



Registrar

National Electric Power Regulatory Authority Islamic Republic of Pakistan

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No. NEPRA/ADG(Tariff)/TRF-362/K-Electric-2016/ 3403-07

March 06, 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 December 2024

Enclosed please find herewith a copy of the Decision of the Authority along with Additional note of Mr. Rafique Ahmed Sheikh, Member(NEPRA) in the matter of fuel charges adjustment for the month of **December 2024** (total 07 pages) in respect of K-Electric Limited and Notification (S.R.O. 259(I)/2025 dated 06.03.2025) 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 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 PROVISIONAL MONTHLY FUEL CHARGES
ADJUSTMENTS REQUESTED BY K-ELECTRIC LIMITED FOR DECEMBER 2024.**

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 December 2024 vide its letter dated 20.01.2025. The summary of KE's FCA request for December 2024 is tabulated as hereunder;

Month	Rs. Mln	Rs. /kWh
December 2024	(4,940)	(4.95)

4. K-Electric in its instant request submitted that:
 - ✓ Provisional FCA request for December 2024 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 December 2024 is being requested based on March 2023 as interim reference tariff.
 - In KE's FCA request of December 2024, calculation of CPPA-G's fuel cost is based on CPPA-G's requested rate in the matter of FCA for the month of December 2024 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.
 - ✓ Cost of fuel and power purchase claim does not include any amount of late payment surcharge/ markup/ interest.
5. In addition, KE has submitted 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 and an amount of Rs. 5 billion from July



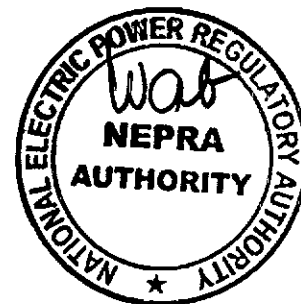
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2024 to December 2024 is accordingly pending for adjustment. KE request that the Authority may also consider adjustment of aforementioned accumulated actualization of fuel cost so that recovery can be made from the negative fuel cost variation to ensure 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 19.02.2024, and also uploaded on NEPRA website, whereby hearing was scheduled on 26.02.2025. 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 Dec. 2024, from the negative fuel cost variation is justified?
8. The hearing was held as per the schedule on 26.02.2025 at NEPRA Tower and through ZOOM. The hearing was attended by CFO 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 December 2024;

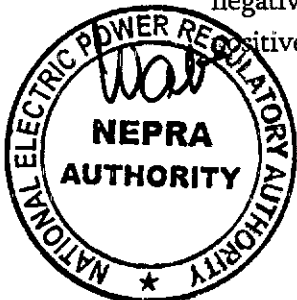
Company Wide Mix				
Fuel	Reference		Current	
	Units Sent out (GWh)	Proportion (%)	Units Sent out (GWh)	Proportion (%)
FO	195	13%	--	--
Gas	79	5%	41	4%
RLNG – SSGC	67	5%	--	--
RLNG – PLL	310	21%	188	19%
HSD	--	--	--	--
Coal	36	2%	3	0.3%
Renewable (inc. Net Metering)	25	2%	26	3%
CPPA-G	767	52%	741	74%
Total	1,478	100%	999	100%

Fuel Source	Fuel Price (Reference)	Fuel Price (Current)	Change over reference
Furnace Oil (PKR / MMBTU)	3,122	N/A	N/A
Furnace Oil (PKR / M. Ton)	125,982	N/A	N/A
Natural Gas (PKR / MMBTU)	1,050	1,050	N/A
RLNG – SSGC (PKR / MMBTU)	3,807	N/A	N/A
RLNG – PLL (PKR / MMBTU)	3,479	2,901	(17%)
CPPA (PKR / KWh)	9.50	9.6	5%
FPCL (PKR / KWh)	19.48	18.4	(6%)



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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 have 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 further stated that an amount of Rs.13 billion from July 2023 to December 2024 is accordingly pending for adjustment out of which the Authority has set aside Rs.5.4 billion in KE's FCA Decision for November 2024. 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. It also stated that similar costs are also allowed to XW-DISCOs in their monthly FCA Decisions.
13. Various commentators raised concerns during the hearing. A summary of comments relevant to the FCA is as under:
- ✓ Mr. Junaid Naqi president KATI, Mr. Rehan Javed representing KCCI, Mr. Arif Bilvani a commentator in their written comments and Mr. Tanveer Barry during hearing submitted that cost claimed by KE on account of partial load, open cycle, degradation and startups needs to be incorporated in quarterly tariff adjustments and the difference should be covered through subsidy. Mr. Barry also stated that partial load, open cycle costs and startup costs pertaining to KEs own generation have not yet been finalized yet the negative FCA has been withheld for adjustment against these costs. On the other hand, KE has not yet passed on the benefit of approximately Rs.33 billion on account of industrial support package and claw-back to the consumers.
 - ✓ The Authority observed that partial load, open cycle costs, degradation and startup costs are part of fuel costs therefore to be dealt in FCA requests rather quarterly indexations. Furthermore, the power purchase costs from CPPA-G also comprises of such costs and are also part of FCA rather quarterly indexations. It was further noted that industrial support package is sub-judice matter and Islamabad High Court has granted a stay order to KE due to which industrial support package has not been implemented.
 - ✓ Ms. Mehreen Ahmed, another commentator submitted that instead of passing on the entire negative FCA of Rs. 4.95/kWh, part of it may be withheld and be adjusted against the future positive FCAs in summer so that the financial burden on the consumers is reduced.

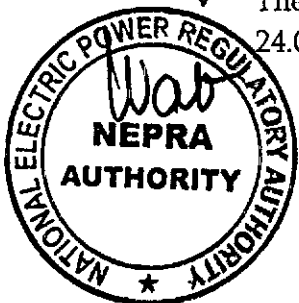


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- ✓ While responding to the queries of Mr. Jahanzeb, the Authority observed that during last year or so, FCA charged by KE remained lower as compared to FCA's charged by XWDISCOs.
- ✓ Mr. Arif Bilvani inquired regarding the operational status of Unit 1 & 2 of BQPS-I. KE responded that no fuel cost has been claimed from these two units in the instant FCA. KE added that as life of these units has expired hence capacity cost is also not being claimed however, the Authority has been requested by KE for extension of operations for these units in case there is a curtailment of power from CPPA-G due to any reason.

While responding to the query of Mr. Arif Bilvani regarding adjustment of Rs.5.4 billion from the negative FCA of November 2024, it was explained that rationale behind retention of around Rs.5.4 billion, was not to over burden the consumers at a later stage, and also to align the FCA relief allowed to KE consumers with the consumers of XWDISCOs. The Authority also considered negative FCA request filed by KE for December 2024 which would provide further margin for adjustment of any pending claims. In view thereof, the Authority decided to allow negative FCA of Rs.1.23/kWh for November 2024.

14. While reviewing the instant FCA request of KE, the Authority observed that for energy purchased from CPPA-G during December 2024, KE has used fuel cost component of Rs.9.6011/kWh as against the Authority's approved rate of Rs.9.5142/kWh. On the basis of the Authority's approved rate, the KE's claimed fuel cost for CPPA-G for December 2024 has been adjusted downwards by around Rs.64.38 million.
15. Based on the aforementioned discussion, the Authority has worked out negative FCA of Rs.5.0117/kWh having impact of Rs.5.005 billion for the month of December 2024.
16. The Authority also noted that KE has claimed additional amount of Rs.5 billion on account of partial load, open cycle and degradation curves along with startup cost for the period from July to Dec. 2024 (*total pending claim of around Rs.13 billion*) and requested to consider adjustment of accumulated actualization of such costs from negative fuel cost variation. The Authority not to over burden the consumers at a later stage for such pending costs, has decided to provisionally retain an amount of Rs.2.008 billion, from the instant FCA of December 2024, to be adjusted against the pending claims of KE on account of partial load, open cycle and degradation curves along with startup costs. The Authority also considered the fact that KE has filed negative FCA request of negative Rs.4,695 billion i.e. negative Rs.4.84/kWh for January 2025, which would provide further margin for adjustment of any such pending claims.
17. Based on the aforementioned discussion, the Authority has decided to allow negative FCA of Rs. 3.00/kWh to KE for the month of December 2024, to be passed on to the consumers in the billing month of March 2025.
18. Here it is pertinent to mention that the Ministry of Energy (MoE), Power Division vide letter dated 26.02.2025, submitted as follows:
 - ✓ The ECC of the Cabinet on 21st May 2015 issued the following policy guidelines to NEPRA: *"Any negative adjustment on account of monthly FCA will not be passed on to the Domestic consumers who have subsidized electricity tariff"*.
 - ✓ The Authority in its FCA decision No. NEPRA/R/TRF-100/MFPA/9481-9501 dated 24.06.2015 decided the non-applicability of negative FCA on non-TOU domestic

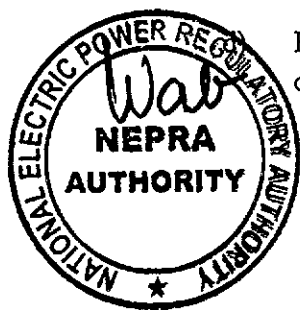


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consumers up to 300 units. Further, the Authority's decision for non-applicability of negative FCA to agriculture consumers is already in effect since November 2010.

- ✓ The Ministry of Energy vide letter dated 09 June 2021 has filed Policy Guidelines for Re-Targeting Power Subsidies in future. In line with the policy guidelines, the Authority in its decision No. NEPRA/RJADG(Tariff)/TRF-100/XWDTSCOs/37543-37545, dated 23.09.2021, has created new domestic protected and non-protected non-TOU consumers categories. Since then, the tariffs for non-protected category have been increased gradually in line with the government policy. Following the tariff rationalization, continuing the policy of not passing the negative FCA to non-protected domestic consumers and agriculture consumers may not corroborate with the principle behind earlier decisions.
 - ✓ Accordingly, it is requested that the Authority may reconsider the non-applicability of negative FCA to non-protected domestic and agriculture categories.
19. Mr. Mahfooz Bhatti, Additional Secretary, Ministry of Energy, Power Division, during the FCA hearing of XWDISCOs held on 27.02.2025, submitted that the Authority may consider to apply negative FCA on all non-protected domestic and agricultural consumer categories from the instant FCA.
 20. The Authority understands that after the recent rebasing of tariff and through Re-Targeting of Power Subsidies, resulting in creation of protected tariff category, the quantum of subsidy for the non-protected residential and agricultural consumers has been significantly reduced. In view thereof, and keeping in view the submissions of the MoE, the Authority has decided to pass on the negative FCA to all non-protected residential consumers and agricultural consumers as well.
 21. The aforementioned negative FCA of Rs.3.00/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.
 22. 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 March 2025 are issued before the notification of this decision, the same may be applied in subsequent month.
 - c) Terms & Conditions of Winter Demand Initiative decision dated 06.12.2024 needs to be considered, if applicable for the instant FCA.

KE shall reflect the fuel charges adjustment in respect of December 2024 in the billing month of March 2025.




Mahfooz Bhatti


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

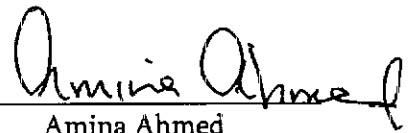
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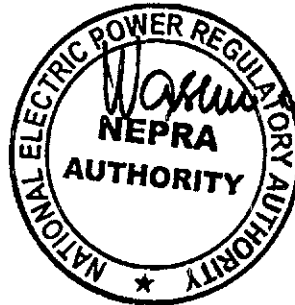
Mathar Niaz Rana (nsc)
Member


Engr. Maqsood Anwar Khan
Member

Additional note is attached.

Rafique Ahmed Shaikh
Member


Amina Ahmed
Member


Waseem Mukhtar
Chairman



Additional Note of Member (Technical)

In December 2024, overall electricity sales in KEL declined by 6.6% year-on-year. Industrial sales, in particular, fell by 5.7% compared to December 2023 and experienced a significant 9.7% decrease compared to November 2024. This sharp decline in industrial demand requires immediate attention from stakeholders.

In December 2024, KEL's own power plants contributed 19% to its energy mix, while purchases from other Independent Power Producers (IPPs) and Captive Power Plants (CPPs) accounted for 7%, and NTDC supplied 74% of the total electricity. Notably, the cost of generation within the NTDC system is significantly lower at Rs. 9.60/kWh, compared to KEL's own generation cost of Rs. 18.63/kWh. With NTDC possessing surplus generation capacity and its facilities situated close to KEL, it is crucial for both KEL and NTDC to prioritize and accelerate the interconnection works and studies between their systems. This will help optimize cost-efficiency and improve overall system performance.

In the current interconnection arrangement, KEL's power drawl capacity from NTDC is limited to approximately 1,600 MW. However, in December 2024, KEL's actual drawl from NTDC averaged 985 MW (62% of the available capacity). This less drawl pushed out-of-merit generation from KEL's own power fleet, leading to inefficiencies and underutilisation of the efficient resources and undermining the existing infrastructure capacity utilization.

In addition to the above, the contractual obligation for RLNG purchases by KEL is also adversely impacting its generation mix. Therefore, it is important that KEL, along with other relevant stakeholders, carefully consider all available primary energy and power resources before entering into any firm contracts. Such contracts should be structured to ensure the optimal utilization of all available resources, taking into account factors such as cost-efficiency, reliability, and sustainability.

Furthermore, NTDC, in its role as System Operator (SO) and planner, must adopt a more proactive approach by conducting comprehensive system studies in collaboration with all stakeholders. NTDC should actively present its assessments during KEL's monthly Fuel Charge Adjustment (FCA) hearings and propose solutions to enhance the economic efficiency of the power system.

As Transmission Network Operator (TNO), NTDC must also prioritize the completion of the K2 and K3 transmission lines. This will help maximize the effectiveness and efficiency of the power sector while ensuring optimal operations of generation facilities. Key obstacles—such as the limited transfer capacity between the two systems, the pending grid study required under the Interconnection Agreement between NTDC and KEL, and the delayed construction of the K2 and K3 transmission lines—must be addressed without further delay.



Rafique Ahmed Shaikh



National Electric Power Regulatory Authority



NOTIFICATION

Islamabad, the 06th day of March, 2025

S.R.O. 259(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 **December 2024** 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
December 2024	(3.00)	March 2025

3. The aforementioned negative FCA of Rs.3.00/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. The Negative FCA for the month of **December 2024**;

- 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.
- 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 **March 2025** are issued before the notification of this decision, the same may be applied in subsequent month.
- Terms & Conditions of Winter Demand Initiative decision dated 06.12.2024 needs to be considered, if applicable for the instant FCA.
- KE shall reflect the fuel charges adjustment in respect of **December 2024** in the billing month of **March 2025**.
- 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 Bhinder)
Registrar