood Commission Building, G-5/1, Islamabad
Phone: 051-2013200 Fax: 051-2600028, E-mail: office@nepra.org.pk

For Further information and to download the petition please visit

www.nepra.org.pk

Note: Admission of the petition filed by K-Electric for determination of tariff for the period from July 01, 2016 to June 30, 2016 is not to be construed as approval by

NEPRA

PID/16397/15

8/2/18
For information & m/f
— SAT-I
— SA (Tech)
— DG (MSE)
— Dir (L-1) — m/f

The Registrar
National Electric Power Regulatory Authority
Islamabad

Ref. No. RA&SP/NEPRA/203
Dated: September 21st, 2016

Subject: Intervention request regarding the proceedings of K-Electric's Multi Year Tariff (MYT) Petition for the period commencing from July 1, 2016 to June 30, 2026.

Dear Sir

This is with reference to intervention request of Mr. Aneel Mumtaz received through letter no. NEPRA/SAT-I/TRF-362/12318 dated September 2, 2016. It would be appropriate to highlight the approach of the intervener which is based on mala fide intentions with a view to circumvent due process and involve NEPRA in factual controversies which are irrelevant to the subject matter of the MYT Petition. Nevertheless, our response on the comments of Mr. Aneel Mumtaz, are given below:

With respect to performance in the last regulatory period, we would like to add that KE has been able to invest over Rs. 120.7 billion in the last 7 years. Of this investment Rs. 81 billion was in enhancing generation capacity and following additions were made:

- 247 MW Combined Cycle Power Plant at Korangi
- 180 MW GE Jenbacher (GEJB) at Korangi and SITE
- 50 MW BQPS-1 rehabilitation
- 560 MW BQPS-2

Through the above additions, generation capacity has increased by 1,037 MW and fleet efficiency has improved from 30.4% to 37%. KE further plans to invest another Rs. 203 billion in enhancing its generation capacity over the next 10 years.

KE has invested around Rs. 36.5 billion since FY 09 in Transmission and Distribution. As a result, system resilience has improved through the reduction of SAIDI by 861 minutes (40%) in last four years, and the reduction of SAIFI by 73% from FY09 to FY15. Further, transformer tripping have reduced by 60% between FY09 and FY15 and T&D losses have reduced from 35.9% in 2009 to 23.7% in FY 15. These measures along with better customer service through one-window solution in the form of Integrated Business Centers (IBC) have significantly improved the customer experience in the last seven years.

The intervener has also referred to the decisions of NEPRA relating to heat wave and certain consumer complaints. KE has filed review petitions against both decisions which are currently pending before NEPRA.

The intervener has also shown concern regarding timelines for submitting the intervention on the subject petition. We understand that these timelines were already extended by NEPRA and all the proceedings of the tariff determination are being done in accordance with the prescribed rules and regulations.

K-Electric Limited

KE House, 39-B, Sunset Boulevard, Phase II (Ext), DHA, Karachi, Pakistan.

Page 1 of 2

P: 92-21-99205142, 99205117, F: 92-21-99205192, UAN: 111-537-211, Ext. 7085, 7086, www.ke.com.pk

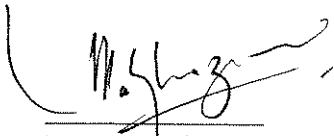
9228
By No. 23-09-16
Dated: 23-09-16

Senior Advisory Tariff
By No: 7463
Date: 26-9-16

Needless to say, to the extent that any of the above issues are already covered in existing legal proceedings before NEPRA or any other competent forum. The same remain without prejudice to the outcome of such proceedings and KE's right to file any appropriate appeals at a later stage for a final decision of the merits.

We hope that the above responses have addressed the concerns of the intervener.

Sincerely,



M. Aamir Ghaziani
Director (Finance & Regulations)