National Electric Power Regulatory Authority
Islamic Republic of Pakistan

Registrar

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No. NEPRA/ADG(Tariff)/TRF-362/K-Electric-2016/ 7890-94 June 05, 2025

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 in the matter of Provisional Monthly Fuel Charges Adjustments requested by K-Electric Limited for March 2025**

Enclosed please find herewith a copy of the Decision of the Authority alongwith Additional note of Mr. Rafique Ahmed Sheikh, Member (NEPRA) in the matter of Provisional monthly fuel charges adjustments for the month of **March 2025** (total 07 pages) in respect of K-Electric Limited and Notification (S.R.O.1045 (I)/2025 dated 05.06.2025) thereof. This is for information and further necessary action.

2. While effecting the Fuel Adjustment Charges, K-Electric Ltd. shall keep in view and strictly comply with the orders of the court(s), if any, notwithstanding this order.

Enclosure: **[Decision along with Notification is also available on NEPRA's website]**

Wasim Anwar

(Wasim Anwar Bhinder)

Copy to:

1. Secretary, Ministry of Energy, Power Division, 'A' Block, Pak Secretariat, Islamabad
2. Secretary, Cabinet Division, Cabinet Secretariat, Islamabad
3. Secretary, Ministry of Finance, 'Q' Block, Pak Secretariat, Islamabad
4. Secretary, Privatization Commission, 4th Floor, Kohsar Block, Constitution Avenue, New Secretariat, Islamabad

DECISION OF THE AUTHORITY IN THE MATTER OF PROVISONAL MONTHLY FUEL CHARGES ADJUSTMENTS REQUESTED BY K-ELECTRIC LIMITED FOR MARCH 2025.

1. The Authority determined a Multi-Year Tariff ("MYT") for K-Electric Limited (herein referred to as "K-Electric" or "KE") for a period of seven (07) years, from July 2016 to June 2023, which expired on June 30, 2023. The MYT provided a mechanism wherein the Authority had to review and revise the approved tariff through monthly, quarterly and annual adjustments. As per the mechanism, impact of change in KE's own generation fuel cost component due to variation in fuel prices, generation mix & volume shall be passed on to the consumers directly in their monthly bills in the form of Fuel Charges Adjustment (FCA). Similarly, the impact of change in fuel component of Power Purchase Price (PPP) due to variation in fuel prices & energy mix shall also be passed on to consumers through monthly FCA.

2. Pursuant to the expiry of its MYT, K-Electric filed petitions for determination of a new MYT for the period from July 2023 to June 2030 for its Generation, Transmission, Distribution and Supply business separately. The Authority while admitting these petitions, granted K-Electric an interim tariff. The interim tariff was determined on the basis of allowed quarterly adjustments for the quarter ending in March 2023 and the same is subject to adjustment once the final MYT of KE for the control period FY 2024-30 is determined.

3. In view thereof, K-Electric filed its provisional monthly FCA request for the month of March 2025 vide its letter dated 18.05.2025. The summary of KE's FCA request for March 2025 is tabulated as hereunder;

Month	Rs. Mln	Rs. /kWh
March 2025	(6,792)	(5.02)

4. K-Electric in its instant request submitted that:

- ✓ Provisional FCA request for March 2025 is with regard to NEPRA's decisions regarding provisional FCAs for the period from **July 2023 to June 2024**, whereby provisional FCAs have been allowed based on parameters defined in MYT 2017-2023.
- ✓ Provisional FCAs are subject to adjustment once MYT 2024-2030 is determined.
- ✓ Provisional monthly FCA for March 2025 is being requested based on March 2023 as interim reference tariff.
- ✓ In KE's FCA request of March 2025, calculation of CPPA-G's fuel cost is based on CPPA-G's requested rate in the matter of FCA for the month of March 2025 and is subject to actualization based on NEPRA's decision.
- ✓ KE dispatches as per Economic Merit Order from its own generating units (with the available resources) and import from external resources.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA AUTHORITY

- ✓ Cost of fuel and power purchase claim does not include any amount of late payment surcharge/ markup/ interest.

5. In addition, KE has also submitted that pursuant to determination of Generation Tariff of Power plants of KE for the period post June 2023, it has submitted the required partial load, open cycle and degradation curves along with Startup Cost for approval and an amount of Rs.14.6 billion for the period July 2023 to March 2025 which is pending for adjustment out of which Authority has set aside Rs.9.4 billion in KE's FCA Decision for November 2024 to January 2024. KE requested the Authority to also consider aforementioned adjustment of accumulated actualization of fuel cost so that the recovery can be made from the negative fuel cost variation of March 2025, to ensure consumers are not burdened at later stage.

6. In order to arrive at an informed decision, the Authority decided to conduct a hearing in the matter. An advertisement in this regard was published in newspapers on 14.05.2025, and also uploaded on NEPRA website, whereby hearing was scheduled on 22.05.2025. Further, individual notices were also served to the stakeholders for participation in the hearing.

7. The following issues were framed for the hearing;

   i. Whether the requested Fuel Price variation is justified?

   ii. Whether KE has followed the merit order while giving dispatch to its power plants as well as power purchases from external sources?

   iii. Whether the request of KE to consider adjustment of accumulated actualization of fuel cost on account of partial load, open cycle and degradation curves along with startup cost from July to March 2025, from the negative fuel cost variation is justified?

8. The hearing was held as per the schedule on 22.05.2025 at NEPRA Tower and through ZOOM. The hearing was attended by CEO KE along-with his financial & technical team, KE consumers, media representatives, other stakeholders and general public,

9. KE during the hearing presented the following analysis in terms of Mix and Price variances for the month of March 2025;

Company Wide Mix				
Fuel	Reference		Current	
	Sent out (GWh)	Proportion (%)	Sent out (GWh)	Proportion (%)
FO	195	13%	-	-
Gas	79	5%	48	4%
RLNG – SSGC	67	5%	0	0%
RLNG – PLL	310	21%	266	20%
HSD	-	-	-	-
Coal	36	2%	20	2%
Renewable Incl. net metering	25	2%	37	3%
CPPA-G	767	52%	982	73%
Total	**1,478**	**100%**	**1,353**	**100%**

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NEPRA
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Fuel Source	Fuel Price (Reference)	Fuel Price (Current)	% Change over reference
Furnace Oil (PKR / MMBTU)	3,122	-	
Furnace Oil (PKR / M. Ton)	125,982	-	-
Natural Gas (PKR / MMBTU)	1,050	1,050	-
RLNG – SSGC (PKR / MMBTU)	3,807	-	-
RLNG – PLL (PKR / MMBTU)	3,479	2,945	-15%
CPPA (PKR / KWh)	9.5	9.21	-3%
FPCL (PKR / KWh)	19.48	18.2	-7%

10. On the issue of EMO, KE submitted that it has followed the Economic Merit Order (EMO) while giving dispatch to its Power Plants as well as Power Purchase from External Sources. Relevant Data / Information including Hourly EMO Data as per the required format has been shared with NEPRA team for verification. Data with regards to monthly operations on account of EMO has been submitted.

11. Regarding issue of pending generation costs, KE highlighted that pursuant to determination of Generation Tariff of powerplants of KE for the period post June 2023, KE has submitted the required partial load, open cycle and degradation curves along with Startup Cost for approval. KE also referred to the following extract of Authority's decision:

> **11.2. The submissions of the Petitioner have been examined. With respect to Black Start and Start up Charges, KE shall be required to submit endorsement/evaluation from 3rd party / independent engineer preferably the one who carried out the test and the issue shall be decided separately along with part load and degradation. In line with the all other power plants, shut down charges have not been considered.**
>
> **10.12. Regarding degradation and part load, the Authority has decided to consider it separately. KE shall be required to submit endorsement from Independent Engineer on all curves, clearly indicating/addressing Operating Hours / Fired hours and other technical queries, if any. In line with the previous decision of the Authority, no further degradation shall be applicable in case of BQPS-I.**

12. KE, while making submissions during the hearing, re-iterated its stance that an amount of Rs.14.5 billion from July 2023 to February 2025 and Rs.0.7 billion for March 2025 is accordingly pending for adjustment out of which the Authority has set aside Rs.12.5 billion in KE's FCA Decision for November 2024 to February 2025. In addition, BQPS-III and KCCP heat rate adjustment for previous MYT amounting to Rs.0.6 billion and Rs.0.2 billion are also pending. KE requested to also consider adjustment of aforementioned accumulated actualization of fuel cost so that the recovery can be made from the negative fuel cost variation to ensure consumers are not burdened at later stage. KE also stated that similar costs are also allowed to XWDISCOs in their monthly FCA Decisions.

13. Different commentators raised their concerns during the hearing. A summary of comments from the stakeholders relevant to the instant FCA is as follows:

- ✓ Mr. Rehan Javed inquired regarding the cut-off date for the delivery of the remaining 400 MW of NTDC supply to K-Electric. KE responded that 500 kV KKI grid station has been operational since October 2024 while Jamshoro circuit is operational on interim basis. As communicated by NTDC, 500 kV circuits from K2/K3 to Port Qasim /Matiari will be completed by June 2025, which will enable KE to increase drawl to 2,000 MW.

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NEPRA AUTHORITY

- ✓ Mr. Rehan Javed also inquired regarding additional load (in MW and GWh) because of shifting of captive generation to grid supply, since the implementation of gas curtailments. KE explained that routing natural gas from captive generation to grid has only recently begun hence impact, so far, has been limited. However, during March and April 2024, grid-supplied consumption was 137.22 GWh, which increased to 142.48 GWh during March and April 2025 marking an increase of 5.25 GWh i.e. 3.83%. KE further commented that if government policy persists, captive consumers consumption from grid may increase by 1000 GWh.

- ✓ On the point of Mr. Rehan Javed regarding impact of cross-subsidy created by unit-to-unit net metering (net-off) and the Rs 27/unit buyback rate, the Authority noted that the matter would be considered in light of the policy guidelines, if received from the Federal Government.

- ✓ Mr. Arif Bilvani inquired regarding the justification of incurring of costs on account of partial load, open cycle, degradation curve and start up cost. KE explained that it operates in a regulated environment with predetermined tariffs. Startup, partial load, open cycle and degradation costs are additional unavoidable operational costs. Further, these costs are also being allowed to other generating power plants across the country and are considered in the FCA of XWDISCOs.

- ✓ Mr. Bilvani also pointed out that KE is maintaining a Furnace Oil (FO) stock of 32,789 tons with a book value of Rs. 4.945 billion, which is only to be used by units V and VI of BQPS-I. These two units have been idle for several months due to reduced demand and electric power supply from the national grid. Currently, the market value of FO is considerably lower than what is recorded in books of KE. Moreover, due to the negligible local demand for furnace oil, it is being exported in large volumes at discounted prices. In any emergency scenario, the petitioner should be able to procure FO from the local market with relative ease, thereby minimizing the need for maintaining such a high-cost inventory and reducing the associated financial burden on consumers.

- ✓ KE in response submitted that the Authority vide Generation Tariff determination dated 22.10.2025 allowed fuel inventory of 65,000 Metric Tons for unit I, II, V and VI for 15 days. As unit I & unit II have now completed their licensed useful lives, the current inventory level is maintained at 15 days for units V and VI in accordance with the Tariff determination. KE, further explained that purpose of fuel inventory is to ensure availability in order to meet any contingency situation, outages etc. Fuel prices keep on changing and decision to offload inventory can't be based on price variations and can create issue in emergency. Accordingly, KE is maintaining the allowed inventory level according to the direction of the mentioned Tariff determination.

14. The Authority noted that KE has requested heat rate degradation adjustment as part of fuel costs of Sindh Nooriabad Power Company Limited ("SNPC") and Sindh Nooriabad Power Company ("SNPC-II") for March 2025 in light of Authority decisions dated 04.06.2021. The financial impact of the sought adjustment is Rs.2.12 million and Rs.3.03 million for SNPC and SNPC-II, respectively. The Authority has decided to provisionally allow this cost, subject to adjustment, if any, based on final verification of the claim.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
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15. Based on the aforementioned discussion, the Authority has worked out negative FCA of Rs.5.0200/kWh having impact of Rs.6,792 billion for the month of March 2025.

16. KE during the hearing also claimed an amount of Rs.15.2 billion, on account of partial load, open cycle and degradation curves along with startup cost for the period from July 2023 to March 2025. KE also submitted that BQPS-III and KCCP heat rate adjustment for previous MYT amounting to Rs.0.6 billion and Rs.0.2 billion are also pending.

17. Regarding claim for heat rate adjustment of KCCP, the matter is under verification with the Authority and once finalized would be allowed as part of future monthly adjustments. Regarding claim of Rs.0.6 billion, on account of heat rate adjustment of BQPS-III, the Authority noted that K-Electric has not yet filed any such claim with the Authority.

18. Regarding the amount of Rs.15.2 billion on account of partial load, open cycle and degradation curves along with startup cost for the period from July 2023 to March 2025, the Authority has already provisionally retained an amount of Rs.12.45 billion, from monthly FCAs from Nov. 2024 to Feb. 2025, in order not to over burden the consumers at a later stage for such pending costs. Thus, as of March 2025, an amount of Rs.2.74 billion is pending on account of partial load, open cycle and degradation curves along with startup cost, as per the claims of K-Electric. On the same analogy of not to over burden the consumers at later stage and also to ensure timely recovery of prudent costs, the Authority has decided to provisionally withheld an amount of Rs. 2.74 billion from the worked out negative FCA of Rs.5.0200/kWh (negative Rs. 6.79 billion) for the month of March 2025.

19. In view thereof, and based on the aforementioned adjustments, the Authority has decided to allow a negative FCA of Rs.2.9898/kWh (negative Rs.4.045 billion) for March 2025, to be passed on to the consumers in the billing month of June 2025.

20. The aforementioned negative FCA of Rs.2.9898/kWh is being allowed on provisional basis subject to adjustment, once the Authority determines MYT of KE for the period FY 2024-30. The difference in cost, if any based on the MYT FY 2024-30 would be allowed in future adjustments, once the same is notified.

21. In the light of above, the Authority hereby directs KE that the aforementioned negative adjustment;

    a) Shall be applicable to all the consumer categories except lifeline consumers, domestic protected consumers, Electric Vehicle Charging Stations (EVCS) and prepaid electricity consumers of all categories who opted for pre-paid tariff.

    b) Shall be shown separately in the consumers' bills on the basis of units billed to the consumers, in the respective month to which the adjustment pertains. In case any bills of **June 2025** are issued before the notification of this decision, the same may be applied in subsequent month.

    c) KE shall reflect the fuel charges adjustment in respect of March 2025 in the billing month of **June 2025**.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
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d) While effecting the Fuel Adjustment Charges, KE shall keep in view and strictly comply with the orders of the courts notwithstanding this order.

AUTHORITY

Additional note is attached

Rafique Ahmed Shaikh
Member

Amina Ahmed
Member

Engr. Maqsood Anwar Khan
Member

Waseem Mukhtar
Chairman

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Additional Note of Member Technical March 2025

The KE–NTDC interconnection is still operating under a temporary arrangement, which restricts the transfer of more economical electricity from the NTDC system to KE to only 1,600 MW—well below the planned capacity of over 2,050 MW. Although the interconnection was originally scheduled for completion by June 2024, persistent delays have led to ongoing financial losses for all stakeholders, including consumers.

The limited import of cheaper electricity from the CPPA-G system, coupled with the continued operation of relatively more expensive generation plants within the KE system, has resulted in an estimated loss of approximately Rs. 2.5 billion for the month of March 2025 alone.

It has also been brought to the attention of the Authority that, despite the availability of up to 1,600 MW of electricity from the CPPA-G system, KE's average drawdown remained around 1,312 MW. Additionally, it has been reported that KE, for the month of March 2025 alone, has claimed a significant amount—approximately Rs. 590 million—on account of part-load operation of its generation plants.

These part-load adjustment charges (PLAC) are undesirable as they unnecessarily increase the overall cost of electricity generation. While such charges cannot be completely eliminated, they can and should be minimized through better planning and operational efficiency. Notably, while load-shedding continues to be carried out by KE, greater efficiency could be achieved if KE prioritized optimal plant dispatch and implemented more effective demand-side management strategies, rather than resorting to load-shedding.

The cumulative amount claimed by KE on account of PLAC for the period from July 2024 to March 2025 has been reported at approximately Rs. 5.8 billion. These inefficiencies highlight the need for improved operational planning to reduce financial losses and deliver meaningful relief to consumers.

Furthermore, it has been observed that KE consumed approximately 1,849 MMSCF of RLNG for power generation in March 2025—significantly higher than its own projected requirement of around 1,237 MMSCF for the same month. This excessive reliance on RLNG, despite the availability of more economical, fuel-based generation within the CPPA-G system, is a matter of serious concern—not only for the power sector but also for the country as a whole, given its impact on energy costs and resource utilization.

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Official Gazette of Pakistan Part-II

National Electric Power Regulatory Authority

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NOTIFICATION

Islamabad, the 5th day of June, 2025

S.R.O. 1045 (I)/2025: – Pursuant to amendment in Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (NEPRA Act) through Regulation of Generation, Transmission and Distribution of Electric Power (Amendment) Act 2011 (Act No. XVIII of 2011), amended subsequently through Act No. XIV of 2021, the National Electric Power Regulatory Authority has been mandated to make the adjustments in the approved tariff on account of any variation in the fuel charges and notify the same in the official Gazette.

2. In exercise of power conferred by fourth proviso of sub-section 7 of Section 31 of NEPRA Act, the Authority has made the following adjustment on account of variation in fuel charges for the month of **March 2025** in the approved tariff K-Electric (KE):

FCA to be calculated on the basis of billing for the Month of	Rs./kWh	To be Charged in the Billing Month of
March 2025	**(2.9898)**	**June 2025**

3. The aforementioned negative FCA of Rs.2.9898/kWh is being allowed on provisional basis subject to adjustment, once the Authority determines MYT of KE for the period FY 2024-30. The difference in cost, if any based on the MYT FY 2024-30 would be allowed in future adjustments, once the same is notified.

4. In the light of above, the Authority hereby directs KE that the aforementioned negative adjustment;

a) Shall be applicable to all the consumer categories except lifeline consumers, domestic protected consumers, Electric Vehicle Charging Stations (EVCS) and prepaid electricity consumers of all categories who opted for pre-paid tariff.

b) Shall be shown separately in the consumers' bills on the basis of units billed to the consumers, in the respective month to which the adjustment pertains. In case any bills of **June 2025** are issued before the notification of this decision, the same may be applied in subsequent month.

c) KE shall reflect the fuel charges adjustment in respect of March 2025 in the billing month of **June 2025**.

d) While effecting the Fuel Adjustment Charges, KE shall keep in view and strictly comply with the orders of the courts notwithstanding this order.

Wasim Anwar

(Wasim Anwar Bhinder)
Registrar