



National Electric Power Regulatory Authority Islamic Republic of Pakistan

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Registrar

No. NEPRA/R/TRF-362/K-Electric-2016/ 9019-23

April 14, 2023

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 Monthly Fuel Charges Adjustment of K-Electric Limited for the month of February 2023 and Notification (S.R.O. 492 (I)/2023 dated 14.04.2023) Thereof

Enclosed please find herewith a copy of decision of the Authority in the matter of fuel charges adjustment for the month of February 2023 in respect of K-Electric Limited, along with Notification (S.R.O. 492 (I)/2023 dated 14.04.2023) thereof (total 09 Pages). 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: As above (Decision along Notification is also available on NEPRA's website)


14/04/23
(Engr. Mazhar Iqbal Ranjha)

Copy to: (alongwith copy of subject Decision):

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

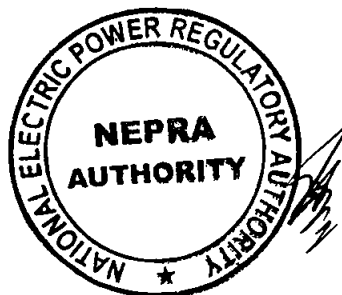
**DECISION OF THE AUTHORITY IN THE MATTER OF MONTHLY FUEL CHARGES
ADJUSTMENTS OF K-ELECTRIC LIMITED FOR THE MONTH OF FEBRUARY 2023**

1. Pursuant to the provisions of Section 31(7) of the Regulation of Generation, Transmission and Distribution of Electric Power Act 1997, and as per the mechanism for monthly, quarterly and annual adjustments provided in the tariff determination of K-Electric Limited (herein referred to as "K-Electric or KE") dated July 05, 2018, duly notified in the official Gazette vide SRO No. 576(I)/2019 dated May 22, 2019, the Authority has to review and revise the approved tariff on monthly, quarterly and annual adjustments.
2. As per the mechanism provided in the determination, 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, impact of change in the 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.
3. However, the impact of monthly variations in million rupees in K-Electric's own generation's fuel cost component as well power purchase price to the extent of targeted T&D losses, not taken into account in the monthly FCAs, shall be adjusted on quarterly basis.
4. Pursuant to notification of the determined MYT, K-Electric filed its initial monthly FCA request for February 2023 and, later, revised as under;

Month	Mln Rs.	Rs./kWh
Feb-23	1,856	1.662

Hearing

5. Since the impact of any adjustments has to be made part of the consumer end tariff, therefore, the Authority, in order to provide an opportunity of hearing to all the concerned and meet the ends of natural justice, decided to conduct a hearing in the matter.
6. The Authority scheduled hearing in the matter of FCA of K-Electric for the month of February 2023 on March 30, 2023 at NEPRA Tower and through ZOOM. Notices in this regard were published in the newspaper on March 18, 2023 and also uploaded on NEPRA's website along-with adjustment requests filed by K-Electric.



7. Following issues relevant with the monthly FCA were framed for discussion during the hearing;

- i. Whether the requested Fuel Price Variation is justified?
- ii. Whether K-Electric has followed the merit order while giving dispatch to its power plants as well as power purchases from external sources?

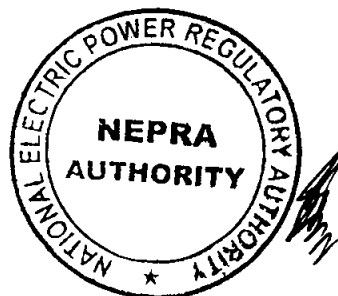
8. The hearing was attended by representatives of K-Electric including its financial and technical team. Representatives from Media and General Public also attended the hearing. KE in its FCA request submitted that calculation for the current month is based on CPPA-G's requested fuel cost component for the current month and is subject to adjustment based on the final determination of XWDISCOs FCA for the current month by NEPRA.

9. The Authority noted that the Power purchase agreement was signed between NTDCL and K-Electric on January 26, 2010 for five years for sale/purchase of 650 MW on basket rates. Subsequently, a decision was made by the Council of Common Interest (CCI) in its meeting held on November 08, 2012 with respect to the modalities for withdrawal of electric power from NTDCL by the Petitioner, wherein it was decided to reduce the supply of energy by 300MW from NTDCL to K-Electric. However, the aforementioned decision of the CCI has been impugned by way of suits /petitions by K-Electric in the Honorable High Court of Sindh at Karachi. No new agreement has been signed between K-Electric and NTDCL till date, and K-Electric is continuing to draw energy from the National Grid, which at present is around 1100 MW.

10. K-Electric, in its adjustment requests, has certified that it despatches as per Economic Merit Order from its own generation units (with the available fuel resources) and import from external sources. It also certified that the cost of fuel and power purchase claims do not include any amount of late payment surcharge/mark-up/interest.

11. Mr. Tanveer Barri, a commentator, submitted that KE service territory should not be subject to load shedding in the coming summer since KE has added new plants to its generation. He also inquired whether KE is signing a new contract with KE to get additional generation from the national pool. The Authority said that it is not aware of such development, however, KE confirmed that they are in talks with CPPA-G regarding the same.

12. Mr. Arif Bilwani, a commentator, submitted that KE should not have added imported fuel based plants to its generation when indigenous sources could have been harnessed. He also inquired whether the new contract between CPPA-G and KE will be based on marginal



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rate or otherwise. The Authority responded that any such contract is not finalized and the Authority is not aware of the progress on it.

13. Mr. Imran Shahid, a commentator, opposed AT&C based load-shedding and inquired the Authority's take on the same. The Authority responded that NEPRA has always opposed AT&C based load-shedding as NEPRA deems it as collective punishment.

14. Mr. Mashood, a representative of the textile industry, inquired whether the FCA for February 2023 will be implemented on zero rated industries since the zero rated industrial support package was applicable till February 28, 2023. KE accordingly submitted that subsequent to application of ZRISPA subsidy in January 2019, FCA was first billed in January 2020 wherein FCA for the months of July 2016 to December 2016 (i.e. period prior to ZRISPA subsidy) was billed but included in ZRISPA benefit. Similarly, recently when the ZRISPA subsidy was discontinued for the month of July 2022, consumers did not get the FCA relief in the billing month of July 2022 (i.e. partial FCA of May 2022) as the subsidy was discontinued during July 2022. Similarly when it was again implemented in August 2022 consumer got benefit in FCA billed for the months of May 2022 (partial) and June 2022. Now, since the ZRISPA subsidy has been discontinued w.e.f. March 01, 2023, consumers will not get the FCA relief in the billing month of March 2023 (i.e. FCA of Jan-23).

15. K-Electric provided the plant wise generation statistics sheet, signed by K-Electric. The plant wise statistic sheets provide information in terms of Plant Capacity, Actual Units Generated, Actual Auxiliary consumption, Net Generation and Bus Bar sent outs, Actual Heat Rates, fuel consumption & cost of Fuel and Generation cost per unit. In addition K-Electric also provided copies of invoices raised by Fuel Suppliers and copies of invoices raised by IPPs.

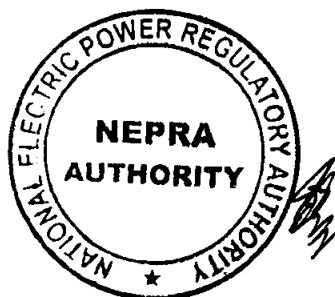
16. Here it is pertinent to mention that the Authority in the FCA decision for September 2022, had directed K-Electric to ensure that supply of RLNG be diverted to other power plants only when it meets the criteria for economic merit order.

17. The Authority based on the information, data and record provided by K-Electric, has analyzed the FCA claim of K-Electric and issue wise discussion is given hereunder;

Issue: Whether the requested Fuel price variations are justified?

K-Electric Own Generation

18. K-Electric has provided information in terms of plant capacity, actual units generated, actual auxiliary consumption, net generation and bus bar sent outs, actual heat rates, fuel



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consumption & cost of fuel and generation cost per unit. While going through the data / information provided by K-Electric regarding fuel cost of energy from its own power plants, the Authority's observations are as under;

19. K-Electric, as required under the MYT, carried out heat rate test of KCCPP. Pursuant thereto, the Authority, in its decision dated 02.09.2020 decided as under;

"i. For the period from July 2016 to May 2019, the heat rate i.e. 8,250.06 Btu/kWh - net HHV, corresponding to 41.36% efficiency is approved with no further adjustment for degradation and partial loading allowed.

ii. For the period from June 2019 to June 2023, the heat rate i.e. 8,377.032 Btu/kWh - net HHV, corresponding to 40.732% efficiency is approved. This heat rate will be applicable for the control period on flat basis, without any additional adjustment for other parameters.

iii. KE is required to conduct maintenance including Major Overhaul of its plants / units as per prudent utility practices and recommendations of OEM.

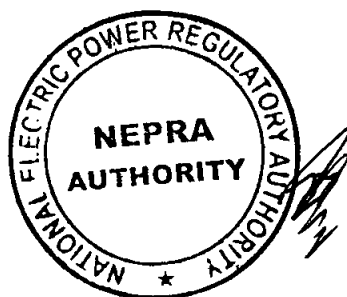
iv. In case of non-requirement of Gas compressors - the relevant capacity and Heat rates would be adjusted. For such a scenario, relevant capacity and heat rates calculated during the present tests would be used."

20. Here it is pertinent to mention that Authority vide order dated August 4, 2022 have approved 3rd party Heat Rate Test for 248 MW KCCPP on HSD and has revised the heat rate based on Gas/RLNG as well. Based on the above, heat Rate of 8,477 BTU/kWh for KCCPP operation of Gas/RLNG has been used as per the decision dated August 4, 2022.

21. The Authority observed that K-Electric has requested Rs.80.56 million amount for operation of KCCPP on HSD during current month.

22. The cost of BQPS-III has been worked out using an auxiliary of 2.047% based on HHV combined cycle efficiency 6,381 BTU/kWh, at 100% load. This has resulted in a total cost of Rs.5,326.463 million for operation of BQPS-III on RLNG in the current month, which is accordingly being allowed. The cost is being allowed strictly on provisional basis, subject to final determination of price etc.

23. During the instant month, K-Electric has claimed energy for BQPS-II with the following energy sent out, auxiliaries & heat rates.



*Decision of the Authority in the matter of Monthly Fuel Charges Adjustments
of K-Electric for February 2023*

Description		Units Generated	Requested Auxiliaries %	Requested Heat Rate BTU/kWh
RLNG SSGC with No Compressor	LNG	5.519	2.97%	8,100.85
RLNG SSGC with One Compressor	LNG	0.149	4.54%	8,238.42
RLNG SSGC with Two Compressor	LNG	0.504	6.11%	8,380.74
RLNG on PLL No Compressor	LNG	5.52	2.50%	8,100.85

24. KE's submissions regarding BQPS-II have been considered by the Authority on provisional basis, subject to adjustment, if required, once the required NEPRA Technical decision in the matter are taken by NEPRA.

25. For remaining KE own generation fleet heat rates as approved by the Authority has been considered while working out the instant monthly Fuel charges Adjustment.

26. The generation reported by K-Electric in its adjustment requests have been checked from the plant wise generation statistics sheet; the units sent out have been worked out based on the Authority's allowed Auxiliaries. The units sent out so worked out are in agreement with the sent outs claimed by K-Electric in its adjustment requests.

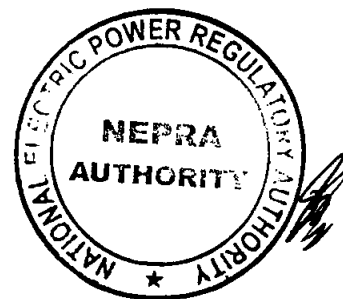
Power Purchase Price- Fuel Cost

27. While going through the data / information provided by K-Electric regarding fuel cost of energy purchased from external sources, the Authority's observations are as under;

28. The Authority observed that K-Electric is being directed to provide CV test reports for both Tapal and Gul Ahmed Power Plants. KE has submitted CV test report of Tapal and Gul Ahmed from HDIP & SGS lab and used the average of the two reports in the FCA request. The Authority has considered the higher of the two CVs which has resulted in negative adjustment of Rs.670,031 and Rs.163,747 for Tapal and Gul Ahmed power plants respectively.

29. Regarding cost of energy purchased from CPPA-G during the current month, K-Electric has used the rate of Rs.8.0689/kWh, however, the Authority's approved fuel cost component, in the matter of XWDISCOs for the current month is Rs.7.2114/kWh. In view thereof, while working out the instant FCA of K-Electric, rate approved by the Authority for XWDISCOs for the month under review has been incorporated for the energy purchased by K-Electric from CPPA-G during the month. This has resulted in decrease in total fuel cost by around Rs.581.1 million.

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30. KE in its claim for the FCA of February 2023 has claimed energy from FPCL of 19.971 GWh at Rs. 24.5939/kWh amounting to Rs. 491.165 Million. It has been observed that KE has used a rate that was applicable from August 6, 2022, however, NEPRA vide decision dated March 13, 2023 has decided for the rate to be applicable from January 01, 2023 i.e. Rs. 19.4750/kWh. The revised rate has been used, this has resulted in a deduction of Rs. 102.23 million.

31. The Authority vide decision dated 04.06.2021, based on the Heat Rate tests conducted for SNPC and SNPC-II, revised their net capacities and Heat Rates. The Authority revised the net capacity and Heat Rate of SNPC-I as 51.154 MW and 8194.25 Btu/kWh - net HHV equivalent to 41.90% efficiency. Similarly, net capacity and Heat Rate of SNPC-II have been revised as 51.526 MW and 8,143.699 Btu/kWh - net HHV equivalent to 41.64% efficiency. The Authority afterwards vide decision dated 21.09.2021, granted interim relief to SNPC and SNPC-II, in relevant tariff components i.e. Fuel Cost components and Capacity charge components of generation tariff, on account of revision in heat rates and net capacities. As per the decision dated 21.09.2021, FCC of both SNPC and SNPC-II have been revised as Rs.4.0971/kWh and Rs.4.0718/kWh respectively, based on the revised heat rates and reference gas price of Rs.500/MMBTU.

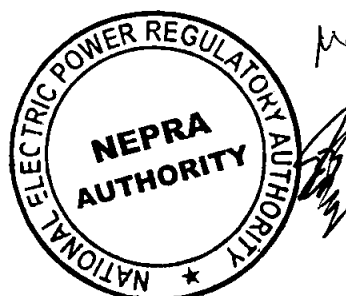
32. Here it is also pertinent to mention that the Authority determines the FCC of SNPC and SNPC-II, as and when required, owing to change in gas prices. KE in its request has claimed FCCs of Rs.7.0224/kWh for SNPC & Rs.6.9791/kWh for SNPC-II, in line with the decision dated 20.06.2022 for both for SNPC and SNPC-II. The same has been considered in the instant adjustment on provisional basis.

33. The Petitioner in its request has also included 5.718 GWh for the Net Metering units procured during February 2023. The Authority has considered this energy as part of the FCA for the month of February 2023.

Previous Adjustment

34. KE submitted that the Ingenious Gas Rates have been revised from January 2023 as per OGRA Notification dated February 15, 2023. Accordingly, adjustment pertaining to January 2023 amounting to Rs.26 million has been claimed in FCA of February 2023 by KE. The same has been considered by the Authority in the instant FCA working.

Issue: Whether K-Electric has followed the merit order while giving dispatch to its power plants as well as power purchases from external sources?



35. The Authority carried out an in-house analysis of the data provided by K-Electric for the month, to work out the financial impact due to deviation from EMO.

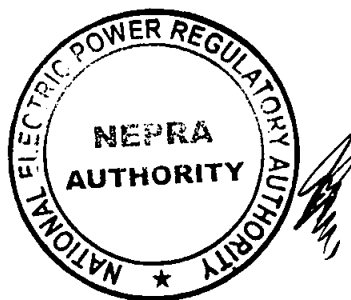
36. Regarding the financial impact due to underutilization of efficient plants namely KCCP, KGTPS & SGTPS etc on account of lower gas pressure, a letter was issued to KE on September 16, 2021, whereby, it was directed to resolve its gas pressure/lower gas quantity issues within thirty (30) days. In response, KE has informed that it is in the process of resolving the lower gas pressure issue, however, there are certain meetings with stakeholders that will take place in due course of time. As of now, no GSA has been finalized between KE and SSGC despite the directions of the Authority.

37. It is added that, KE vide its FCA claim of February 2023 requested for an amount of Rs. 546 million, which was withheld on account of merit order violations over the period from June 2021 to September 2022. During the FCA hearing for the month of November, 2022, the Authority had directed to hold a meeting with KE and finalize the amount to be released/deducted to resolve the issue, so that KE does not claim the same vide subsequent FCAs.

38. Pursuant to the directions of the Authority, a meeting was held with KE professionals through Zoom on January 18, 2023, wherein, KE was asked to submit the supporting documents against the withheld amount. During the discussion, KE provided its comments regarding the withheld amount for the period from June 2021 to September 2022. It is pertinent to mention here that, KE provided its comments vide email dated January 19, 2023, against an amount of Rs. 226 million out of the total withheld amount of Rs. 546 million.

39. In this regard, the Authority vide decision issued on March 15, 2023 directed to release an amount of Rs. 21.37 million from the withheld amount of Rs. 546 million, whereas, regarding the remaining amount the matter is still under consideration of the Authority and will be decided in due course of time.

40. In view of the aforementioned discussion and after incorporating the above discussed adjustments, the Authority has decided to allow the following positive FCA for the month of February 2023, to be passed on to the consumers in their monthly bills of February 2023;



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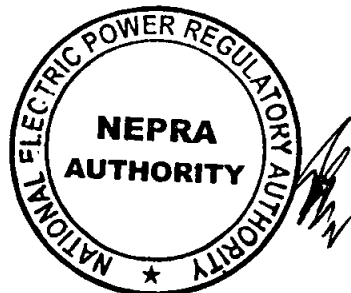
*Decision of the Authority in the matter of Monthly Fuel Charges Adjustments
of K-Electric for February 2023*

Description		Unit	Reference Dec-22	Revised Feb-23
Fuel Cost	Own Generation	Rs. Mln	7,142	7,211
	External Purchases	Rs. Mln	7,057	6,857
	Deviation from EMO	Rs. Mln	-	21
	Previous Adjustment	Rs. Mln	-	26
	Total	Rs. Mln	14,199	14,116
Total Units	Own Generation	GWh	331	295
	External Purchases	GWh	846	822
	Total	GWh	1,177	1,117
Fuel Cost Component (FCC)	Own Generation	Rs./kWh	6.0663	6.4572
	External Purchases	Rs./kWh	5.9942	6.1403
	Deviation from EMO	Rs./kWh	-	0.0191
	Previous Adjustment	Rs./kWh	-	0.0233
	Total	Rs./kWh	12.0605	12.6400
Fuel Charges Adjustment (FCA)	Own Generation	Rs./kWh		0.3909
	External Purchases	Rs./kWh		0.1461
	Deviation from EMO	Rs./kWh		0.0191
	Previous Adjustment	Rs./kWh		0.0233
	Total	Rs./kWh		0.5794
Variation in Fuel Cost	Total	Rs. Mln		647

41. Here it is pertinent to mention that the impact of monthly FCA, which is not passed on to certain categories of consumers, would be accounted for in the quarterly adjustments.

42. In the light of above, the Authority hereby directs K-Electric that the positive FCA of February 2023 as worked out above;

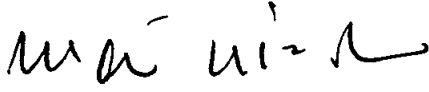
- a. Shall be applicable to all the consumer categories except Electric Vehicle Charging Stations (EVCS) and lifeline consumers of K-Electric.
- b. Shall be shown separately in the consumers' bills on the basis of units billed to the consumers in the respective month to which the adjustment pertains.
- c. K-Electric shall reflect the fuel charges adjustment in respect of February 2023, in the billing month of April 2023.



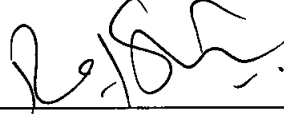
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- d. While effecting the Fuel Adjustment Charges, K-Electric shall keep in view and strictly comply with the orders of the courts notwithstanding this order.

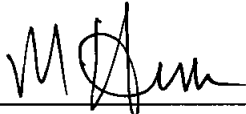
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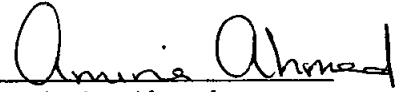
Mathar Niaz Rana (nsc)
Member



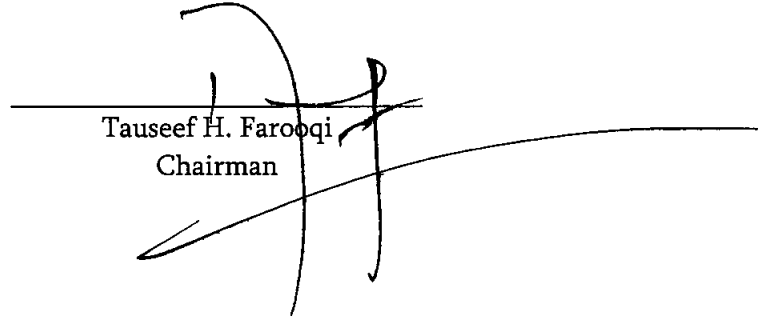
Rafique Ahmed Shaikh
Member



Engr. Maqsood Anwar Khan
Member




Amina Ahmed
Member



Tauseef H. Farooqi
Chairman




14/04/23

National Electric Power Regulatory Authority



NOTIFICATION

Islamabad, the 14th day of April 2023

S.R.O. 492 (I)/2023.- Pursuant to Section 31(7) of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 as amended through Regulation of Generation, Transmission and Distribution of Electric Power (Amendment) Act 2011 and as per the mechanism for monthly, quarterly and annual adjustments provided in the Tariff Determination of K-Electric Ltd. dated July 05, 2018 duly notified in the official Gazette vide SRO No. 576(I)/2019 dated May 22, 2019, National Electric Power Regulatory Authority (NEPRA) makes and notifies the following adjustment in the approved tariff on account of variation in fuel charges for the month of February 2023 in respect of K-Electric Limited:

FCA to be calculated on the basis of billing for the Month of	Rs./kWh	Charged in Consumer Bills to be issued in the Billing Month of
February 2023	0.5794	April 2023

2. The positive FCA of February 2023:
 - a) Shall be applicable to all the consumer categories except Electric Vehicle Charging Stations (EVCS) and lifeline consumers of K-Electric.
 - 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.
 - c) K-Electric shall reflect the fuel charges adjustment in respect of February 2023, in the billing month of April 2023.
3. While effecting the Fuel Adjustment Charges, K-Electric Ltd. shall keep in view and strictly comply with the orders of the courts notwithstanding this order.

(Engr. Mazhar Iqbal Ranjha)
Registrar

Mazhar Iqbal Ranjha