Registrar

National Electric Power Regulatory Authority
Islamic Republic of Pakistan

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No. NEPRA/ADG(Tariff)/TRF-362/K-Electric-2016/ 2328-32 February 12, 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 November 2024**

Enclosed please find herewith a copy of the Decision of the Authority along with Decision of Mr. Mathar Niaz Rana (nsc), Member(NEPRA) in the matter of fuel charges adjustment for the month of **November 2024** (total 07 pages) in respect of K-Electric Limited and Notification (S.R.O. 146(I)/2025 dated 12.02.2025) 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
(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 PROVISONAL MONTHLY FUEL CHARGES ADJUSTMENTS REQUESTED BY K-ELECTRIC LIMITED FOR NOVEMBER 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 November 2024 vide its letter dated 18.12.2024. The summary of KE's FCA request for November 2024 is tabulated as hereunder;

Month	Variation	
	Mln Rs.	Rs. /kWh
Nov-24	(7179)	(4.98)

4. K-Electric in its instant request submitted that:

✓ its provisional FCA request for November 2024 is with regard to NEPRA's decisions regarding provisional FCAs for the period from July 2023 to September 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 November 2024 is being requested based on March 2023 as interim reference tariff.

✓ in KE's FCA request of November 2024, calculation of CPPA-G's fuel cost is based on CPPA-G's requested rate in the matter of FCA for November 2024 and is subject to actualization based on NEPRA's decision.

✓ it dispatches as per Economic Merit Order from its own generating units (with the available resources) and import from external resources.

✓ the cost of fuel and power purchase claim does not include any amount of late payment surcharge/ markup/ interest.

Math.

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5. KE in its FCA request also submitted that pursuant to determination of Generation Tariff of power plants of KE for the period post June 2023, KE has submitted required partial load, open cycle and degradation curves along with Startup Cost for approval. An amount of Rs.8.7 billion till June 2024 is pending on account of actualization of fuel cost of KE's own power plants owing to the aforementioned factors. KE requested the Authority to also consider actualization of aforementioned accumulated fuel costs so that the 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 the newspapers on 28.12.2024, and also uploaded on NEPRA website, whereby hearing was scheduled on 15.01.2025. 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?

8. The hearing was held as per the schedule on 15.01.2025 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 presented its request during the hearing and also reiterated its earlier submissions that NEPRA has issued its decision in the matter of KE's Generation Tariff and KE has submitted required partial load, open cycle and degradation curves along with Startup Cost for approval. An amount of Rs.8.7 billion till June 2024 is accordingly pending for adjustment. KE requested the Authority to also consider adjustment of aforementioned accumulated actualization of fuel costs so that the recovery can be made from the negative fuel cost variation to ensure consumers are not burdened at later stage.

10. KE during the hearing presented the following analysis in terms of Mix and Price variances for the month of November 2024;

Company Wide Mix

Fuel	Reference		Current	
	Units Sent out (GWh)	Proportion (%)	Units Sent out (GWh)	Proportion (%)
FO	195	13%	2	0.1%
Gas	79	5%	53	4%
RLNG - SSGC	67	5%	45	3%
RLNG - PLL	310	21%	324	22%
HSD	-	-	-	-
Coal	36	2%	32	2%
Renewable (inc. Net Metering)	25	2%	20	1%
CPPA-G	767	52%	967	67%
Total	1,478	100%	1,442	100%

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Fuel Source	Fuel Price (Reference)	Fuel Price (Current)	% Change over reference
Furnace Oil (PKR / MMBTU)	3,122	3,737	20%
Furnace Oil (PKR / M. Ton)	125,982	150,785	
Natural Gas (PKR / MMBTU)	1,050	1,050	-
RLNG – SSGC (PKR / MMBTU)	3,807	3,562	(6%)
RLNG – PLL (PKR / MMBTU)	3,479	3,041	(13%)
CPPA (PKR / KWh)	9.50	7.23[1]	(24%)
FPCL (PKR / KWh)	19.48	18.78	(4%)

11. During the hearing commentators made various submissions on the request of KE. A summary of issues raised during the hearing and their subsequent response from KE is as follows:

- ✓ Mr. Arif Bilvani inquired regarding completion of ongoing interconnection works relating to KKI and Dhabeji so that KE can fully utilize their maximum capacity to draw electricity from National Grid.
- ✓ KE in response submitted the following;

220kV Dhabeji:

KE has substantially completed the interconnection line during Q1 of FY25 and had requested NTDC to energize the Dhabeji Interconnection through an interim arrangement, which has not been agreed by NTDC. Accordingly, the remaining portion of interconnection is being carried out as per the original plan by KE and is expected to be completed by Feb 2025.

500kV KKI:

The 500/220kV KKI Grid station was under completion stage by Q1 of FY-2025 and has been commissioned after NTDC approval under interim arrangement with a total import limit of 1600 MW. Initially, the 500kV KKI grid was to be connected to 500 kV NTDC grid through 500kV double circuit TL connecting the grid to K2/K3 and PQEPCL / Matiari. However, since this NTDC line is currently under construction, KKI Project was energized under Interim arrangement. NTDC has informed that this line is expected to be completed in March/April 2025 and drawl of electricity from National Grid is expected to increase upon completion of such line.

- ✓ Mr. Arif Bilvani also raised a query regarding higher evacuation of energy from FPCL than SNPC despite power purchase from FPCL being expensive compared to SNPC. KE on the issue submitted that it dispatches as per Economic Merit Order (EMO) from the plants in KE generation fleet which include its own generating units (with available fuel resources) and import from NTDC/IPPs. During November 2024, SNPC's average availability was around 81MW while its sent out was 51 GWh (around 88% dispatch) as compared to FPCL sent out

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of 32GWh. It must also be noted here that supply from NTDC to KE had increased from 04.11.2024 and SNPC was expensive on EMO ranking until 21.11.2024.

✓ Mr. Arif Bilvani further inquired regarding use of compressors for generation on PLL gas from BQPS II. KE explained that BQPS-II currently operates in a mixed-fuel mode, utilizing both SSGC pipeline gas (low pressure) and PLL RLNG pipeline gas (high pressure). Due to the pressure limitations of SSGC gas, the plant requires compressor operation to boost the gas pressure to the minimum level required by the GTs' technical specifications.

  ✓ Single GT on SSGC: One compressor is necessary.

  ✓ Two or more GTs on SSGC: Both compressors are required.

In contrast, PLL gas meets the pressure requirements of the plant without need for compressor operation. Further, SSGC also provides gas which includes local gas and RLNG. Accordingly, when SSGC Gas is higher on the merit order, despite use of compressor, due to inclusion of local gas in mix, it is dispatched to the maximum available limit and remaining is used through PLL based on availability. Accordingly, KE employs a mixed-fuel strategy at BQPS-II, considering factors such as EMO compliance and the availability/mix of SSGC and availability of PLL gas. The summary of compressors being used when BQPS II is operated in different scenarios based on fuel availability is as under.

Fuel	No. of GTs on PLL	No. of GTs on SSGC	Compressors Required	Compressors being used
SSGC Only	-	One	Yes	One
SSGC Only	-	Two	Yes	Two
SSGC Only	-	Three	Yes	Two
PLL Only	One	-	No	-
PLL Only	Two	-	No	-
PLL Only	Three	-	No	-
SSGC + PLL	One	One	Yes	One
SSGC + PLL	One	Two	Yes	Two
SSGC + PLL	Two	One	Yes	One

✓ Mr. Tanveer Barry submitted that fuel cost per unit of DISCOs is Rs. 9.25/kWh however for KE it is Rs. 11.02/kWh for KE which is 19% higher than the cost of other DISCOs, portraying inefficiency of KE.

✓ KE submitted that FCAs for KE and XWDISCOs are based on the per unit fuel cost of reference month. In case of KE's FCA, the interim reference of March 2023 is currently being used whereas for CPPA-G, the monthly references are being used. The cost of electricity in KE system when compared with CPPA-G is higher because unlike CPPA-G, KE does not have availability of Nuclear or Hydro based power plants in its fleet, nor does KE is provided sufficient supply of Indigenous / Low Btu gas to operate its own plants. However, it is worth mentioning here that had indigenous gas was provided to KE as committed, KE's fuel cost would have been significantly lower. KE is actively working to rationalize its energy cost for which KE has issued 640 MW of Renewable RFPs and Competitive Bidding Process has been concluded. Bid Evaluation Reports for these projects have been submitted with NEPRA. Further, the Interconnection Capacity with National Grid has enhanced as 500 kV KKI grid has been commissioned and 220 kV Dhabeji grid is

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in finalization stage and is expected to be commissioned within this year. Additionally, KE is also working to off take power from Jamshoro Coal Power project after its conversion to Local Coal.

✓ Mr. Imran Shahid and Mr. Tanveer Barry also raised concerns regarding excessive load shedding by K-Electric in certain areas including AGRO export processing zone having its own feeder where KE does 12 hours load shedding. This will not allow exporters to benefit from incremental package, with 2 months already lapsed. KE in response submitted that segmented load shed is carried out on AT&C loss basis across the country including KE.

12. While reviewing the FCA request, the Authority observed that for energy purchased from FPCL, for November 2024, KE has used fuel cost component of Rs. 18.7832/kWh. The Authority vide its decision dated 17.12.2024 has revised the fuel cost component of FPCL with effect from 17.10.2024 to Rs.18.3963/kWh. On the basis of revised fuel cost component, the KE's claimed fuel cost for FPCL for November 2024 has been adjusted downwards by Rs.12.42 million.

13. The Authority also noted that for energy purchased from CPPA-G during November 2024, KE has used fuel cost component of Rs.7.2274/kWh as against the Authority's approved rate of Rs.7.2046/kWh. On the basis of the Authority's approved rate, the KE's claimed fuel cost for CPPA-G for November 2024 has been adjusted downwards by around Rs.22 million.

14. The Authority further observed that KE has worked out fuel cost of energy supplied by Lucky Cement with gas rate of Rs.3,562/mmbtu. However, the rate notified by OGRA for captive power plants is Rs.3,000/mmbtu w.e.f 01.07.2024. Accordingly, fuel cost of energy supplied by Lucky Cement has been revised downwards by Rs.1.28 million.

15. The Authority is also cognizant of the fact that KE's new generation tariff for the MYT 2024-30 has been determined by the Authority vide decision dated 22.10.2024, whereby certain costs on account of part load, open cycle and degradation curves along-with start-up costs have been allowed. However, monthly FCAs being allowed to KE since July 2023 till November 2024, are as per the previous MYT 2017-23, wherein such costs were not envisaged. KE has worked out an amount of Rs.8.7 billion on account of these costs for the period from July 2023 to June 2024, which if approved by the Authority would be passed on to the consumers. In view thereof, and not to over burden the consumers at a later stage, the Authority has decided to allow retention of an amount of Rs.5.444 billion, from the instant negative FCA of KE. Any additional amount required would be retained from the future negative monthly FCAs of KE. The retained amount would be adjusted against the pending cost on account of part load, open cycle and degradation curves along-with start-up costs.

16. Based on the aforementioned discussion, the Authority has decided to allow negative FCA of Rs.1.23/kWh to KE for the month of November 2024, to be passed on to the consumers in the billing month of February 2025. In case any bills of February 2025 are issued before the notification of this decision, the same may be applied in subsequent month.

17. The aforementioned FCA 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.

18. In the light of above, the Authority hereby directs KE that the aforementioned negative adjustment;

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a) Shall be applicable to all the consumer categories except lifeline consumers, domestic consumers consuming up-to 300 units, Electric Vehicle Charging Stations (EVCS), Prepaid electricity consumers of all categories who opted for pre-paid tariff and agriculture consumers. It is hereby clarified that negative adjustment on account of monthly FCA is also applicable to the domestic consumers having Time of Use (ToU) meters irrespective of their consumption level.

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) Terms & Conditions of Winter Demand Initiative decision dated 06.12.2024 needs to be taken into account, if applicable for the instant FCA.

d) KE shall reflect the fuel charges adjustment in respect of November 2024 in the billing month of February 2025.

e) While effecting the Fuel Adjustment Charges, KE 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

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I agree with decision of H. Member (Tariff).
07/02/25

My decision is attached
6/2

06 February 2025

DECISION OF THE MEMBER (TARIFF)
ON
DRAFT DECISION REGARDING FUEL CHARGES ADJSUTMENT (FCA) OF K-ELECTRIC LIMITED FOR NOVEMBER 2024

KE requested negative FCA of Rs.4.98/kWh (negative Rs.7,179 million) for the month of November 2024 which was advertised in the newspapers and a public hearing was held on the matter.

2. Actual FCA of KE for November 2024 has been worked out as negative Rs.5.0029/kWh i.e. Rs.7.215 billion. However, as reported, certain costs amounting to Rs.8.7 billion on account of part load, open cycle and degradation curves along-with start-up costs under the newly determined MYT, as requested by KE, are pending scrutiny therefore negative FCA of only Rs.1.23/kWh is being allowed to KE for the month of November 2024 and an amount of Rs.5.444 billion is being withheld which is to be adjusted against the pending costs, once the same is approved by the Authority.

3. In my opinion, claim of Rs.8.7 billion is still under consideration of the Authority and the matter is yet to be finalized. In absence of final decision by the Authority on the matter of Rs.8.7 billion, the benefit of negative amount of Rs.5.444 billion should not be withheld and the entire negative FCA of Rs.5.0029/kWh (Rs.7.215 billion) may be passed on to the consumers which is highly anticipated and expected by the consumers after the hearing.

4. Once the matter of Rs.8.7 billion on account of part load, open cycle and degradation curves along-with start-up costs is finalized, the Authority may also decide whether to pass on the positive impact of Rs.8.7 billion on to the consumers upfront or to stagger it in later FCA decisions of KE.

Mathar Niaz Rana (nsc)
Member (Tariff)

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To Be Published in
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National Electric Power Regulatory Authority

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NOTIFICATION

Islamabad, the 12th day of February, 2025

S.R.O. 146 **(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 **November 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
November 2024	(1.23)	**February 2025**

3. The aforementioned FCA 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 **November 2024**;

a) Shall be applicable to all the consumer categories except lifeline consumers, domestic consumers consuming up-to 300 units, Electric Vehicle Charging ~~Stations (EVCS),~~ Prepaid electricity consumers of all categories who opted for pre-paid tariff and agriculture consumers. It is hereby clarified that negative adjustment on account of monthly FCA is also applicable to the domestic consumers having Time of Use (ToU) meters irrespective of their consumption level.

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) Terms & Conditions of Winter Demand Initiative decision dated 06.12.2024 needs to be taken into account, if applicable for the instant FCA.

d) KE shall reflect the fuel charges adjustment in respect of **November 2024** in the billing month of **February 2025**.

e) 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

(Wasim Anwar Bhinder)
Registrar