

# ANWAR KAMAL LAW ASSOCIATES

Ref. No.C/NEPRA/551/16

**BY EMAIL, FAX & TCS**  
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Dated: 15<sup>th</sup> August, 2016

The Chairman,  
National Electric Power  
Regulatory Authority (NEPRA),  
Attaturk Avenue (East), NEPRA Tower,  
Sector G-5/1,  
Islamabad.

**Subject:** Notice of Hearing- Hearing in the matter of Monthly Fuel Charges Adjustment (FCA) Request of K-Electric (formerly KESCL) for the Month of June, 2016.

- Reference:
- i. Advertisement in Daily 'The News' dated 05.08.2016.
  - ii. AKLA's letter No.C/NEPRA/695/15 dated 19.11.2015.
  - iii. AKLA's letter No.C/NEPRA/041/16 dated 19.01.2016.
  - iv. AKLA's letter No.C/NEPRA/199/16 dated 17.03.2016.
  - v. AKLA's letter No.C/NEPRA/262/16 dated 13.04.2016.
  - vi. AKLA's letter No.C/NEPRA/275/16 dated 19.04.2016.
  - vii. AKLA's letter No.C/NEPRA/342/16 dated 09.05.2016.
  - viii. AKLA's letter No.C/NEPRA/464/16 dated 30.06.2016.

Dear Sir,

Kindly refer to AKLA's letters mentioned above, culminating with letter No. C/NEPRA/464/16 dated 30.06.2016.

2. At the very outset AKLA submit that due to inaction of NEPRA the electricity consumers, the National exchequer and the economy of Pakistan continued to suffer adversely, financially and economically, during the month of June, 2016 as well.

3. During the month of June, 2016 K-Electric continued to draw electricity from the CPPA Basket and a total of 421 GWH electricity was drawn by K-Electric while it kept its own Plants either shut down or underutilized.

4. It has been noted from the data uploaded on NEPRA website that K-Electric's own Oil-based Power Plant that is BQPS-I (1260 MW- dual fuel Power Plant) was underutilized by 43%. Similarly, the Oil-based Independent Power Plants that is Gul Ahmed and Tapal were underutilized by 11% and 15% respectively.

5. It has further been noted from the data that the per unit cost of Power Purchases on gas fuel, from BQPS-I, BQPS-II, 220 MW KCCPP, Korangi Gas Engine and Site Gas Engine were Rs. 6.52/kWh, Rs. 5.27/kWh, Rs. 5.58/kWh, Rs. 5.82 and Rs. 5.82/kWh respectively. Similarly the Cost of Power Purchases on RFO from BQPS-I during the month of June 2016 was Rs. 7.30/kWh while cost of Power Purchases (Fuel Cost/kWh) from Tapal and Gul Ahmed Power Plants were Rs. 6.46/kWh and Rs. 6.19/kWh respectively.

Name of Power Plant	Fuel	Plant's Net Capacity	Plant's Efficiency	Plant Under-utilization	Cost of Power Purchases on Gas
		(MW)	(%)	(%)	(Rs/KWH)
BQPS-I*	Gas& RFO	1107.6	32	43.97	
BQPS-I on oil	RFO	1107.6	32		7.302
BQPS-I on Gas	Gas	1107.6	32		6.528
BQPS-II	Gas	502.1	39.6	9.94	5.275
220 MW KCCPP	Gas	224.7	37.4	16.02	5.584
Korangi Gas Engine	Gas	93.52	36	26.32	5.823
Site Gas Engine	Gas	93.52	36	23.98	5.823

\*Note: Total units generated by BQPS-I, by using both Gas and RFO fuel, during June 2016 was 452.4 GWH, out of which the share of gas based was 142.263 GWH (31%) while of oil was 310.14 GWH (69%):

- Whether the K-Electric is receiving the gas from SSGCL on the same rates as is supplied by SNGPL to Saif, Sapphire, Orient, Halmore and other Power Plants operating under the Generation Basket of CPPA?
- Why K-Electric did not utilize the BQPS-II, 220 MW KCCPP, Korangi Gas-II and Site Gas-II fully before using Gas in BQPS-I?
- What mechanism is in place to ensure that segregation of Oil and Gas based generation is calculated correctly from BQPS-I Power Plant which is generating electricity by using two fuels (Oil & Gas) simultaneously? It is important to mention that K-Electric is a vertically integrated utility where the interest of the Power Producer, to the extent of own Generation, and Power Purchaser is common.
- Why K-Electric was allowed to burn Gas in low efficiency Power Plants while the more efficient Power Plants in CPPA Basket were not utilized to their maximum due to non-availability of Gas? It is important to mention that CPPA is supplying 650 MW electricity to K-Electric by operating its costlier Plants but not charging K-Electric on the principle of Marginal Cost.



9. It is un-fortunate that during the month of June 2016, on one hand K-Electric has burned the Gas in its in-efficient Power Plants while leaving the more efficient Power Plants in CPPA Generation fleet in-operative on account of non-supply of Gas, while on the other hand during the same month of June, 2016 CPPA purchased costlier electricity (costlier than KE's own underutilized BQPS-I Power Plant) to supply electricity to K-Electric. The EPP of some costlier Power Plants in the CPPA Basket, during the month of June, 2016, has been noted as Rs. 12.70/kWh from Sapphire, Rs.12.69/kWh from Kot Addu Block III, Rs.12.56/kWh from Saif, Rs. 11.32/kWh from Orient, Rs.10.94/kWh from Kot Addu Block-I, Rs. 10.58/kWh from Halmore etc.

10. It needs to be noted that the above stated figures are the Per Unit Energy Purchase Price only, the Power Purchase cost (inclusive of Capacity Purchase Price) from these Plants must be higher than the EPP.

11. AKLA are completely unaware as to the reasons and circumstances due to which K-Electric is being favored, that too by using non-prudent Utility practices, at the cost of electricity consumers and the State's economy. It is not understood by AKLA why, if to favor K-Electric, the terms of Privatization can be changed through Amended Agreement (that too at the cost of the National economy, non-optimal use of National resources and at the cost of electricity consumers) why the terms cannot be changed to make one Generation Basket in the country? This would result in the use of the National resources optimally, save the XWDISCOs' consumers from extra load shedding, lower the electricity Tariff of XWDISCOs consumers' etc. This shows that in the eyes of the Regulator, the interest of K-Electric has a higher priority than the interest of the State's Resources and the citizens of the Pakistan.

12. The least action which should have been taken by NEPRA is that it should have given the details of month-wise financial losses which are being incurred due to the operation of costlier Power Plants in the CPPA Basket to supply electricity to K-Electric while shutting down or under-utilizing the cheaper Power Plants in the K-Electric Generation Basket. If that has not been done up-till now, NEPRA should now calculate the month wise financial losses on this account for the last six years and notify the same through its decision. If NEPRA, even after the repeated requests of the Stakeholders, is not going to mention these month-wise financial losses, at least for the last six years, in its decision it will prove that NEPRA is protecting K-Electric illegally, un-ethically, imprudently and at the cost of National resources and Pakistan's Economy.

13. AKLA respectfully draw the attention of the Authority to their letters written in the matter of monthly Fuel Charges Adjustment for K-Electric in

which AKLA have submitted various points regarding Monthly Fuel Charges Adjustment. AKLA's points were not considered in the decisions of NEPRA.


14. AKLA are, therefore, once again re-submitting the same points for the Fuel Charges Adjustment for the month of June 2016. All letters of AKLA written in the matter of FCA may be considered being non-addressed issues.

Yours faithfully,

  
(Anwar Kamal Law Associates)

Copy forwarded for information to:

1. The Chief Executive Officer, Central Power Purchasing Agency (Guarantee) Limited, 6th Floor, Shaheed-e-Millat Secretariat, Jinnah Avenue, Blue Area, Islamabad.
2. The Registrar, Supreme Court of Pakistan, Constitution Avenue, G-5/2 Islamabad. By Fax (051-9213452) and TCS.
3. The Registrar, High Court of Sindh, Near Passport Office Saddar & Sindh Secretariat, Karachi.
4. The Secretary, Privatization Commission of Pakistan, 5-A EAC Building Constitution Avenue, Islamabad
5. The Competition Commission of Pakistan, 7th Floor South, ISE Towers 55-B, Jinnah Avenue, Islamabad, Pakistan.
6. The Registrar, National Electric Power Regulatory Authority (NEPRA), Attaturk Avenue (East), NEPRA Tower, Opposite Federal Flood Commission, G-5/1, Islamabad. Email: [registrar@nepra.org.pk](mailto:registrar@nepra.org.pk).
- ✓ 7. Mr. Adil Gilani, Transparency International Pakistan (TIP), 5-C, 2nd Floor, Khayaban-e-Ittehad, Phase VII, D.H.A., Karachi. Email: [gilaniadil@gmail.com](mailto:gilaniadil@gmail.com).
8. Mr. Muhammad Arif Bilvani, 2-A, South Park Avenue, Ph. 2, D.H.A., Karachi.

  
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