



Registrar

National Electric Power Regulatory Authority

Islamic Republic of Pakistan

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No. NEPRA/R/ADG(Tariff)/TRF-362/K-Electric-2016/43693-43695
December 1, 2020

Subject: **Decision of the Authority in the matter of Request of the Ministry of Energy (Power Division) for Incorporation of Support Package for Additional Consumption and Abolishment of Time of Use Tariff Scheme for Industrial Consumers of K-Electric**

Dear Sir,

Please find enclosed herewith subject Decision of the Authority (06 pages).

2. The Decision of the Authority 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

(Syed Safer Hussain)

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

CC:

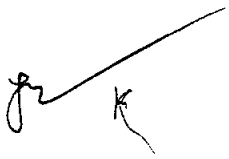
1. Secretary, Cabinet Division, Cabinet Secretariat, Islamabad.
2. Secretary, Ministry of Finance, 'Q' Block, Pak Secretariat, Islamabad.

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

**DECISION OF THE AUTHORITY IN THE MATTER OF REQUEST OF THE MINISTRY OF
ENERGY (POWER DIVISION) FOR INCORPORATION OF SUPPORT PACKAGE FOR
ADDITIONAL CONSUMPTION AND ABOLISHMENT OF TIME OF USE TARIFF SCHEME
FOR INDUSTRIAL CONSUMERS OF K-ELECTRIC**

Islamabad

December , 2020

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1. **Background**

- 1.1. The Ministry of Energy Power Division vide letter dated 1st December, 2020 has forwarded K-Electric letter dated 30th November, 2020 regarding incorporation of support package for additional consumption and abolishment of time of use tariff scheme for industrial consumers of K-Electric for consideration and further necessary action by the Authority. K-Electric in its letter dated 30th November 2020 submitted the following;

Special rate for industrial consumers on incremental consumption.

- 1.2. K-Electric while referencing to the Ministry of Energy (Power Division) letter dated 18th November, 2020 submitted that the Cabinet ratified ECC's decision and approved the following special rates for industrial consumers on Incremental consumption along with below guidelines:

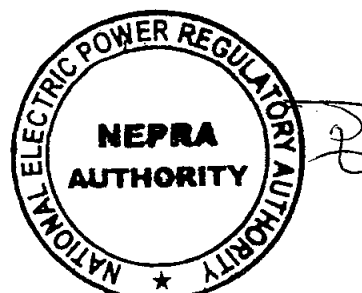
- Approved special rates for Industrial consumers on incremental consumption:
 - B1, B2 and B3 categories – Base rate less PKR 4.96 / kWh
 - B4 and B5 categories – PKR 12.96 / kWh
- NEPRA shall review and finalize benchmarks of reference consumption for new consumers; and
- The package will be applicable to all hours of the day, during the period when Time of use tariff for industrial consumers is discontinued

ECC OF THE CABINET DECISION NO. ECC-403/53/2020 DATED 2nd NOVEMBER, 2020

- 1.3. The Economic Coordination Committee (ECC) of the Cabinet considered the summary dated 2nd November, 2020 submitted by the Power Division regarding Revised Support Package for Industrial Electricity Consumers and decided as follows:
- i. Discount of Rs.4.96/kWh, from the base rate will be offered for industrial categories (B1, B2 & B3) from 1st November 2020 to 30th June 2021 for off-peak hours on incremental consumption basis over their consumption in corresponding months of the period March 2019 to February 2020. In this case an estimated subsidy requirement for K Electric shall be approximately Rs.7 billion which shall be provided by the Finance Division from COVID Economic Stimulus Package on actual consumption basis for each month.
 - ii. New industrial consumers of K-Electric may be offered the same package through slab-wise consumption structure;
 - iii. Impact of the Fuel Price Adjustment (FPA) shall be passed on to the industrial consumers on incremental consumption basis.

CABINET DECISION NO. 845/43/2020 DATED 3.11.2020

- i. The Cabinet considered the summary titled 'Ratification of the Decisions Taken by the Economic Coordination Committee (ECC) of the Cabinet in its Meeting held on 02.11.2020'



dated 2nd November, 2020, submitted by Cabinet Division, and ratified the decision taken by ECC, and the Cabinet further directed as following:

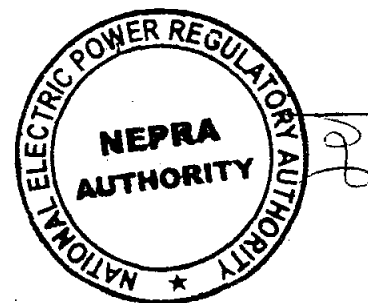
- a) *Rate of Rs. 12.96/Kwh may be charged for industrial consumer categories B4 and B5 of K-Electric from 1st November 2020 to 30th June 2021 for off-peak hours on incremental consumption basis over their consumption in corresponding months of the period March 2019 to February 2020. Decision for extending this package for these consumers will be taken in June 2021;*
- b) *NEPRA shall review and finalize benchmarks of reference consumptions for new consumers; and*
- c) *The package will be applicable to all hours of the day, during the period when time of use tariff for industrial users is discontinued.*

1.4. The Authority has considered the request of the Ministry of Energy and agrees with the proposal regarding Special rate for industrial consumers on incremental consumption. However, keeping in view the fact that K-Electric tariff structure is different from XWDISCOs whereby, as per para 19.9 of the K-Electric's MYT MLR decision dated 9th October, 2017, the risk of sales, whether positive or negative lies with K-Electric, therefore, the discount of Rs.4.96/kWh for B1, B2 & B3 Industrial consumers from the base rate & difference regarding rate of Rs.12.96/kWh for B4 & B5 industrial consumers, for incremental sales would be picked up by the GoP as tariff differential subsidy.

1.5. Regarding reference consumptions for new consumers having no consumption available in the period March 2019 to February 2020, the Ministry provided the following formula;

Reference Consumption Of New Industrial Connection for Specific Month	=	Maximum of (S.L OR MDI) * Hrs *	(Load Factor(%) of Particular Industrial consumer category)
Where: S.L= Sanctioned Load of the respective industrial consumer MDI= Maximum Demand Indicator of the respective industrial consumer for the given month Hrs= No. of Hours in the given month Load Factor of Particular Category may be derived from Consumer Service Manual (as updated from time to time)			

1.6. The Ministry in this regard quoted the following load factors for reference as mentioned in the NEPRA Consumer Service manual, determined by NEPRA on July 8, 2020:



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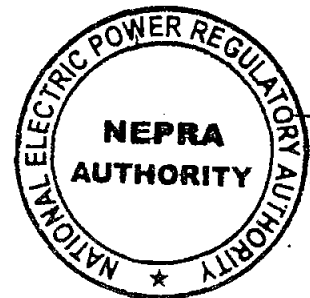
B INDUSTRIAL SUPPLY	% age
B-1 except for ice factories, Cold Storage, Plastic Molding, Rice Shellers	40%
B-2 except for ice factories, Cold Storage, Plastic Molding, Rice Shellers	50%
Ice Factory, Cold Storage	70%
Plastic Molding, Rice Shellers	50%
B-3 Textile Mills and Steel Furnaces Melting Industry and all other continuous industry	60%
Other normal Industry like Engineering Works	50%
Flour Mills B-2 & B-3	40%
B-4	50%

- 1.7. The Authority has considered the proposal of the Federal Government and considers the same as satisfactory for calculation of reference consumption for new consumers.
- 1.8. Positive monthly FCA would be applicable to B1, B2, B3, B4 and B5 industrial consumers on the incremental sales till continuation of the instant package, however, negative FCA would not be allowed. The amount so retained by K-Electric, if any, would be adjusted in the subsequent quarterly adjustments of K-Electric.

Abolishment of Time of Use (ToU) tariff scheme for industrial consumers.

- 1.9. K-Electric submitted that MoE through a second letter dated 18th November 2020 communicated that the Cabinet Committee on Energy (CCoE) approved the MoE's summary for abolishment of peak and off-peak tariff structure till April 30, 2021 and for issuing guidelines to NEPRA to incorporate the same within the tariff.
- 1.10. In view of the above K-Electric submitted that considering KE's tariff structure being different than XWDISCOs, the aforementioned changes are required to be made in the 'Consumer tariff rates' charged to Industrial consumers, with difference falling in 'Tariff Differential Claims'. K-Electric accordingly requested the Authority to incorporate required changes in KE's 'Schedule of Tariff' and / or 'Terms & Conditions of Tariff', including guidelines for reference consumption of new consumers.
- 1.11. **CCOE DECISION VIDE CASE NO. CCE-61/19/2020 DATED: 2ND NOVEMBER, 2020:-**
- i. The Cabinet Committee on Energy (CCoE) considered the summary dated 2nd November, 2020 submitted by the Power Division regarding abolishment of time of Use Tariff Scheme for Industrial Consumers and endorsed the proposal, in principle, at para-4 of the summary, with the following directions to the Power Division:-
 - a) Abolishment of peak and off-peak tariff structure may be implemented only till 30th April 2021 and a review be carried out by 31st March 2021, for its continuation or other-wise beyond April 2021.
 - b) The expected impact on Circular Debt shall be evaluated in the light of data of actual consumption by the industrial sector and presented to Cabinet in the forthcoming meeting. The actual impact on Circular Debt shall be reported to the CCoE on monthly basis."

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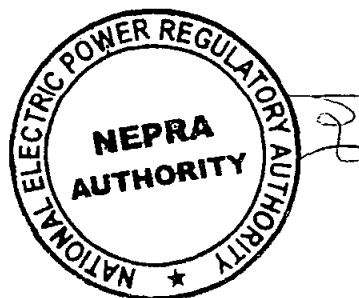


1.12. CABINET DECISION CASE NO.846/43/2020 DATED: 6TH NOVEMBER, 2020;

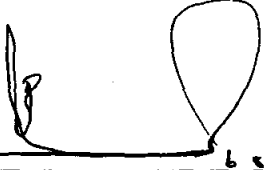
- i. The Cabinet considered the summary titled "Ratification of the decisions taken in the Cabinet Committee on Energy (CCoE) in its meeting held on 02.11.2020" submitted by Cabinet Division and ratified the decision taken by CCoE.
- 1.13. The Authority observed that while considering the proposal, the competent authority took cognizant of the fact that the decision would result in additional subsidy, which has not been budgeted as of today. Thus, decided to evaluate its impact on Circular Debt in the light of actual consumption data by the industrial sector on monthly basis.
- 1.14. In view of foregoing, the Authority has no objection in approving the instant proposal for industrial consumers, as it does not have any impact on NEPRA determined tariff, as the Federal Government intends to further reduce the Peak Rate for industrial consumer through provision of additional subsidy. Hence, the Authority approves the proposal as submitted by GoP whereby, during peak hours the off peak rate along with applicable quarterly adjustments would be charged w.e.f. November 01, 2020 till April 30, 2021 and the difference in this regard would be picked up by the GoP as subsidy.

2. **Order**

- 2.1. The Authority has no objection in approving the proposal for industrial consumers, as it does not have any impact on NEPRA determined tariff, as the Federal Government intends to further reduce the Peak Rate for industrial consumer through provision of additional subsidy. Hence, the Authority approves the proposal as submitted by GoP whereby, during peak hours the off peak rate along with applicable quarterly adjustments would be charged w.e.f. November 01, 2020 till April 30, 2021 and the difference in this regard would be picked up by the GoP as subsidy.
- 2.2. The Authority has considered the request of the Ministry of Energy and agrees with the proposal regarding Special rate for industrial consumers on incremental consumption. However, keeping in view the fact that K-Electric tariff structure is different from XWDISCOs whereby, as per para 19.9 of the K-Electric's MYT MLR decision dated 9th October, 2017, the risk of sales, whether positive or negative lies with K-Electric, therefore, the discount of Rs.4.96/kWh for B1, B2 & B3 Industrial Consumers from the base rate & difference regarding rate of Rs.12.96/kWh for B4 & B5 Industrial Consumers, for incremental sales would be picked up by the GoP as tariff differential subsidy.
- 2.3. The Authority has considered the proposal of the Federal Government for calculation of reference consumption for new consumers and considers the same as satisfactory.
- 2.4. Positive monthly FCA would be applicable to B1, B2, B3, B4 and B5 industrial consumers on the incremental sales till continuation of the instant package, however, negative FCA would not be allowed. The amount so retained by K-Electric, if any, would be adjusted in the subsequent quarterly adjustments of K-Electric.
3. The Decision of the Authority along with order part is intimated to the Federal Government for notification in the official gazette in terms of section 31(7) of NEPRA Act, 1997.




(Rafique Ahmed Shaikh)
Member




(Engr. Bahadur Shah)
Member

(Rehmatullah Baloch)
Member



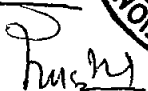
(Saif Ullah Chattha)

Vice Chairman 1.12.2020



(Tauseef H. Farooqi)
Chairman




01/12/20