



National Electric Power Regulatory Authority Islamic Republic of Pakistan

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Registrar

No. NEPRA/R/ADG(Trf)/TRF-362/K-Electric-2016/37540-43

November 22, 2023

Subject: Decision of the Authority regarding Motion filed by Ministry of Energy (Power Division) with respect to Recommendation of Consumer End Tariff for K-Electric Under Section 31 of Act 1997 read with Rule 17 of the NEPRA Tariff (Standards and Procedure) Rules 1998 [Case # NEPRA/TRF-362/K-Electric-2016]

Dear Sir,

Please find enclosed herewith the subject decision of the Authority along with Annex-I and Additional note of Mr. Rafique Ahmed Shaikh, Member NEPRA (total 08 Pages).

2. The instant Decision of the Authority along with Annex-I and the additional note of Member NEPRA is being intimated to the Federal Government for the purpose of notification in the official Gazette pursuant to Section 31(7) of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997.

Enclosure: As above

(Engr. Mazhar Iqbal Ranjha)

Secretary
Ministry of Energy (Power Division)
'A' Block, Pak Secretariat
Islamabad

CC:

1. Secretary, Cabinet Division, Cabinet Secretariat, Islamabad.
2. Secretary, Ministry of Finance, 'Q' Block, Pak Secretariat, Islamabad.
3. Chief Executive Officer, K-Electric Limited (KEL) KE House, Punjab Chowrangi, 39 – B, Sunset Boulevard, Phase-II Defence Housing Authority Karachi.
4. Chief Executive Officer, Central Power Purchasing Agency Guarantee Limited (CPPA-G) Shaheen Plaza, 73-West, Fazl-e-Haq Road, Islamabad



Decision of the Authority regarding motion filed by the Ministry of Energy with respect to recommendation of consumer end tariff for K-Electric under section 31 of NEPRA Act 1997 read with rule 17 of the NEPRA tariff (standards and procedure) rules, 1998

DECISION OF THE AUTHORITY REGARDING MOTION FILED BY THE MINISTRY OF ENERGY (POWER DIVISION) WITH RESPECT TO RECOMMENDATION OF CONSUMER END TARIFF FOR K-ELECTRIC UNDER SECTION 31 OF NEPRA ACT 1997 READ WITH RULE 17 OF THE NEPRA TARIFF (STANDARDS AND PROCEDURE) RULES, 1998

1. The Ministry of Energy (MoE) has submitted Motion vide letter dated July 19, 2023, with respect to recommendation of consumer-end tariff of K-Electric under section 31 of the NEPRA Act, 1997 read with rule 17 of NEPRA Tariff (Standards and Procedure) Rules, 1998, for application of surcharge.
2. The MoE in the Motion submitted that NEPRA determined the Multi Year Tariff of K-Electric vide decision dated July 05, 2018, duly notified by the Federal Government on 22.05.2019, modified from time to time to maintain uniform tariff in the country.
3. The MoE further stated that during the period from July 2019 to September 2020, the consumer tariff of K-Electric was not increased uniformly as compared to XWDISCOs due to pending decisions at various forums. Due to this pendency, the impact of such adjustment was not passed on to the consumers of K-Electric resulting in an impact of Rs. 24.5 billion.
4. The MoE also referred to Section 31 (8) of NEPRA Act, by submitting that Section 31, sub-section (8) provides that "Notwithstanding anything contained in this Act and in addition to the tariff, rates and charges notified under subsections (7) and this sub-section, each electric power supplier shall collect such surcharges from any or all categories of consumers, as the Federal Government may charge and notify in the official Gazette from time to time, in respect of each unit of electric power sold to any or all categories of consumers and deposit the amount so collected in such manner as may be prescribed. The amount of such surcharges shall be deemed as a cost incurred by the electric power supplier and included in the tariff notified under sub-section (7):

Provided that such surcharges shall be levied for the following purposes, namely;

- (a) funding of any public sector project of public importance to the extent decided by the Federal Government; and
 - (b) fulfilment of any financial obligation of the Federal Government with respect to electric power services to the extent decided by the Federal Government.
5. It further submitted that in accordance with the National Electricity Policy, 2021, the Government may maintain a uniform consumer-end tariff for K-Electric and state-owned distribution companies (even after privatization) through incorporation of direct / indirect subsidies. Accordingly, KE's consumer tariff is also required to be modified so as to recover the revenue requirements of KE, determined by the Authority, consistent with the uniform national tariff of XWDISCOs. The same has been approved by the Federal Government and it

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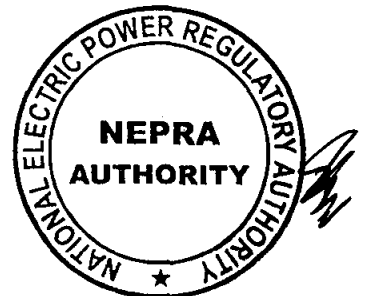


Decision of the Authority regarding motion filed by the Ministry of Energy with respect to recommendation of consumer end tariff for K-Electric under section 31 of NEPRA Act 1997 read with rule 17 of the NEPRA tariff (standards and procedure) rules, 1998

was decided that the same be submitted to the Authority for consideration in terms of the provisions of the Act.

6. In light of the above, the instant Motion has been filed by the MoE to consider surcharge of Rs.1.52/unit to be recovered in 12 months, in terms of Section 31, sub-section 8 of NEPRA Act, for recovery of Rs. 24.5 billion from consumers of K-Electric.
7. The MoE accordingly requested to incorporate the surcharge in the Schedule of Tariff (SoT) determined for the Quarter April to June 2022 or incorporate in the latest Schedule of Tariff being determined by NEPRA or it may be issued as a separate SoT as attached with the Motion.
8. For the purposes of instant Motion, the Ministry also requested that a hearing opportunity be provided for detailed submissions.
9. The Authority in order to provide an opportunity of hearing to the Petitioner, relevant stakeholders and to meet ends of natural justice, decided to conduct a hearing on the issue. Hearing in the matter was accordingly scheduled on 15.08.2023, for which advertisement was published in newspapers and separate notices were also sent to the stakeholders for inviting comments from the interested/ affected parties. Salient features and details of the proposed adjustments were uploaded on NEPRA's Website for information of all concerned. Hearing was held as per the Schedule.
10. During the hearing, the MoE was represented by Joint Secretary (PF), MoE (PD), along-with other representative from MoE and CPPA-G. Representative from K-Electric, Media and general public were also present during the hearing.
11. The Federal Government during the hearing reiterated its submissions made in the Motion and submitted that as per Section 31 (8) of the NEPRA Act, each electric power supplier shall collect such surcharges from any or all categories of consumers, as the Federal Government may charge and notify in the official Gazette from time to time.
12. Upon inquiry from the Authority, it was explained by the Ministry that during past five years, K-Electric subsidy has been around Rs.416 billion. Similarly for the FY 2023-24, the Government has budgeted a subsidy of Rs.976 billion for the Power Sector including Rs.298 billion for the K-Electric. The MoE also confirmed during the hearing that no other previous quarterly adjustment is pending to be charged from the consumers of K-Electric that has already been recovered from the consumers of XWDISCOs, except for the three quarters of FY 2022-23. For these three pending quarters of FY 2022-23, the Policy Guidelines in light of decision of the Authority dated 22.05.2023 are under approval and once approved, motions for recovery of cost for these quarters from K-Electric consumers would also be filed with the Authority for approval. The MoE submitted that financial sustainability of sector is compromised, if prudent cost of electricity is not compromised.

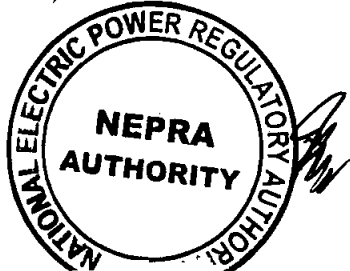
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Decision of the Authority regarding motion filed by the Ministry of Energy with respect to recommendation of consumer end tariff for K-Electric under section 31 of NEPRA Act 1997 read with rule 17 of the NEPRA tariff (standards and procedure) rules, 1998

13. Here it is pertinent to mention that subsequently, the Policy Guidelines as referred to in para 12 above, were submitted by the MoE to the Authority.
14. The consumers present during the hearing, opposed the Motion filed by the Federal Government. Mr. Tanvir Bari, requested the Authority to reject the Motion by submitting that consumers are already paying surcharges for the recovery of PHPL costs, which are not due to any inefficiencies of K-Electric.
15. Mr. Abu Bakar Ismail, representing Amreli steel, submitted that recovery of such previous costs for no fault of the consumers is not justified. The Motion claims that consumer tariffs for KE were not increased from July 2019 to September 2020 due to pending decisions at various forums. There is a need for a comprehensive breakdown of the Rs.24.5 billion recoveries along with specific reasons and justifications for these delays. The Motion also referred Section 31, sub-section (8) of the NEPRA Act, under which this surcharge has been submitted to the Authority. This particular section was introduced through an amendment in 2021, as such, it appears that the Federal Government is retrospectively operating and potentially overstepping the legal mandate of the Federal Government. Moreover, the motion also cites Electricity Policy 2021, which was notified after the specified period (July 2019 to September 2020). Therefore, the policy cannot be applied retrospectively to events that occurred prior to its issuance. In light of above, Mr. Abu Bakar requested the Authority to reject this motion.
16. Mr. Moin Fudda, submitted that as per his information, the Federal Government has already booked this cost in its subsidy, thus it is a closed transaction. The MoE needs to confirm whether the amount is booked as subsidy by the Finance Division or is still appearing as receivables. Mr. Fudda also highlighted that as per the Motion, surcharge has also been proposed on life line consumers.
17. Mr. Imran Shahid, representing Jamat-e-Islami, strongly opposed the Motion.
18. Mr. Arif Bilwani during the hearing and in its written comments submitted that PD is asking the Authority to allow/impose dues of 2019 & 2020 amounting to Rs.24.5 billion (approx), which could not be imposed due to "Pending Decisions at Various Forums", so as to maintain Uniform Tariff all over Pakistan. The pretext of "Pendency" holds no ground because during that very period various FCAs & QTAs of KE were decided & imposed by the Authority. The Petitioner has quoted Section 31(8) of Act of 1997 for the imposition of these dues, ignoring the fact that the said section was also amended in 2021 to allow such charge (s) to be collected from any or all categories of consumers. If the Authority starts allowing such backdated charges/tariffs then there will be flood of such motions on one pretext or other, to burden the consumers.
19. The MoE in response to the comments raised by stakeholders submitted that as per Section 31(8) of the NEPRA Act, the Federal Government has the power to collect such surcharges



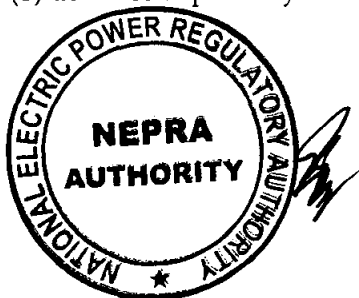
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Decision of the Authority regarding motion filed by the Ministry of Energy with respect to recommendation of consumer end tariff for K-Electric under section 31 of NEPRA Act 1997 read with rule 17 of the NEPRA tariff (standards and procedure) rules, 1998

from any or all categories of consumers, as it may charge and notify in the official Gazette from time to time, in respect of each unit of electric power sold to any or all categories of consumers. The Federal Government is not recovering any cost retrospectively, rather, the instant Motion is being filed so as to consider a surcharge of Rs.1.52/unit to be recovered in 12 months, in terms of Section 31 (8), for recovery of Rs.24.5 billion from consumers of K-Electric. The MoE also clarified that the proposed surcharge is within permissible limit of 10% of newly determined revenue requirement by NEPRA.

20. The Authority directed the MoE to provide its written response on the points raised by commentators i.e. charging of Rs.1.52/kWh from life line consumers as well and whether the requested amount has been budgeted by Finance Division as subsidy in any year.
21. The MoE vide letter dated 16.08.2023, submitted that the Federal Government has approved the recovery of Rs.24.5 billion through surcharge of Rs.1.52/unit in 12 months, in terms of section 31 sub-section 8 of NEPRA Act, without specifying the consumer categories. However, keeping in view the socio-economic policy of the Federal Government and tariff setting practice, the surcharge is not applied on the lifeline consumers. In the Schedule of Tariff (SoT) annexed with the Motion, a typographical error has occurred, which needs rectification because as a matter of policy, life line consumers are never charged surcharge, QTAs or FCAs. Accordingly, a revised SoT has been attached. It was further submitted regarding fiscal space that no subsidy has been budgeted by the Finance Division in any year, for the above-mentioned amount.
22. Here it is pertinent to mention that the MoE, during hearing of another Motion filed by the Federal Government with respect to recommendation of consumer end tariff for K-Electric and policy guidelines for uniform quarterly adjustments, held on 11.09.2023, requested to revise the applicability for the proposed surcharge for a period of 12 months w.e.f. December 2023 onward.
23. The MoE was also asked to specifically mention the purpose for which surcharge is being levied, as the Motion only referred to Section 31 (8) of the Act, but did not specifically mention the purpose for which surcharge is being levied. The MoE vide email dated 20.09.2023 submitted that the surcharge shall be levied under Section 31(8)(b) of the NEPRA Act i.e. fulfilment of financial obligation of the Federal Government with respect to electric power services.
24. Subsequently, the Authority vide letter dated 13.10.2023 again asked the MoE to clearly specify the nature of financial obligations that the Federal government wants to fulfil through imposition of the proposed surcharge. The MoE vide letter dated 25.10.2023, submitted that although Section 31 (8) (b) does not require any such specification, however, it is apprised that



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Decision of the Authority regarding motion filed by the Ministry of Energy with respect to recommendation of consumer end tariff for K-Electric under section 31 of NEPRA Act 1997 read with rule 17 of the NEPRA tariff (standards and procedure) rules, 1998

surcharge would be used for payment of the power producers (Rs.1,671 billion) and Power Holding Limited (Rs.765 billion) outstanding as on 30.09.2023.

25. In view of the foregoing discussion, response of the MoE, and the fact that Motion has been filed under Section 31(8) of the NEPRA Act, which empowers the Federal Government for imposition of surcharge, and is being levied for fulfillment of the financial obligation of the Federal Government, the Authority has decided to allow the subject Motion i.e. recovery of Rs.1.52/kWh from the consumers of K-Electric, except life line, for a period of twelve months from December 2023 to November 2024. The Authority has also decided to issue a separate SoT in this regard as per the request of the MoE, which is attached as Annex-I.
26. The instant decision along-with **Annex-I** is intimated to the Federal Government for notification in terms of Section 31(7) of the NEPRA Act.

AUTHORITY

Mathar Niaz Rana (nsc)
Member

Additional note is attached.

Rafique Ahmed Shaikh
Member

Engr. Maqsood Anwar
Khan
Member

Amina Ahmed
Member

Waseem Mukhtar
Chairman



SCHEDULE OF ELECTRICITY TARIFF FOR K-ELECTRIC LIMITED

	Sr. No.	TARIFF CATEGORY / PARTICULARS	TOTAL VARIABLE CHARGES Rs/kWh	
			Peak	Off-Peak
Protected	a)	For Sanctioned load less than 5 kW		
	i	Up to 50 Units - Life Line		-
	ii	51 - 100 Units - Life Line		-
	iii	001 - 100 Units		1.52
Unprotected	iv	101 - 200 Units		1.52
	v	001- 100 Units		1.52
	vi	101- 200 Units		1.52
	vii	201- 300 Units		1.52
	viii	301- 400 Units		1.52
	ix	401- 500 Units		1.52
	x	501- 600 Units		1.52
	xi	601- 700 Units		1.52
	xii	Above 700 Units		1.52
	b)	For Sanctioned load 5 kW & above		
		Time Of Use	1.52	1.52

A-2 GENERAL SUPPLY TARIFF - COMMERCIAL

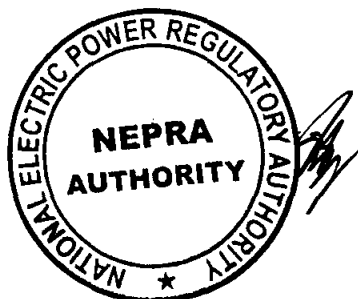
Sr. No.	TARIFF CATEGORY / PARTICULARS	TOTAL VARIABLE CHARGES Rs/kWh	
		Peak	Off-Peak
a)	For Sanctioned load less than 5 kW		1.52
b)	For Sanctioned load 5 kW & above		1.52
c)	Time Of Use	1.52	1.52
d)	Electric Vehicle Charging Station		1.52

A-3 GENERAL SERVICES

Sr. No.	TARIFF CATEGORY / PARTICULARS	TOTAL VARIABLE CHARGES Rs/kWh	
a)	General Services		1.52

B INDUSTRIAL SUPPLY TARIFFS

Sr. No.	TARIFF CATEGORY / PARTICULARS	TOTAL VARIABLE CHARGES Rs/kWh	
B1	Upto 25 kW (at 400/230 Volts)		1.52
B2(a)	25-500 kW (at 400 Volts)		1.52
B3(a)	For all loads upto 5000 KW (at 11,33 kV)		1.52
B4(a)	For all loads upto 5000 KW (at 66,132 kV)		1.52
	Time Of Use	Peak	Off-Peak
B1(b)	Upto 25 kW (at 400/230 Volts)	1.52	1.52
B2(b)	25-500 kW (at 400 Volts)	1.52	1.52
B3(b)	For All Loads up to 5000 kW (at 11,33 kV)	1.52	1.52
B4(b)	For All Loads (at 66,132 kV & above)	1.52	1.52
B5	For All Loads (at 220 kV & above)	1.52	1.52



SCHEDULE OF ELECTRICITY TARIFF FOR K-ELECTRIC LIMITED

C - SINGLE-POINT SUPPLY

Sr. No.	TARIFF CATEGORY / PARTICULARS	TOTAL VARIABLE CHARGES Rs/kWh	
C -1	For supply at 400/230 Volts		
a)	Sanctioned load less than 5 kW	1.52	
b)	Sanctioned load 5 kW & up to 500 kW	1.52	
C -2(a)	For supply at 11,33 kV up to and including 5000 kW	1.52	
C -3(a)	For supply at 132 and above, up to and including 5000 kW	1.52	
	Time Of Use	Peak	Off-Peak
C -1(c)	For supply at 400/230 Volts 5 kW & up to 500 kW	1.52	1.52
C -2(b)	For supply at 11,33 kV up to and including 5000 kW	1.52	1.52
C -3(b)	For supply at 132 kV up to and including 5000 kW	1.52	1.52

D - AGRICULTURE TARIFF

Sr. No.	TARIFF CATEGORY / PARTICULARS	TOTAL VARIABLE CHARGES Rs/kWh	
D-1	For all Loads	1.52	
	Time of Use	Peak	Off-Peak
D-2	For all Loads	1.52	1.52

E - TEMPORARY SUPPLY TARIFFS

Sr. No.	TARIFF CATEGORY / PARTICULARS	TOTAL VARIABLE CHARGES Rs/kWh	
E-1(i)	Residential Supply	1.52	
E-1(ii)	Commercial Supply	1.52	
E-2 (i)	Industrial Supply	1.52	
E-2 (ii)	Bulk Supply		
	(a) at 400 Volts	1.52	
	(b) at 11 kV	1.52	

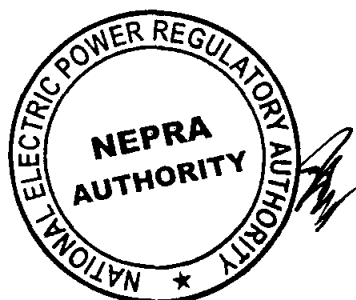
G- PUBLIC LIGHTING

Sr. No.	TARIFF CATEGORY / PARTICULARS	TOTAL VARIABLE CHARGES Rs/kWh	
	Street Lighting	1.52	

H - RESIDENTIAL COLONIES ATTACHED TO INDUSTRIAL PREMISES

Sr. No.	TARIFF CATEGORY / PARTICULARS	TOTAL VARIABLE CHARGES Rs/kWh	
	Residential Colonies attached to industrial premises	1.52	

Such Surcharge shall be recovered from consumers in Twelve (12) months period i.e. from December 2023 to November 2024.



Additional Note:

The motion before the Authority is to approve a levy of surcharge of Rs.1.52/kWh on Karachi Electric (KE) consumers in order to fulfill the financial commitments of the Federal Government towards payments to Independent Power Producers (IPPs) and Power Holding Limited.

While the authority to impose surcharges lies with the Federal Government and is not a component of the electricity tariff regulated by NEPRA, the collection of these surcharges from consumers through their monthly bills not only burdens them but also has direct ramifications on the power sector and, consequently, the economic activities of the country. It is essential to scrutinize whether collecting revenue through surcharges, especially for expenses with questionable prudence, can genuinely alleviate the sector and the nation's economic conditions, or if it might further strain the country. Hence, finding sustainable solutions for the efficient development of the power sector and the economic progress of the nation is imperative.

It is pertinent to note that currently, KE draws approximately 1100 MW from the National Grid. The payment for the energy supplied from the Grid is offset against KE's outstanding subsidy claims from the Federal Government. As of June 30th, 2023, KE holds an unpaid subsidy claim of over Rs.200 billion from the Government of Pakistan. This is primarily due to the fact that KE's established tariff is higher compared to the applicable tariff, resulting in substantial annual subsidies.

The principal cause of KE's higher tariff is its generation mix, which predominantly relies on thermal sources, with only a meager 1% contribution from Renewable Energy (RE). NEPRA has consistently been directing KE to augment the share of renewable energy in its generation portfolio to improve the Energy Purchase Price (EPP) and, consequently, the overall tariff. After repeated verbal and written directives from NEPRA, KE submitted Requests for Proposals (RFPs) for NEPRA's consideration and approval as far back as April 2021, and then filed review motion against NEPRA's decision in November 2022 aimed at integrating indigenous and cost-effective RE power plants and replacing the existing higher-cost generation, which sometimes reaches up to Rs. 45/kWh (as seen with BQPS-I in May 2023). These RFPs have remained pending with NEPRA for over two years.

This delay in the finalization of RFPs translates into an increased tariff for KE and, in line with the uniform tariff policy, leads to higher tariff differential subsidies (TDS), eventually contributing to the accumulation of payables for IPPs and Power Holding Ltd. Timely decisions on these RFPs would have resulted in a reduction of the GoP's TDS, as well as a decrease in KE's overall revenue requirement. Consequently, this would limit the requirement of the Federal Government to impose surcharges.

In conclusion, I would urge for a concerted and multi-level effort which is important to integrate RE in to the country's power infrastructure, with a particular focus on KE system. The current dominance of thermal power generation in KE's energy mix underscores the urgent need for transition. The abundant and cost-effective potential of wind and solar generation in the vicinity of KE stands as promising alternative, especially when compared to other regions across the country. Embracing these sustainable energy sources not only aligns with environmental goals but also holds the promise of significant cost efficiencies and enhanced energy resilience. This shift is not just a pragmatic choice now but it is essential for sustainable energy future for all.

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