



# TRANSPARENCY INTERNATIONAL-PAKISTAN

5-C, 2nd Floor, Khayaban-e-Ittehad, Phase VII,  
Defence Housing Authority, Karachi.  
Tel: (92-21)-5390408, 5390409, Fax: 5390410  
E-mail: ti.pakistan@gmail.com  
Website: www.transparency.org.pk

8<sup>th</sup> September, 2009

Mr. Salman Ali Shaikh,  
Chairman,  
Securities and Exchange Commission of Pakistan,  
National Insurance Corporation Building, Jinnah Avenue,  
Islamabad-44000,  
Fax No. (92-51) 9205692, 9204915

**Sub: SECP to investigate KESC affairs**  
**Ref: SEP Letter No EMD/233/401/02-33 dated 5 August 2009**

Dear Sir,

Further to Transparency International Pakistan three letter dated 30th July, 15<sup>th</sup> August 2009, and 26<sup>th</sup> August on KESC poor performance and its failure to pay IPP, TI Pakistan again reports that on 7<sup>th</sup> September 2009, KESC stopped payment of Tapal and Gul Ahmed IPP outstanding dues, resulting in shut down of the two Power Plants. The reported default of payment all together is upto a tune of Rs 7 billion. SECP shall note that KESC charges 120% per annum late payment surcharge, that too compounded on its bills from consumers which comes to 185%, which is against the principles of fundamental justice. If this is allowed under SECP rules of prudent business practice, Transparency International Pakistan request to impose same penalty on KESC for its delay in payment to IPPs bills for supplying electricity to KESC.

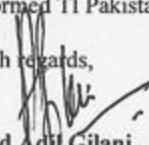
Nowhere in the world such huge penalty is being charged for utility bills, and the regulator, i.e. SECP is not acting against KESC, which is a default of SECP.

On 7<sup>th</sup> September Chairman NEPRA heard the KESC petition which had been filed mainly for increasing tariffs for power consumers at Karachi. In the hearing, the National Electric Power Regulatory Authority (Neptra) chairman has ordered an independent inquiry into complaints of over-billing and fast-running electricity meters in Karachi. The survey team will comprise representatives of consumers' associations, and will furnish a report within six weeks. The NEWS report of NEPRA hearing is attached. The NEPRA chief in the same hearing has ruled that the KESC management should cut its unnecessary expenses, which would enable it to overcome its financial crisis. He said that once the KESC was allowed to increase tariff under the head of operational and management costs, it would further embolden the power utility to augment its undue management costs and apply for future increases in electricity tariffs.

We request SECP also to take up this news seriously, and constitute an inquiry on the alleged criminal act of KESC of installing faulty meters for the purpose of overcharging consumers. TI Pakistan also request SECP to hold inquiry on the siphoning of funds in the form of very high salaries of senior management, which has been confirmed from the NEPRA Chief in the 7<sup>th</sup> September hearing as quoted above.

Kindly let TI Pakistan know on the progress made so far by SECP in the inquiry, as SECP informed TI Pakistan on 5 August that it has already proceeded with action against KESC.

With regards,

  
Syed Adil Gilani,  
Chairman,  
Transparency International Pakistan

Copy forwarded for the information of;

1. Chairman, PAC, Islamabad
2. Minister of Water & Power, Islamabad
3. Minister of Privatisation, Islamabad, with reminder that TIP is still not provided the copies of Concession Agreement 2005 and Amended Agreement 2009.
4. CEO, KESC, Karachi.

# INTERNATIONAL THE NEWS

## Nepra orders inquiry into over-billing by KESC

Tuesday, September 08, 2009 By our correspondent

Karachi

The National Electric Power Regulatory Authority (Nepra) chairman has ordered an independent inquiry into complaints of over-billing and fast-running electricity meters in Karachi. The survey team will comprise representatives of consumers' associations, and will furnish a report within six weeks.

Speaking at a hearing organised by the Nepra for the KESC petition which had been filed mainly for increasing tariffs for power consumers, Nepra chief Khalid Saeed said that an inquiry is already under way for frequent and prolonged power breakdowns and loadshedding in the city.

Meanwhile, the Karachi Electric Supply Company's (KESC) bid to get an average Re1 increase in tariff for electricity consumption was vociferously opposed on Monday by power consumers, who said that it would cause serious financial repercussions for KESC consumers.

The hearing, chaired by the NEPRA Chairman, was attended, among others, by SITE Association of Industry Chairman M.A Jabbar, Alliance of Market Association leader Atiq Mir, Consumer Association Chairman Kokab Iqbal, KESC Shareholders' Association General-Secretary Choudhry Mazhar Ali, Roland D'Souza of Shehri-Citizens for a Better Environment, and Hameed Maker of Helpline Trust.

A decision on the KESC's tariff-hike petition will be taken in two to three months after following due procedures, Saeed said.

The KESC management team, led by Chief Executive Officer Naveed Ismail, defended the utility's petition, which was also filed for raising security deposits for new electricity connections, extending the three-year time period given to the KESC for improving its transmission and distribution losses, getting permission for changing the title of KESC properties throughout the city, and allowing the present management of the utility to invest US\$3.61 million according to the Amendment Agreement inked for change of command in the privatised KESC.

The representatives of consumers, traders, businesspeople, and industrialists at the hearing said that the actual method and purpose for filing the tariff-hike petition was to rob the people of Karachi of their already-dwindling economic resources, while forcing businesspeople to shut down their concerns and invest in other parts of the country.

Choudhry Mazhar Ali of the KESC Shareholders' Association also opposed the tariff petition, and said that the original agreement for the sale of the KESC should be handed over to the consumers concerned for properly evaluating a petition for tariff hike.

He said that the present management of the KESC had caused further deterioration of management and operations of the utility, and allowing it to increase power tariffs would give the KESC leadership license to wreak havoc with the utility with complete impunity.

Kokab Iqbal of a consumer association said the KESC management should control its unnecessary expenses. He was of the view that incessant increase in electricity tariffs in the past had compelled consumers to steal electricity. He said that a steady decline in tariffs will automatically decrease electricity theft.

KESC CEO Naveed Ismail said that the utility, under the head of operational and management costs, had applied for a 64-paisa increase in electricity tariff, while under the head of fuel and power purchase cost it had requested a 36-paisa tariff increase.

The NEPRA chief ruled that the KESC management should cut its unnecessary expenses, which would enable it to overcome its financial crisis. He said that once the KESC was allowed to increase tariff under the head of operational and management costs, it would further embolden the power utility to augment its undue management costs and apply for future increases in electricity tariffs.