



Registrar

National Electric Power Regulatory Authority Islamic Republic of Pakistan

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No. NEPRA/ADG(Tariff)/TRF-362/K-Electric-2016/16199-16203

October 25, 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 Provisional Monthly Fuel Charges Adjustments requested by K-Electric Limited for July 2024**

Enclosed please find herewith a copy of the Decision of the Authority in the matter of fuel charges adjustment for the months of July 2024 (total 07 pages) in respect of K-Electric Limited and Notification (S.R.O. 1652 (I)/2024 dated 25.10.2024) 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]

Wasim Anwar Bhinder
(Wasim Anwar Bhinder)

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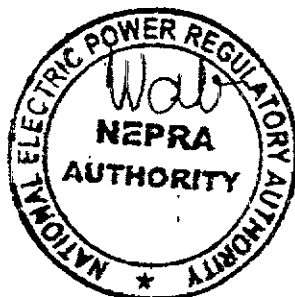
1. Secretary, Ministry of Energy, Power Division, 'A' Block, Pak Secretariat, Islamabad
2. Secretary, Cabinet Division, Cabinet Secretariat, Islamabad
3. Secretary, Ministry of Finance, 'Q' Block, Pak Secretariat, Islamabad
4. Secretary, Privatization Commission, 4th Floor, Kohsar Block, Constitution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

**DECISION OF THE AUTHORITY IN THE MATTER OF PROVISIONAL MONTHLY FUEL CHARGES
ADJUSTMENTS REQUESTED BY K-ELECTRIC LIMITED FOR JULY 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, 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 July 2024 vide its letter dated 16.08.2024. Summary of KE's FCA request for July 2024 is tabulated as hereunder,

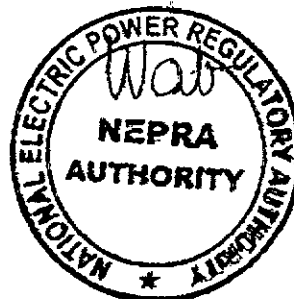
Month	Variation	
	Mln Rs.	Rs. /kWh
July 2024	6,206	3.09

4. K-Electric in its instant request submitted that calculation of KE's FCA of July 2024 is based on CPPA's requested fuel cost for July 2024 and is subject to actualization. K-Electric also submitted that it dispatches as per EMO from its own generating units (with the available fuel resources) and import from external sources. Furthermore, K-Electric also certified that cost of fuel and power purchase claim does not include any amount of late payment surcharge / markup / interest.
5. 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 22.08.2024, and also uploaded on NEPRA website, whereby hearing was scheduled on 29.08.2024. 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?



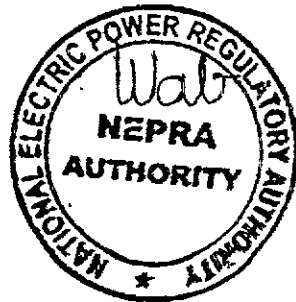
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6. The hearing was held as per the schedule on 29.08.2024 at NEPRA Tower and through ZOOM. The hearing was attended by CEO K-Electric with his financial and technical team, KE consumers, media representatives, other stakeholders and general public.
7. During the hearing various commentators expressed their concerns on the FCA request of KE which are summarized as under:
- ✓ Mr. Rehan Javed representing KATI and Mr. Tanvir Bari representing KCCI submitted that KE's request of positive FCA of Rs 3.09/kWh is in contrast to FCA request of XWDISCOs which is around negative Rs 0.31/kWh. Mr. Rehan Javed also submitted that natural gas may be routed to KE power plants rather than the captive power projects from which KE is purchasing electric power.
 - ✓ KE in response submitted that its MYT Petition is under determination of Authority, therefore as an interim arrangement, reference of March 2023, has been used for the calculation of FCA for the month of July 2024, whereas for XWDISCOs, updated fuel references for the FY 2025 have been used. KE agreed with the commentators that local gas is being diverted to captives because of which KE has to use RLNG and Furnace Oil which are expensive fuels than local gas. Had local gas is provided to KE as committed, KE's fuel cost would have been significantly lower.
 - ✓ Mr. Rehan Javed further submitted that KE be directed to charge upto Rs 1/kWh of the requested FCA for July 2024 till the time new MYT of KE is finalized. KE, in response submitted that the provision of Subsidy / Uniform FCA is prerogative of Government of Pakistan.
 - ✓ Mr. Aneel Mumtaz during the hearing raised the following points,
 - Instant FCA request of KE is not maintainable as KE FCA should have been filed within 7 days.
 - Capacity of the transmission system of KE and reasons for underutilization of KE's generation fleet.
 - Reduction in consumption factor of unit I, II V and VI of BQPS-I in July 2024 compared to June 2024 although generation in June 2024 on FO and RLNG from these units was less.
 - KE has a payable of Rs 211 billion towards SSGC till the month of July 2024 which should not be allowed to KE in tariff unless paid.
 - KE is withdrawing 52 MW from FKPCCL on a continual basis without any self-consumption so why KE and FPCL have entered into a Power Purchase Agreement?



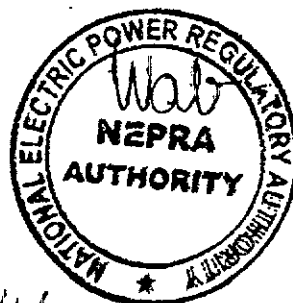
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- ✓ KE while responding to the queries of Mr. Aneel Mumtaz has submitted the following:
- The timeline mentioned above is directory and not mandatory as per judgement of Supreme Court of Pakistan dated May 02, 2018. KE also submitted that the FCA significantly depends on the fuel rate of CPPA-G, and KE usually awaits FCA request of XWDISCOs for provisional / requested rate of CPPA-G and receipts of invoices from IPPs.
 - KE dispatches as per Economic Merit Order (EMO) from its own generating units (with available fuel resources) and import from external sources, wherein KE generates electricity on low fuel cost plant (with the available fuel resources) before going onto expensive fuel sources.
 - Total generation capacity of KE is 3,555 MW including IPPs, whereas 2,702 MW is the total supply during the month of July 2024. The power generation by KE is aligned with the demand requirements of KE consumers considering policy based segmented load shed. Hence, the above facts do not reflect underutilization but instead it was aligned with the respective demand in July 2024.
 - Specific Fuel Consumption depends on the actual fuel consumed by KE plants to generate electricity, and they differ month on month depending on the actual efficiency of the plant which may vary subject to part load operations as per EMO, ambient conditions, and startups. Moreover, the fuel cost claimed by KE is based on NEPRA allowed heat rate and hence any variation in specific fuel cost consumption is not passed to consumers. NEPRA has considered the contractual values along with other factors while allowing the heat rates for KE's plants.
 - Outstanding amounts by SSGC represents principal dues of more than 10 years old and markup amount which is disputed by KE as the delay in payments in past is due to delay in receipt from government entities and on net principal basis, KE is in a receivable position. This dispute is currently under consideration in mediation as per the Mediation Agreement between KE and Government parties including SSGC to resolve this dispute. However, current gas bills are paid to SSGC.
 - KE has entered into a PPA with FPCL to purchase electricity as per NEPRA determined tariff. FPCL, being IPP has ensured its availability of 52MW in the month of July 2024 and accordingly KE has dispatched and operated FPCL in accordance with EMO requirements.
- ✓ Mr. Imran Shahid from Jamat e Islami and Mr. Arif Bilvani requested that if all the electricity supplied by KE's own generation fleet is replaced with electricity from NTDC network or the IPPs near or in the service area of KE, cost of electricity for KE consumers would be significantly reduced.
- ✓ KE in response explained that the cost of electricity in KE system when compared with CPPA G is higher due to the fact that KE does not have availability of Nuclear or Hydro



based power plants in its fleet, nor does KE have sufficient supply of Indigenous gas to operate its own plants. This increases KE generation cost as these technologies are the main reason for reduced cost in CPPA-G Basket. However, KE itself is also actively working to rationalize its energy cost under which KE has issued 640 MW of Renewable RFPs out of which Competitive Bidding Process for 150MW Winder Bela Solar Projects has been concluded and the Bid Evaluation Report has been submitted with NEPRA, while the competitive bidding process for remaining Projects is ongoing. Further, KE has actively worked to enhance its Interconnection Capacity with National Grid to rationalize its Generation cost and its Interconnecting Grids i.e., KKI and Dhabeji are expected to be energized shortly. Additionally, KE is also working to offtake power from Jamshoro Coal Power project after its conversion to Local Coal. The Authority observed that the supply of power from IPPs having interconnection to NTDC network might not be possible due to technical and legal complications involving interconnection and execution of PPAs of these IPPs from NTDC/CPPA to KE hence comments of the commentators not valid.

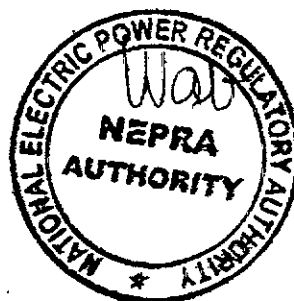
- ✓ Mr. Zeeshan Yousufzai inquired regarding the status of GSA between KE and SSGCL and the markup imposed by SSGCL on unpaid dues. KE submitted that the Gas Supply Agreement (GSA) between KE and SSGC is under process. Despite KE's repeated requests, the GSA remains unexecuted due to the fact that SSGC is not willing to confirm quantity. Alleged outstanding amounts by SSGC represents principal dues of more than 10 years old and markup amount which is disputed by KE as the delay in payments in past is due to delay in receipt from government entities and on net principal basis KE is in a receivable position. This dispute is currently under consideration in Mediation as per the Mediation Agreement between KE and Government parties including SSGC to resolve this dispute. However, current gas bills are paid to SSGC.
- ✓ Mr. Arif Bilvani inquired regarding operations of unit I and unit II of BQPS-I being the most inefficient and their tenure has expired in August 2024 as per license. KE in this regard submitted that it has requested NEPRA to extend the useful lives of BQPS I Unit 1 & 2 for 3 years till the new coal plant becomes operational expected by FY 2027. Considering the contingency requirement for any unavailability of NTDC interconnection, any forced outage of generation fleet and IPPs and RLNG / Gas shortfall due to reasons beyond KE's control and pending regulatory and government approvals around the local coal plant, KE requests to retain Units 1 and 2 of BQPS-I. Further, generation on these units will help in avoiding the generation on HSD which is more expensive fuel than RLNG / Gas / FO and the capacity cost of these units is very nominal.
- ✓ Arif Bilvani pointed out that KE operates KCCP on HSD to cater to incremental demand during night hours. KE responded that plant operations are carried out in a way such that it can be ramped up to a desired level to manage peak demands in accordance with technical limits.
- ✓ Arif Bilvani also submitted that KE's bid for Solar is around PKR 11.65 / kWh which is still higher than the cost of electricity purchased from NTDC. KE, in response submitted that the cost of purchasing electricity from NTDC is around PKR 21.20 / kWh during FY



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24 (including EPP & CPP both) whereas the bid for Solar is around PKR 11.65 / kWh which is lower than the cost of electricity purchased from NTDC.

- ✓ Regarding query of Mr. Bilvani about status of KE's Coal Plant, KE explained that 660MW Coal power plant is being developed in Jamshoro and is currently present in commissioning stage on imported coal configuration. KE's has given the proposal to GoP to facilitate the conversion of the project from imported to local Thar coal and procure power from it. The committee formulated by Ministry of Energy (Power Division) carried out the evaluation of the proposal given by KE and has recommended the conversion of project and its power off-take by KE. The same has also been discussed during the Economic Co-ordination Committee (ECC) meeting, which directed that the policy level approval should be solicited from the Cabinet Committee of Energy (CCOE), which is awaited. Further, the Prime Minister of Pakistan has also principally approved the conversion of all the imported coal project fleet of Pakistan to local Thar coal and Jamshoro is expected to be the first project to be converted amongst the fleet. The EPC contractor Harbin Engineering International (HEI) of the project has submitted a comprehensive EPC proposal for the conversion. Moreover, KE has also secured financing term sheet from the local bank and currently under the directives of the Minister of Power the future course of agreements and conversion is being finalized through the Ministry of Energy (Petroleum Division) (MOEPD) committee. KE has also submitted the draft PPA with government stakeholders, and final modalities of the PPA post conversion are under GOP approval. In parallel, studies are underway including feasibility and Environmental Impact Assessment.
8. Prior to FCA petition for May 2024, K-Electric, in its provisional FCA requests, has been claiming costs on account of part load adjustments, startup charges etc., however, the Authority has been allowing FCA's according to mechanisms allowed in the MYT for FY 2017 to FY 2023. From May 2024 onwards, K-Electric has been requesting fuel costs for its own power plants on the parameters allowed in its MYT for FY 2017-23. In case, the Authority approves any revised parameters of K-Electric'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.
9. Regarding the data / information provided by K-Electric for the energy purchased from external sources for July 2024, the observations of the Authority are as under;
- a) For the energy purchased from CPPA-G for July 2024, K-Electric has used fuel cost component of Rs. 9.0378/kWh requested by CPPA-G for the month of July 2024. The rate has been corrected to Rs. 9.0257/kWh as approved by the Authority in the matter of FCA of XWDISCOs for the month of July 2024. This has resulted in a negative adjustment of Rs. 9.48 million.
- b) KE also claimed Rs 239.645 million on account of heat degradation for SNPC-I and SNPC-II for the period from March 2019 to June 2023, in light of NEPRA's decision's dated 04.06.2021, in the matter of approval of Capacity and Heat Rate for SNPC and SNPC-II. Subsequently, the Authority vide letter dated 04.09.2024 also conveyed the degradation curves based on OEM



data for SNPC and SNPC-II to KE. KE verbally informed that in light of the degradation curves, the claimed amount of Rs 239.645 million required reworking and later revised its claim downwards to Rs 147.798 million. In view thereof, the Authority has decided to provisionally allow the claimed amount of Rs 147.798 million which is under verification and subject to downward adjustment, if any, which shall be considered in the subsequent tariff adjustments requests.

10. In view of the aforementioned discussion, the Authority has decided to allow the positive FCA of Rs 3.0362/kWh for the month of July 2024, to be passed on to consumers in their monthly bills of December 2024 as under;

Generation	Unit	Mar. 23 (Reference)	Jul-24
Cost of KE's Own Plants	Mln Rs	13,748	28,449
Cost of Power Purchases	Mln Rs	10,135	9,818
Total Fuel Cost		23,638	38,267

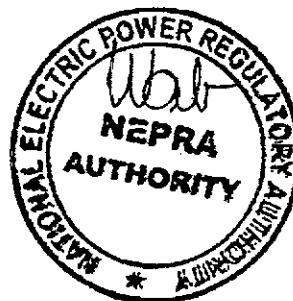
KE's own Sent outs	GWh	520	1,076
External Purchases	GWh	958	935
Total Purchases		1,478	2,011

Fuel Cost Component

Own Generation	Rs./kWh	9.30	14.15
External Purchases	Rs./kWh	6.86	4.88
Deviation from EMO	Rs./kWh	(0.00)	-
Previous Adjustment	Rs./kWh	(0.16)	-
Fuel Cost Component	Rs./kWh	15.99	19.03

FCA	Rs./kWh	3.0362
Variation in Fuel Cost	Mln Rs	6,105

11. In the light of above, the Authority hereby directs K-Electric that the aforementioned positive adjustment;
- Shall be applicable to all the consumer categories except Electric Vehicle Charging Stations (EVCS), lifeline consumers and Prepaid metering consumers.
 - 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.
 - K-Electric shall reflect the fuel charges adjustment in respect of July 2024 in the billing month of December 2024.



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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.

AUTHORITY

Mathar Niaz Rana

Mathar Niaz Rana (nsc)
Member

Rafique Ahmed Shaikh

Rafique Ahmed Shaikh
Member

Engr. Maqsood Anwar Khan

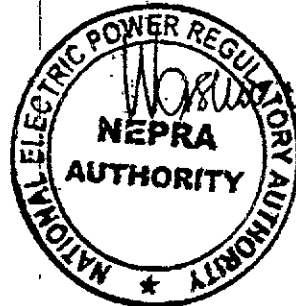
Engr. Maqsood Anwar Khan
Member

Amina Ahmed

Amina Ahmed
Member

Waseem Mukhtar

Waseem Mukhtar
Chairman



National Electric Power Regulatory Authority



NOTIFICATION

Islamabad, the 25th day of October, 2024

S.R.O. 1652 (I)/2024.- Pursuant to Section 31(7) of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 as amended from time to time 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 July 2024 in respect of K-Electric Limited:

FCA to be calculated on the basis of billing for the Month of	Rs./kWh	To be Charged in the Billing Month of
July 2024	3.0362	December 2024

2. The Positive FCA for the month of July 2024:

- Shall be applicable to all the consumer categories except Electric Vehicle Charging Stations (EVCS), lifeline consumers and Prepaid metering consumers.
- 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.
- K-Electric shall reflect the fuel charges adjustment in respect of July 2024 in the billing month of December 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.

Wasim Anwar Bhinder
(Wasim Anwar Bhinder)
Registrar

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