



# National Electric Power Regulatory Authority Islamic Republic of Pakistan

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**Registrar**

No. NEPRA/ADG(Tariff)/TRF-362/K-Electric-2016/ 10446- 50

July 05, 2024

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 April 2024 and Notification Thereof**

Enclosed please find herewith a copy of the Decision of the Authority in the matter of fuel charges adjustment for the month of **April 2024** (total 05 pages) in respect of K-Electric Limited and Notification (S.R.O. 978(I)/2024 dated 05.07.2024) 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]

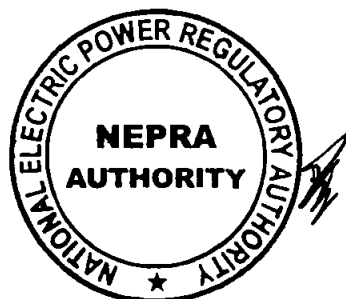
(Engr. Mazhar Iqbal Ranjha)

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, 4<sup>th</sup> 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 APRIL 2024.**

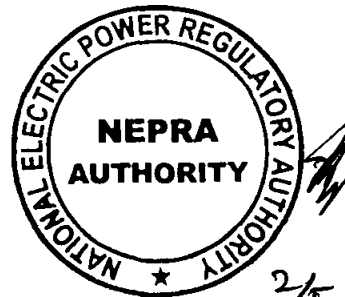
1. The Authority determined a Multi-Year Tariff ("MYT") for K-Electric Limited (herein referred to as "K-Electric" or "KE") for a period of seven (07) years, from July 2016 to June 2023, which expired on June 30, 2023. The MYT provided a mechanism wherein the Authority has to review and revise the approved 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, 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.
2. Pursuant to the expiry of its MYT, KE 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 KE 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, KE filed its provisional monthly FCA requests for the month of April 2024 vide its letter dated 16.05.2024, received in NEPRA on 21.05.2024. KE in its requests submitted that it dispatches as per EMO from its own generating units (with the available fuel resources) and import's from external sources. It also certified that cost of fuel and power purchase claim does not include any amount of late payment surcharge / markup / interest.
4. KE calculated the provisional FCAs under three scenarios as summarized below;
  - i. FCA –Reference Interim Tariff;  
(difference between actual fuel cost vs reference fuel cost as per the Interim Tariff)
  - ii. FCA – Reference Monthly cost;  
(difference between actual fuel cost vs reference fuel cost as per Tariff Petitions)
  - iii. FCA – Reference Yearly average cost;  
(difference between Actual fuel cost vs annual weighted average fuel reference costs of tariff Petitions)
5. A summary of requested FCA for the month of April 2024 and total amount for the proposed adjustments as requested by KE under three scenarios is as under;



Sr.	Particulars	Apr-24	
		Rs. Mln	Rs. /kWh
1	FCA – Reference Interim Tariff (difference between actual fuel cost vs reference fuel cost as per the Interim Tariff).	(1,667)	(1.18)
2	FCA – Reference Monthly Cost (difference between actual fuel cost vs reference fuel cost as per Tariff Petitions).	624	0.44
3	FCA – Reference Yearly average cost (difference between Actual fuel cost vs annual weighted average fuel reference costs of tariff Petitions).	(1,045)	(0.74)

6. In order to arrive at an informed decision, the Authority decided to conduct a public hearing in the matter. An advertisement in this regard was published in newspapers on 04.06.2024, and also uploaded on NEPRA website, whereby hearing was scheduled on 12.06.2024. Further, individual notices were also served to the stakeholders for participation in the hearing. 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?
7. The hearing was held as per the schedule on 12.06.2024 at NEPRA Tower and through ZOOM. The hearing was attended by CEO K-Electric with his financial and technical team, KE consumers, Industrial representatives, media and general public.
8. KE during the hearing submitted that since the Authority has already determined FCAs for the period from July 2023 to March 2024 based on the interim tariff allowed to KE, therefore, the instant request may also be considered based on interim tariff, thus, the other two scenarios would become irrelevant. Accordingly, KE presented its provisional request along-with details in terms of Generation Mix and price variances, under the interim tariff scenario-.
9. Various concerns were raised by different commentators; the relevant submissions pertaining to FCA of April 2024 are summarized hereunder;
- a) Mr. Aneel Mumtaz submitted that as per KE, its own power plants have been dispatched on EMO, however, no dispatch has been given to BQPS-I, KGTPS and SGTPs, despite excessive load shedding in KE's service territory. Mr. Aneel Mumtaz also while referring to the Authority's decision dated 06.04.2024, in the matter of KE's FCA for the period from Jul-23 to Mar-24, pointed out that KE had used different rates for the energy purchased from FPCL for the month of August and October 2023 as compared to the rates approved by the Authority. Similarly, for Lucky cement, KE used gas price of Rs.2,750/MMBTU, which has been corrected to Rs.2,500/MMBTU by NEPRA.

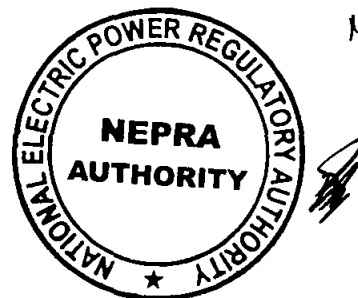
KE while responding to the queries of Mr. Aneel submitted that its power plants have been dispatched according to EMO, with BQPS-II and BQPS-III being utilized most, around 40% to 60%, due to higher efficiencies. Load shedding is being done according to AT&C policy,



and not due to any generation constraints. On the point of difference in rates, KE submitted that power purchase cost in FCA petitions are based on the invoices raised by power plants, however, NEPRA being the final Authority, adjusts any differentials between the claimed rates and the rates approved by the Authority.

Regarding issue of startup costs raised by Mr. Aneel Mumtaz, KE submitted that it has requested NEPRA to allow the start-up costs as part of FCA, as these are genuine costs and the plants normally start or stop upon demand fluctuations. The same is also allowed to IPPs as well.

- b) Mr. Arif Bilvani submitted that KE's own generation cost is around Rs.23.4/kWh, whereas cost of power purchase is around Rs.8.9/kWh. Therefore, NEPRA shall take-up this issue with the GoP, so that KE may get more energy from National Grid, in order to reduce the burden of higher fuel costs on the consumes of KE.
10. The submissions made by KE and various commentators during and after hearing have been thoroughly reviewed. The Authority has also perused and considered the information, data & record provided by K-Electric & submissions of commentators during the hearing and afterwards.
  11. On the point of Mr. Bilwani regarding higher energy from National Grid to KE, the Authority noted that at present KE has a firm commitment of 1000 MW of energy from National Grid, which may increase to over 2000 MW, once the required interconnection arrangement between KE and NTDC is finalized. However, increase in quantum of electricity from National Grid to KE is a policy level decision.
  12. KE although has requested FCAs under three different scenarios, however, it is pertinent to highlight that as per Section 31 (7) (iv) of the Act, the Authority may, on a monthly basis and not later than a period of seven days, make adjustments in the approved tariff on account of any variations in the fuel charges and policy guidelines as the Federal Government may issue and, notify the tariff so adjusted in the official Gazette. While the MYT FY 2024-2030 is not yet in effect and remains to be determined, the approved tariff applicable in the instant case is the Interim Tariff as determined by the Authority, therefore, for the purpose of determining the instant provisional FCA, the reference Fuel Cost number as allowed in the Interim Tariff for the quarter Jan. to March 2023, has been considered. Here it is pertinent to mention that KE itself during the hearing requested the Authority to consider its FCA working under scenario-I i.e. reference interim tariff.
  13. Regarding startup charges, the Authority observed that provisional FCA for April 2024 is being processed under the interim tariff allowed to KE, wherein no startup costs are included.
  14. For KE's own power plants, KE has claimed a total cost of Rs.13,658.45 million for month of April 2024, based on the parameters of heat rates, startup charges, part load / heat rate degradation factors, fuel price mechanism etc., as requested in the new MYT Petitions for the period FY 2024-30. Since the new MYT of KE has not yet been decided by the Authority, therefore, for the purpose of provisional FCAs, cost of KE's own power plants has been considered based on the parameters allowed in the MYT of KE FY 2017-23. In case the Authority approves any revised parameters of



KE's power plants under the new MYT i.e. FY 2024 to FY 2030, the difference in cost if any, may be allowed in future adjustments, as part of previous adjustments, once the new MYT is notified.

15. Regarding the data / information provided by K-Electric for the energy purchased from external sources, the Authority's observations are as under;

✓ For the energy purchased from CPPA-G, KE for the month of April 24, used the Fuel cost component as requested by CPPA-G in its monthly FCA i.e. Rs.8.9801/kWh, instead of the final rate of Rs.8.9623/kWh, approved by the Authority for the relevant month. This has resulted in a negative adjustment of Rs.12.64 million.

16. In view of the aforementioned discussion and after incorporating the above discussed adjustments, the Authority has decided to allow the negative FCA for the month of April 2024, to be passed on to consumers in their monthly bills of July 2024 as under;

Description	Unit	Mar. 23 (Reference)	Apr-24
Cost of KE's Own Plants	Mln Rs	13,748	12,690
Cost of Power Purchases	Mln Rs	10,135	7,513
<b>Total Fuel Cost</b>		<b>23,638</b>	<b>20,203</b>
KE's own Sent outs	GWh	520	581
External Purchases	GWh	958	830
<b>Total Purchases</b>		<b>1,478</b>	<b>1,410</b>
<b>Fuel Cost Component</b>			
Own Generation	Rs./kWh	9.30	9.00
External Purchases	Rs./kWh	6.858	5.33
Deviation from EMO	Rs./kWh	(0.00)	-
Previous Adjustment	Rs./kWh	(0.16)	-
<b>Fuel Cost Component</b>	<b>Rs./kWh</b>	<b>15.99</b>	<b>14.32</b>
<b>FCA</b>	<b>Rs./kWh</b>		<b>(1.6716)</b>
<b>Variation in Fuel Cost</b>	<b>Mln Rs</b>		<b>(2,358)</b>

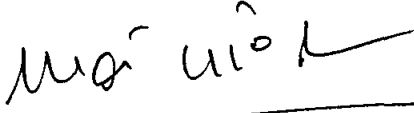
17. In the light of above, the Authority hereby directs K-Electric that the above negative adjustment;

- a. Shall be applicable to all the consumer categories except lifeline consumers, domestic consumers consuming up-to 300 units, EV Charging Stations and Agriculture Consumers of K-Electric.
- b. Negative monthly FCA is also applicable to the domestic consumers having Time of Use (ToU) meters irrespective of their consumption level.
- c. Shall be shown separately in the consumers' bills on the basis of units billed to the consumers in the month of April 2024.



- d. K-Electric shall reflect the fuel charges adjustment in respect of April 2024 in the billing month of July 2024.
- e. While effecting the Fuel Adjustment Charges, K-Electric shall keep in view and strictly comply with the orders of the courts notwithstanding this order.

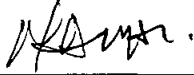
AUTHORITY



Mathar Niaz Rana (nsc)  
Member



Rafique Ahmed Shaikh  
Member



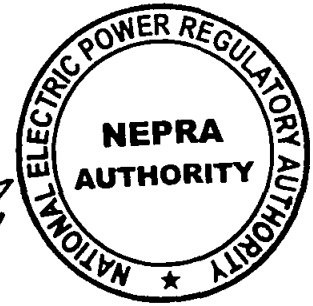
Engr. Maqsood Anwar Khan  
Member




Amina Ahmed  
Member



Waseem Mukhtar  
Chairman



  
05/07/24

National Electric Power Regulatory Authority

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NOTIFICATION

Islamabad, the 05<sup>th</sup> day of July 2024

S.R.O. 978 (I)/2024.- 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 April 2024 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
April 2024	(1.6716)	July 2024

2. The Negative FCA of April 2024:

- Shall be applicable to all the consumer categories except lifeline consumers, domestic consumers consuming up-to 300 units, EV Charging Stations and Agriculture Consumers of K-Electric.
- Negative monthly FCA is also applicable to the domestic consumers having Time of Use (ToU) meters irrespective of their consumption level.
- Shall be shown separately in the consumers' bills on the basis of units billed to the consumers in the month of April 2024.
- K-Electric shall reflect the fuel charges adjustment in respect of April 2024 in the billing month of July 2024.
- While effecting the Fuel Adjustment Charges, K-Electric shall keep in view and strictly comply with the orders of the courts notwithstanding this order.

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

2.

2024