



Registrar

National Electric Power Regulatory Authority
Islamic Republic of Pakistan

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No. NEPRA/R/DG(Trf)/TRF-362/K-Electric-2016/12783-12785

May 19, 2023

Subject: Decision of the Authority in the matter of Motion filed by the Federal Government under Section 7 & 31 of the NEPRA Act 1997 read with Rule 17 of the NEPRA (Tariff Standards and Procedure) Rules 1998 with respect to Recommendation of Consumer-end-Tariff for K-Electric [Case # NEPRA/TRF-362/K-Electric-2016]

Dear Sir,

Please find enclosed herewith the subject decision of the Authority along with **Annex-I** (total 08 Pages).

2. The instant Decision of the Authority along with Annex-I 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. The instant decision, once notified shall supersede the earlier notification of the Authority in the matter of Quarterly Adjustment of K-Electric determined for the same period, if any.

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.



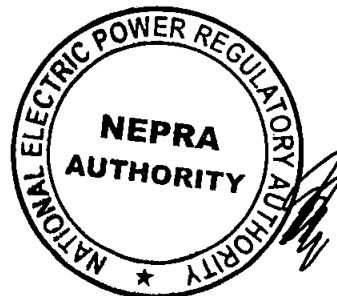
Decision of the Authority regarding motion filed by the Federal Government through MoE under Section 7 & 31 of the NEPRA Act 1997 read with Rule 17 of the NEPRA (Tariff standards and procedure) Rules, 1998 with respect to recommendation of Consumer end tariff for K-Electric

DECISION OF THE AUTHORITY IN THE MATTER OF MOTION FILED BY THE FEDERAL GOVERNMENT UNDER SECTION 7 & 31 OF THE NEPRA ACT 1997 READ WITH RULE 17 OF THE NEPRA (TARIFF STANDARDS AND PROCEDURE) RULES, 1998 WITH RESPECT TO RECOMMENDATION OF CONSUMER END TARIFF FOR K-ELECTRIC

1. The Ministry of Energy (MoE) submitted a motion vide letters dated March 17, 2023, with respect to recommendation of consumer end tariff for K-Electric (KE), under section 7 & 31 of NEPRA Act 1997 (as amended from time to time) (the "Act") read with Rule 17 of NEPRA (Tariff standards and procedure) Rules, 1998.
2. The MoE in Motion submitted that National Electric Power Regulatory Authority (the "Authority") determined the Multi Year Tariff vide its decision dated July 05, 2018, for KE duly notified by the Federal Government on May 22, 2019. Subsequently, various quarterly tariff adjustments for KE were determined by the Authority. The last quarterly adjustment was notified by the Federal Government vide SRO 1037(I)/2020 as amended from time to time, to maintain uniform tariff in the country.
3. The MoE in the Motion submitted that the Authority determined periodic adjustment in Tariff of XWDISCOs for the 2nd Quarter of FY 2021-22, having uniform rates of Rs.1.5547/Unit for three months period. The same was notified vide SRO dated 07.07.2022 and recovered from the consumers of XWDISCOs in the months of Jul., Aug., & Sep. 2022. The MoE requested to apply the same charges on the consumers of KE, based on consumption of Jul., Aug. & Sep. 2022 to be recovered in Apr., May & Jun. 2023, respectively. The Ministry requested to issue separate SoT with prospective application of applicable uniform rates after incorporating the tariff rationalization.
4. To justify its request, the MoE 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 applicable uniform variable charge 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 was decided that the same be submitted to the Authority for consideration in terms of the provisions of the Act. In light of above, instant Motion has been filed by the Federal Government, through MoE, with respect to Consumer End Tariff Recommendations of KE, under section 7, 31 (4) and 31 (7) of the Act read with Rule 17 of the Rules so as to reconsider and issue for KE, modified uniform variable charge, to maintain uniform tariff across the country, to recover the revenue requirements of KE determined by the Authority keeping in view the proposed targeted subsidy and cross subsidies. The MoE also requested an opportunity of hearing in the matter for providing detailed submissions.

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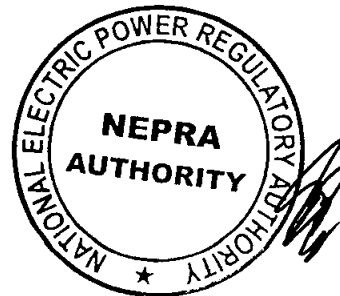


Decision of the Authority regarding motion filed by the Federal Government through MoE under Section 7 & 31 of the NEPRA Act 1997 read with Rule 17 of the NEPRA (Tariff standards and procedure) Rules, 1998 with respect to recommendation of Consumer end tariff for K-Electric

5. The Authority in order to provide a fair opportunity to the MoE to present its case, and all the relevant stakeholders involved, decided to conduct a hearing in the matter, which was held on 03.04.2023 at NEPRA Tower Islamabad and through ZOOM. Notice of hearing was published in newspapers on 28.03.2023; Individual notices were also sent to the relevant stakeholders.
6. During the hearing, the MoE was represented by Joint Secretary (PF), Ministry of Energy (Power Division), along-with representative from CPPA-G. K-Electric, media and general public were also present during the hearing.
7. The MoE during the hearing reiterated that as per the National Electricity Policy 2021, the Government may continue to propose uniform tariff across the consumers and regions. In pursuance thereto, the Regulator shall, in public consumer interest, determine a uniform tariff (inclusive of quarterly adjustments) for all the state-owned distribution companies. Additionally, 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. It was also explained that despite the proposed increases as mentioned in the Motion, the Government would still be picking-up subsidies. It was also explained that although the recent quarterly adjustments filed by K-Electric are negative, however, on overall basis for the year, the Federal Government is providing subsidies to K-Electric. The purpose of levying category wise rates as proposed in the Motion is to reduce the subsidy of the Federal Government towards K-Electric and to make the tariff uniform across the country. It was also stated by MoE that the Federal Government is providing a subsidy of around 150 billion to KE during the current year.
8. Upon inquiry from the Authority regarding delay in submissions of Motion by the MoE to apply the quarterly adjustments on the consumers of K-Electric, the MoE submitted that XWDISCOs quarterly adjustments are determined and notified by the Authority, so the same is applied automatically. However, in case of K-Electric, for the purpose of making the tariff uniform, approval is sought from the Federal Government. It was also mentioned that summary for approvals of ECC was submitted in time, but owing to high FCAs in the months of Jul., Aug. and Sep. 2022, the approval was not granted at that time. However, ECC of the Cabinet vide case no.ECC-62/08/2023 dated 1st March, 2023 has approved the summary, which has been duly ratified by the Federal Cabinet vide case no. 42/08/2023 dated: 09.03.2023.
9. Mr. Arif Bilwani vide email dated 01.04.2023, while referring to the decision of the Supreme Court of Pakistan in the matter of charging past FCAs on consumers, mentioned that the Honorable Court has already issued guidelines about the chargeability of the past FCAs, setting time frame for charging the same from the consumers. Since the intention of passing on/charging past Quarterly FCAs by the MoE on consumers of KE are not in line with the directives of the honorable Supreme Court, the Motion need to be turned down by the Authority.

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Decision of the Authority regarding motion filed by the Federal Government through MoE under Section 7 & 31 of the NEPRA Act 1997 read with Rule 17 of the NEPRA (Tariff standards and procedure) Rules, 1998 with respect to recommendation of Consumer end tariff for K-Electric

10. Mr. Abubakar Ismail representing Amreli Steel, during hearing and also in writing vide letter dated 29.03.2023, submitted that quarterly adjustments should be prospective in nature and timelines as per KE MYT & in Act should be followed. Mr. Abubakar also referred to the decision of the honorable Supreme Court of Pakistan in this regard. He also stated that the Act under Section 31(3)(i) provides that tariff should seek predictability for consumers. Thus, the Motion for recovery of Rs.1.55/kWh to be applicable on consumption of July to Sep. 2022 to be recovered from March to May 2023 respectively is in violation of above mentioned rules, therefore, should be rejected by the Authority. It also mentioned that quarterly adjustments for the months of July to September 2022 have already been recovered in the months of September to November 2022 by KE as per the Authority's decision dated 10.08.2022 and dated 11.11.2022, but MoE again applied for these months recovery as mentioned above.
11. Korangi Association of Trade & Industry (KATI) also raised similar points as submitted by Amreli Steel vide letter dated 30.03.2023.
12. Mr. Tanvir Bari, representing KCCI, also did not support the Motion.
13. The MoE during the hearing while responding to the concerns raised by the commentators, submitted that Act under Section 31 (3) provides for recovery of the prudently incurred costs and Section 31 (7) (6) states that the Authority in performing its functions under the Act, shall protect interests of consumers and companies providing electric power services. Rule 17 of the Tariff Rules 1998 mentions that tariffs should allow licensees the recovery of any and all costs prudently incurred to meet the demonstrated needs of their customers. It further mentioned that instant Motion has been filed by the Federal Government through MOE to make the tariff uniform across the country, keeping in view the National Electricity Policy 2021 and to reduce the subsidy of the Federal Government towards K-Electric. Despite the proposed increase in tariff for all categories of the consumers except life line, the Federal Government would be picking up substantial amount of subsidy for K-Electric during the year.
14. Regarding point raised by Amreli Steel and KATI that quarterly adjustments for the months of July to September 2022 have already been recovered in the months of September to November 2022 by KE vide decisions dated 10.08.2022 and 11.11.2022, the Authority observed that vide decision dated 10.08.2022, an amount of Rs.0.5715/kWh was charged from the consumers of KE during the months of August to October 2022 based on the consumption of June to August 2022, in line with the amount of Rs.0.5715/kWh charged from the consumers of XWDISCOs during June to August 2022, pertaining to the 1st quarterly adjustment of XWDISCOs for the FY 2021-22 i.e. July to Sep. 2021. Similarly, an amount of Rs.0.5087/kWh was charged from the consumers of KE during the months of November 2022 to January 2023 based on the consumption of Sep. to Nov. 2022, vide decision dated 11.11.2022, in line with the amount of Rs.0.5087/kWh charged from the



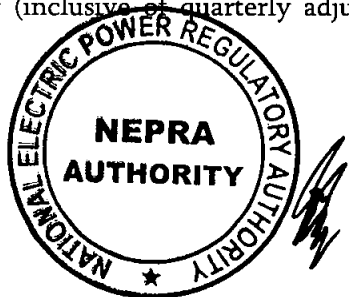
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consumers of XWDISCOs, during Sep. to Nov. 2022, pertaining to the 3rd quarterly adjustment of FY 2021-22 i.e. Jan. to Mar. 2022.

15. Subsequently, MoE vide letter dated 20.04.2023 (received on 26.04.2023), submitted that in accordance with the National Electricity Policy, 2021, Government has been maintaining a uniform consumer end tariff across the country and accordingly, any quarterly tariff adjustment determined for XWDISCOs is also notified for K-Electric consumers. Since the current mechanism of charging XWDISCOs QTAs for K-Electric consumers is a protracted process involving approvals from Federal Government and the Authority NEPRA for each quarterly determination, the proposal is under consideration by the Government to issue policy guidelines to the NEPRA that, in the quarterly tariff determinations of XWDISCOs, NEPRA shall determine and notify same QTA for K-Electric consumers as determined for XWDISCOs consumers with same applicability period. Up to now, the Authority has determined tariff of KE for the quarter ended June 2022, which is higher than that of the latest uniform tariff determined by the Authority for XWDISCOs. The difference is being picked as subsidy by the Government. In case the applicable uniform tariff exceeds, after the new determinations for quarterly adjustments of KE, there will remain need of tariff differential subsidy by the Government on annual basis, primarily due to higher cost of generation in KE. The subsidy requirement of KE has caused substantial financial burden on the Government. Keeping in view the above, the application of uniform rates in KE, after incorporating the requested tariff rationalization vide captioned Motion, may be considered by the Authority.
16. The Authority has carefully considered the submissions made the MoE in the Motion and comments of the stakeholders during the hearing and in writing. The Authority has noted that Motion has been filed by the MoE under section 7, 31 (4) and 31 (7) of the Act read with Rule 17 of the Tariff Rules.
17. Section 7 of the Act, deals with the powers and functions of the Authority and Section 31 (4) of the Act, states that the Authority shall, on the basis of uniform tariff application, determine a uniform tariff for public sector licensees, engaged in supply of electric power to consumers, in the consumer's interest, on the basis of their consolidated accounts. Section 31 (7) of the Act deals with notification of the Authority's approved tariff or uniform tariff, and the reconsideration request to be filed by the Federal Government. Rule 17 prescribes the Standards and guidelines for tariff determination. The sections referred to by the MoE in the Motion are not relevant in the instant matter as none of these sections allow or envision a situation in the absence of policy guidelines where the Authority processes such Motion on the Federal Government's request.
18. The MoE has however also referred to National Electricity Policy, 2021 which states that the Government may continue to propose uniform tariff across the consumers and regions and in pursuance thereto, the Regulator shall, in public consumer interest, determine a uniform tariff (inclusive of quarterly adjustments) for all the state-owned distribution companies.



Dr. Malik



Decision of the Authority regarding motion filed by the Federal Government through MoE under Section 7 & 31 of the NEPRA Act 1997 read with Rule 17 of the NEPRA (Tariff standards and procedure) Rules, 1998 with respect to recommendation of Consumer end tariff for K-Electric

Additionally, 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.

19. In addition to the wording in the National Electricity Policy, 2021, the Authority determines a uniform tariff (inclusive of quarterly adjustments) for all the state-owned distribution companies pursuant to Section 31(4) of the Act. Unlike Section 31(4) of the Act, there is no provision in the Act (or any other rules, regulations etc.) for the Authority to determine a uniform consumer-end tariff for K-Electric in line with the state-owned distribution companies.
20. Section 31(1) of the Act states that the Authority shall, in the determination, modification or revision of rates, charges and terms and conditions for the provision of electric power services, be guided by the national electricity policy, the national electricity plan and such guidelines as may be issued by the Federal Government in order to give effect to the national electricity policy and national electricity plan.
21. The Federal Government has however issued no policy guidelines envisioned by Section 31 of the Act in relation to making quarterly adjustments in the approved tariff for maintaining a uniform consumer-end tariff for K-Electric and state-owned distribution companies through incorporation of direct / indirect subsidies.
22. This is in spite of the fact that the Authority has in its earlier decision dated 12.01.2023, directed the MoE to streamline the process of application of quarterly adjustments on K-Electric Consumers, in order to avoid the timing differences, so that tariff across the country is made uniform in true sense.
23. Nonetheless, in light of the National Electricity Policy 2021, which allows the Government to maintain a uniform consumer-end tariff for K-Electric and state-owned distribution companies (even after privatization) through incorporation of direct / indirect subsidies (which subsidies are being provided in this case), the Authority has decided to allow the Motion i.e. to apply Rs.1.5547/kWh on the consumers of KE, based on consumption of Jul., Aug. & Sep. 2022. However, since the proposed recovery period of April 2023 has already lapsed, therefore, the Authority has decided to allow the recovery of the same in the months of May, June and July 2023. The Authority has also accepted the request of the MoE to issue a separate SoT for the allowed increase in tariff for all categories of consumers except life line. Accordingly, the required SoT is attached herewith as **Annex-I**, which would be applicable for a period of three months i.e. May, June and July 2023, on the consumption of Jul., Aug. & Sep. 2022, respectively. The amount so allowed to K-Electric through instant decision shall be accounted for by K-Electric and the Federal Government while processing the subsidy claims of KE. Whilst the Authority is allowing the Motion in line with its earlier decisions dated 10.08.2022, 11.11.2022 and 12.01.2023, going forward, the Authority shall not allow any such adjustments in the absence of relevant policy guidelines.



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24. The instant decision along-with Annex-I is intimated to the Federal Government for notification in terms of Section 31 of the Act. The instant decision, once notified shall supersede the earlier notification of the Authority in the matter of Quarterly Adjustment of K-Electric determined for the same period, if any.

AUTHORITY

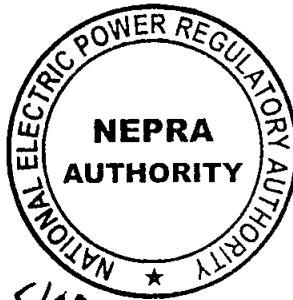
Mathar Niaz Rana (nsc)
Member

Rafique Ahmed Shaikh
Member

Engt. Maqsood Anwar Khan
Member

Amina Ahmed
Member

Tauseef H. Farooqi
Chairman



19/05/23

**SCHEDULE OF ELECTRICITY TARIFF
FOR K-ELECTRIC LIMITED**

Annex I

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		1.5547	
	iv 101 - 200 Units		1.5547	
	Unprotected	v 001- 100 Units		1.5547
		vi 101- 200 Units		1.5547
		vii 201- 300 Units		1.5547
		viii 301- 400 Units		1.5547
		ix 401- 500 Units		1.5547
		x 501- 600 Units		1.5547
		xi 601- 700 Units		1.5547
xii Above 700 Units			1.5547	
b) For Sanctioned load 5 kW & above				
Time Of Use		1.5547	1.5547	

A-2 GENERAL SUPPLY TARIFF - COMMERCIAL

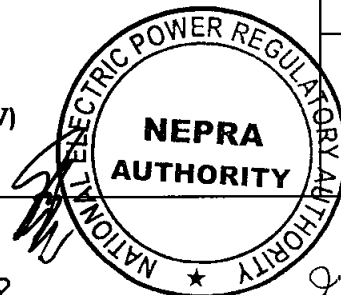
Sr. No.	TARIFF CATEGORY / PARTICULARS	TOTAL VARIABLE CHARGES Rs/kWh	
		Peak	Off-Peak
a)	For Sanctioned load less than 5 kW		1.5547
b)	For Sanctioned load 5 kW & above		1.5547
c)	Time Of Use	1.5547	1.5547

A-3 GENERAL SERVICES

Sr. No.	TARIFF CATEGORY / PARTICULARS	TOTAL VARIABLE CHARGES Rs/kWh
a)	General Services	1.5547

B INDUSTRIAL SUPPLY TARIFFS

Sr. No.	TARIFF CATEGORY / PARTICULARS	TOTAL VARIABLE CHARGES Rs/kWh	
		Peak	Off-Peak
B1	Upto 25 kW (at 400/230 Volts)		1.5547
B2(a)	25-500 kW (at 400 Volts)		1.5547
B3(a)	For all loads upto 5000 KW (at 11,33 kV)		1.5547
B4(a)	For all loads upto 5000 KW (at 66,132 kV)		1.5547
	Time Of Use		
B1(b)	Upto 25 kW (at 400/230 Volts)	1.5547	1.5547
B2(b)	25-500 kW (at 400 Volts)	1.5547	1.5547
B3(b)	For All Loads up to 5000 kW (at 11,33 kV)	1.5547	1.5547
B4(b)	For All Loads (at 66,132 kV & above)	1.5547	1.5547
B5	For All Loads (at 220 kV & above)	1.5547	1.5547



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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	1.5547	
b)	Sanctioned load 5 kW & up to 500 kW	1.5547	
C -2(a)	For supply at 11,33 kV up to and including 5000 kW	1.5547	
C -3(a)	For supply at 132 and above, up to and including 5000 kW	1.5547	
	Time Of Use	Peak	Off-Peak
C -1(c)	For supply at 400/230 Volts 5 kW & up to 500 kW	1.5547	1.5547
C -2(b)	For supply at 11,33 kV up to and including 5000 kW	1.5547	1.5547
C -3(b)	For supply at 132 kV up to and including 5000 kW	1.5547	1.5547

D - AGRICULTURE TARIFF

Sr. No.	TARIFF CATEGORY / PARTICULARS	TOTAL VARIABLE CHARGES Rs/kWh	
D-1	For all Loads	1.5547	
	Time of Use	Peak	Off-Peak
D-2	For all Loads	1.5547	1.5547

E - TEMPORARY SUPPLY TARIFFS

Sr. No.	TARIFF CATEGORY / PARTICULARS	TOTAL VARIABLE CHARGES Rs/kWh	
E-1(i)	Residential Supply	1.5547	
E-1(ii)	Commercial Supply	1.5547	
E-2 (i)	Industrial Supply	1.5547	
E-2 (ii)	Bulk Supply		
	(a) at 400 Volts	1.5547	
	(b) at 11 kV	1.5547	

G- PUBLIC LIGHTING

Sr. No.	TARIFF CATEGORY / PARTICULARS	TOTAL VARIABLE CHARGES Rs/kWh	
	Street Lighting	1.5547	

H - RESIDENTIAL COLONIES ATTACHED TO INDUSTRIAL PREMISES

Sr. No.	TARIFF CATEGORY / PARTICULARS	TOTAL VARIABLE CHARGES Rs/kWh	
	Residential Colonies attached to industrial premises	1.5547	

