**Monthly Fuel Adjustment Charges for August and September 2013**

**Marriot Hotel Karachi, November 18**

The Notice received states that

*“ In view of your interest of the matter you are invited to attend the hearings* ***and present your views in the case so as to assist the authority in arriving at informed decisions****”*

This as we all know is not the true state of affairs. Informed decisions means deciding things on merit, on judgments that are tough but have the better future of the nation at hand and also the fact that the culprits should pay for their wrong doings rather than the honest consumer. None of this is happening. The approach of the authority is demonstrated several times by announcements to the effect that since they are short on time and they have flights to catch the meeting comments should be shortened and made concise. Who gains by this? The consumer? Certainly not. Why is it being practiced? Only NEPRA has the answer..

The **NEPRA Act clearly states in section 31 clause 3 (b)**

“ *opportunity for customers and other interested parties to participate* ***meaningfully in the tariff approval process”***

This empowers the consumer to state his comments or grievance and does not give the authority to cut him short or make him sit down or order his behavior to coincide with the time available. They are allowed to speak by law as long as they are meaningful and there is no evidence of the topic if being repeated to be declared sufficient. Every consumer will and must participate meaningfully lest he engages in verbal abuse or misbehaves.

NEPRA needs to inform us which of the views expressed by the consumers in hundreds of meetings over the last several years helped it reach an informed “decision”? Does the informed decision restrict itself to fuel receipt approval, being a totally clerical job or it also attracted its attention to the other important decisions that should have been taken on the views of the participants such as Average billing, Over billing Theft /pilferage, Voltage fluctuation ,PMT issues, frequent power severance on illegal grounds. I shall go as far as to say that mostly the decisions need the stamp of approval of the hearing being conducted alone and some hot exchanges from the consumer and it is all well with the regulator and it does what it has planned to do regardless of the sufferings of the people it was supposed to protect .

**Section 7 of the NEPRA Act under section 7 clause 6** says

*“ The authority as far as practicable* ***protect the interests of the consumers*** *“*

I ask the authority how is this being achieved? By what stretch of imagination is NEPRA protecting interests of customers? Is the power supplier in question abiding by its rulings in terms of efficiency of plants, heat rates, timely redressal of grievances of the complaints, introducing its own doctrines and rules and terms and conditions , ? NEPRA itself has stopped the process of giving stay orders to the industrial users who have 100% payment record now. Is this protecting the interests of the consumers? Previously any complain to NEPRA was entertained by a stay order which was decided on merit later on within a prescribed time limit but lifting this back serves the interests of consumers in some way?

NEPRA has alienated itself from its core function of a regulator and enclosed itself in certain chosen fields of performance. Can NEPRA explain why the following function is not being performed as per NEPRA Act

**Section 7 clause 3 (b)**

*“ The Authority shall* ***review organizational affairs of generation transmission and distribution companies*** *to* ***avoid any adverse effect*** *on the operation of electric power services and for continuous and efficient supply of such services”*

This encompasses and empowers every aspect of the power regime from a paper to the machine to the fuel to the supply. Does NEPRA think that fuel consumption does not have an adverse effect on the continuous and efficient supply of power? The organizational affairs does not empower it to review the appointment and firing of thousands of employees and still **continue to give the payment to the power supplier inspite of repeated pointing outs by the participants of the 17 paisas given in the tariff for that particular purpose** and then reaching this **“informed decision”** that regardless of the sacking of the employees the said amount should remain a part of the tariff? Is this the level of review that NEPRA places? The participants have repeatedly requested NEPRA to have an energy audit carried out, the heat rate tests according to an international expert carried out, the output and make and model comparative analysis of like wise plants in other plants of the world carried out but none has been complied with. All this does not seem to be important to NEPRA. Why not?

**Section 7, clause 2 ( c) states**

“The authority shall prescribe and **enforce performance standards** for generation transmission and distribution companies “

I need to understand and given proof of this point where NEPRA has enforced any standard of generation or distribution? All the standards are outdated and inapplicable and have not been reopened for discussion and even that are not met? Does NEPRA really think that stopping the extra fuel used in excess of the limit of the conversion ratio is enforcing the standard? I disagree. It involved the actual on site interaction and directives and interaction with the ground realities that make the everyday life of the people of this great nation a living hell and NEPRA is one of the reasons of this state of affairs and history will hold its members responsible for the loss of GDP that is happening. Do not misinterpret this statement as mud slinging please. I am going to go as far as to say does NEPRA has even the will or the time or the credible human resource available to it to enforce anything? NEPRA is just content with enforcing the honest bill payer to pay for the theft of the culprits from his own pocket. This is happening because of the lax attitude of NEPRA in presence of powerful power companies that have lawyers that are in a different league altogether and NEPRA is aware of or reluctant to engage in a legal scuffle to enforce its standards perhaps.

**Section 3 (a) of NEPRA Act states**

*“ The authority shall determine tariff, rates, charges and* ***other terms and conditions for supply of electric services “***

Has NEPRA completely abdicated its role in the high lighted section? If this is not true then how is the power supplier mandated to compel the consumers to sig affidavits to restore power whose power is severed without provisions of the law? NEPRA has been sent complaints but remains aloof and distant and patronises this behavior. It never even attended a single hearing of the gas based suits in the SHC in which NEPRA was notified as well? Was it afraid to face the power supplier? The power supplier has made a plethora of tits own set of terms and conditions applicable to the billing disputes, the average billing amounts, slow meter excessive charges and what not including its own policy of handing out PMT to almost every possible entry for power increase. Is this not under the NEPRA notice sent to it time and time again?

**FAC Related issues**

With this summarizing of the present state of affairs in NEPRA I shall now move to the FAC section of the hearing . There are several serious violations of rules at the very outset.

**1) The FAC process is time barred**

*Section 31 (4) Notification of the Authority’s approved tariff, rates, charges, and other terms and conditions for the supply of electric power services by generation, transmission and distribution companies shall be made, in the official Gazette, by the Federal Government upon intimation by the Authority:*

*Provided that the Federal Government may, as soon as may be, but not later than fifteen days of receipt of the Authority’s intimation, require the Authority to reconsider its determination of such tariff, rates, charges and other terms and conditions. Whereupon the Authority shall, within fifteen days, determine these anew after reconsideration and intimate the same to the Federal Government;*

***Provided further that 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.***

*(The proviso “Provided further that the Authority shall, on a monthly basis, review and revise the approved tariff on account of any variations in the fuel charges and policy guidelines as the Federal Government may issue in this behalf and recommend the tariff so revised to the Federal Government for notification in the official Gazette” dated Sept 29, 2011 inserted vide Finance Act, 2008 and substituted vide Regulation of Generation, Transmission and Distribution of Electric Power (Amendment) Act, 2011)*

The matter above tells us that

a) FAC petitions have to be entertained on a monthly basis

b) the decisions have to be given within seven days of the next month

c) several FAC requests based on the same hearing date is a violation of the said law

The matter is self explanatory. Its a two part Proviso. Firstly, it lays down the time frame (i.e 7 days period for approving the FCA) within which the Nepra is bound to follow and approve the FCA and  secondly, it specifies the component of the tariff (i.e variations in the fuel charges only and no other component) which has to be taken into account and approved by Nepra.  As such, monthly basis would mean "on month to month basis / every month", and no other way.

 It says that, "the authority may, on a monthly basis make adjustments in the approved tariff on account of any variations in the fuel charges, not later than a period of 7 days". Here, 7  days would mean that the FCA shall be approved within 7 days of the end of the month or within the 1st week of the succeeding month i.e Nepra shall approve the FCAs within the 7 days of the end of the month or of the succeeding month. One can easily draw an inference from the Proviso that the FCA for the month of eg July 2013 shall be approved in the 1st week of August 2013 and not beyond that. This is my interpretation of this portion of the Nepra Act 1997.It was the practice of NEPRA to warn the entities to submit the FAC request before the 15TH of the next month for consumption decisions but this practice has been abandoned by NEPRA and is conducing a violation of its own rules thus. This is definitely time barred and can not be held. The petitions for the months of August and Sept 2013 are being heard in Novemeber 2013.

Conclusion :

a) the said FAC petition is time barred

b) NEPRA has no authority to entertain time barred petitions relating to FAC

c) NEPRA by hearing this petition will be violating its own laws and govt  policy

d) strict adherence to the contents of the FAC financial contents in light of the above quote amended gazetted notification has to be done by NEPRA and vetting is needed to firstly check if the petition complies with this amended NEPRA provision or not with regards to the financial contents .

e) by hearing the petition and passing a judgement NEPRA will seriously undermine its legal status as mandated to it for the rights of the consumers . The consumer is not shown any leniency with cut off dates for payment . The same must apply to NEPRA itself . KESCL has submitted the petition within the next following month but NEPRA has not initiated the matter within the legal time restricted in this FAC hearing schedule and thus has lost all legal grounds to conduct this hearing .

**2) Condoning power not present with NEPRA in set time frames**

NEPRA does not have the power to condone any time bound actions in the rules

It is abundantly clear that NEPRA does not have the authority to condone its own actions and give leverage in time to any entity in preset and written provisions of the law. Its not a facilitator but a regulator. It should do its assignment not accommodate inefficiency or tardiness.

**Statistics that need serious consideration by NEPRA wrt fuel adjustment request**

1. **Gas consumption and FO oil consumption levels of KESC and other units**

According to the NEPRA’s STATE OF THE INDUSTRY REPORT the KESC takes more furnace oil and gas to generate one kilo watt hour than the IPPs.

* Table 16 pg 70 reveals that **KESC takes 11 to 18 cubic feet** of gas while **Uch , Saif and Orient take only 7.37 7.47 and 7.56 cubic feet of gas.**
* **IPPs such as HUBCO and Narowal take only 0.13 kg of FO whereas KESC takes minimum ,26-.27 kg for a unit.( Table 17 , pg 72)**

My question to NEPRA is

a) Is there **any regulatory control of NEPRA**  to enforce the average fuel consumption level in generating one unit of electricity

b) Is NEPRA mandated to standardize the cost of producing one unit of power?

c) **Has the fuel efficiency of KESC improved after privitisation**? Korangi KTPS was producing one unit at 14.6 Cft of gas in 2006 and even in 2010-11 was producing at 13 Cft.

d) Has the investments made by KESCL resulted in **any fuel efficiency**? BQ 1 showed that even in 2006 it was at the level of 11 Cft/kWhr and the same level was there in 2011.

**2) Fuel oil wastage compared to IPPs**

**Both Gul Ahmed consume 0.21kg to produce one unit of electricity.** If BQ was this efficient we could get 1500 GW h extra at the same level of fuel usage by KESC present now. Let us take the example of the KTGT II commissioned in 2009 uses 10 cufic feet of gas to produce one unit of power whereas the same year the Indian plant at Sugen produced it at 6.6 Cft. **Who is responsible for the gross let down and the present situation? Has NEPRA served the purpose of its existence by the absence of generation laws? The increased cost of production and higher FO consumption has increased the circular debt.**

**National Electric Power Regulatory Authority**

**(Tariff Standards and Procedure) Rules, 1998.**

**PART - III**

**STANDARDS AND GUIDELINES**

17. **Standards and guidelines.** — (1) The Authority may, from time to time, **set and issue standards and guidelines** regarding the substances or contents of filings to provide assistance to persons seeking to file petition and communications. **The Authority may hold public hearings in accordance with these rules in the development of standards and guidelines**. The persons filing the petitions and communications shall comply with any and all standards or guidelines issued by the Authority.

Comments :

It is important to note the real extent of the contribution that is envisioned in the rules of NEPRA and what is presently being practiced and propagated. The interveners or the common man have never been engaged in setting up of standards and have been reduced to the level of subjects being ruled over by the authority in a disciplinary manner rather than doing the needful in terms of really checking their contribution potential. Has NEPRA ever done this or plans to do this? Firstly it has never engaged in such a practice and even if it does history has shown that it is completely unable to implement anything that is wants as everything is challenged in the court of law where NEPRA hardly has any significant presence or history of winning.

(3) Tariffs shall be determined, modified or revised on the basis of and in accordance with the following standards, namely:-

(i) tariffs should allow licensees the recovery of any and **all costs prudently incurred** to meet the demonstrated needs of their customers,

Comments:

NEPRA has approved everything related to costs by the petitioners. Prudence in the widest sense of the word does not mean accepting the 10 year old heat rates or 26% efficiency of a new gas plant or the gas consumption of the lowest standard in Pakistan to generate power for Karachi. Prudence also does not mean that 20% of theft is collected from the honest bill payer. Prudence also does not mean that NEPRA is without a clue as to the quality of the furnace oil being used. Is it prudent to set unrealistic out dated auxiliary consumption rates? What type of prudence is it to pass on the effect of oil pricing without knowing the efficiency level of every single plant in the fleet not just the totality? Prudence also means not buying available power at competitive rates but keeping the city in darkness?

(iv) tariffs should include a mechanism to allow licensees a benefit from, and **penalties for failure to achieve, the efficiencies in the cost of providing the service** and the quality of service;

Comments :

I think NEPRA for some reason has not read this point at all ever . The word penalties are taken as a slap on the wrist at the worst by NEPRA. Is NEPRA a regulator or a toothless tiger? It does not shrink when the matter of the legal rights of the petitioner is considered but loses its way somehow in the jungle of the rights of the consumer and protecting it except for power complaints or minor issues. NEPRA has never exercised any penalty rights except when whole of Karachi was plunged into darkness several years back and a fine of a few hundred thousand rupees was imposed as an eye wash in my opinion. I am not advocating anything that is not mandated by law. I am not even referring to any arm twisting. What I am saying is that there is no deterrence factor in NEPRA dealings. The soft under belly of NEPRA is always exposed perhaps and it protects it rather than enforce any penalties and limits to tall claims that are almost never delivered.

(vi) the Authority shall have a **preference for competition** rather than regulation and shall adopt policies and **establish tariffs towards that end;**

Comments:

This is a much neglected aspect of the tariff base. NEPRA does not promote any such practice.. NEPRA is fully aware that there are hundreds of MW available with units that have surplus power capacity but does not allow any selling to the next door user as it impedes its DISCO relations somehow. If NEPRA was serious in the resolving of power crises it would have thousands of MW available overnight from the country from small units willing to share and sell. NEPRA being the custodian of the government policies and succumbing to political influence of vested interests did not stand up and assert this right to solve the power crisis. However it has the sole distinction of contributing to the plunging of the country into darkness , reducing the GDP and increasing joblessness as it was its own determinations that resulted in the circular debt fiasco.

(xii) tariffs should seek to provide **stability and predict-ability** for customers

Comments :

NEPRA has sealed the fate of the industries by finalizing determinations based on theft, plundering, inefficient boards of DISCOs, inefficient plants, excessive use of fuels, unrealistic heat rates, auxiliary rate consumptions that have no sanity, doing away the multi year tariff in complete isolation of the verdict and opposition of the stake holders and then it has provided the GOP the moving space between determined tariff and notified tariff to legally implement the following percentage increase for various sectors of the industrial tariff based on the unit price increases

Firstly there is a Rs 0.81 per unit equalization surcharge for all industrial users.

B1 46% TOD Peak Rate 35% Offpeak 62%

B2 62% TOD 47% Offpeak 64%

B3 TOD 48% Offpeak **68%**

B4 TOD 52% Offpeak **73%**

Is the stability and predictability envisioned in the ruling ? NEPRA should seriously understand what it has done with the nation and how its determinations will affect the future generations while it sits in air conditioned offices and shows its annual reports while the engine of growth , the industry is breathing its last breath, all due to the indifference of NEPRA and its determinations and judgments may it be FAC or others.

(4) The Authority may **amend, modify, supplement, revise or revoke the standards prescribed u**nder sub-rule (3)

Comments:

The Titanic was considered unsinkable. The NEPRA does not see the leak that has been made in the hull of the ship of Pakistan’s economy by its lack of expertise and faulty determinations. What is stopping NEPRA to clean the slate and do a thorough well intended industry saving study of the real affects of the determinations and implement them through penalties that it has the right upto Rs 100 million on non compliance or is it now taking a plunge at the Oscars for the best humour category? **THERE IS NO TIME FOR SECOND THOUGHTS. SAVE THE INDUSTRY!!!**

(5) The Authority shall, in determining the tariff, **strike a balance** to the extent possible, among the tariff standards in order to **optimize the benefits to all persons likely to be affected by the tariff..**

Comments :

Is NEPRA attempting to balance the standards by completely killing the viability of the industry ? is this the balance? Allow all leverages to the agriculture class with under priced power and tube well favourable pricing while 70% increase on industry is imposed? Is this the optimization envisioned in the determination?

***What is the benefit for the monthly hearing system for the end user and KESCL?***

NEPRA  being the custodian of the  rights of the end users, must have an obligation to  audit

1. the amount of fuel that is used up
2. the manner in which it is used up and
3. what is the resultant  output from the consumption?

At the present time the sole criterion of NEPRA is

1. to find out how much fuel was used up ,
2. check the invoices present
3. perhaps allow or disallow the consumption receipts as such .

Is NERPA now reduced to the level of an accountant or is it moving towards a higher level of performance by rising above the financial issues and doing something  positive for the end user rather than  check the accounts?

We have presented time and again to NEPRA that it must

a)**conduct an energy audit.** Even transporter people keep a check on their fuel mileage performance and make changes accordingly in their systems. What is the strategy or mandate of NEPRA in this regard? Is it  anything remotely as pro active as described?

b)**Has the NEPRA ever  engaged in the true hands on fuel consumption and output ratio check?** It agrees to the efficiency level data of whatever the KESC puts to NEPRA.

I shall like to know whether

a)the whole exercise is done to facilitate the financial ends of the utility company

or

b)to make sure it is performing to set criterion of NEPRA and under acceptable norms of production?

In my opinion  there is a serious need of improving the performance and **the mere hearing of the financial aspects  with regards to the fuel consumed should not take place until certain performance standards are met and implemented and verified.** NEPRA is  a regulator. It is not regulating to the desired level or the facts would have been quite different in the report referred to.

In our contention this is a  situation that needs more attention. Judging by my understanding of the fuel usage concept it is

a)**inclusive of all sources of changes in the fuel usage**

b)not just the amounts that are in question.

In other words it means that **NEPRA will**

**a)review the root cause of the increase or decrease of the fuel charge in addition to the amount involved**

**b)opine if it was a justified claim or not** .

It means that an in depth inquiry should also accompany the basis of the variation in the fuel usage levels being claimed.

We argue that

a)if the KESC starts to provide  all of the power from external source buying and stops the total production of the plants will NEPRA  still give them the difference of  the fuel price?

b)Is there no restriction to the level of purchases allowed in a month as a percentage of their own production?

c)Is that not vital to keep the end users away from a very high tariff rate based on more and more purchases at high prices and NEPRA giving them  price variations just by auditing their bills?

  We submit that

 1)**NEPRA  must  establish the co relation between the unit generated and the fuel component that is used against a standard analysis based performance criterion** . This means that based on the energy audit there should **be a  plant wise table of reference that will tell us that what  level of gas or furnace oil  should produce what levels of power**. **Until this is done we can not justify the fuel consumption levels. How many MMCFD or BTU of gas produce one KWH in each unit of KESC production facilities running on gas and the similar pattern for the furnace oil based units** . Until NEPRA is aware of this how can they comment on the totals presented to them for approval or claims? If they have such a table we request to be given that one so that we may also calculate the fuel and power co relations.

 2) We think that **there must be a mandatory level of line losses that must form a basis of all such fuel related payments**. If KESC  violates that standard then it should not be given the benefit. This is a  just way.  The analogy in this case is of a car that is running on a very high consumption of fuel  due to some reason and we keep paying the  fuel  demanded when we know it is unjustified. This has to stop. We or the nation can not afford this. NEPRA must set a certain set of standard to allow KESC to get this fuel amount back. The fuel must not be wasted and the machines must not be inefficient. Then and then only should this monthly assessment should be a pass over issue with the end clients protected to some extent.

 3) If NEPRA is following issues vital to the survival of KESC at the same time **NEPRA must think of the survival of the end users as well.** We are not trying to make emotional appeals here. Fuel related payments should not be just an exercise in futility. NEPRA must view history as well. It must check the  **production increases** with increased  quantities of fuel charges given and historical data should be tabulated in this regard. **We think giving eg Rs 10 increase on account of international  price variation ending up in a generation loss than the last month’s ability is not justifiable**. When NEPRA gives any increase or decrease the fuel quantity to units generated link should be checked and verified. **Mere presence of purchase invoices do not mean efficient usage**. It  is the job of NEPRA  to ensure efficient usage as well.

In the light of the above given facts and arguments we maintain that it is not a simple matter of just invoice checking and approval. It  is much more than that **and it gives the NEPRA the right to review the very basis of the claim for more fuel charge adjustments** and  NEPRA must review all avenues where they are justified or not and then and then only after being satisfied totally that it was what was needed and unavoidable  that the end user may be burdened.

**KESC’s production details**

1500 Mega Watt means 1080 Million Watt hrs  
   
This means that at any instant of time, KESC can deliver 1500 Million Watt . This is the generating capacity but this is not the  consumption of energy of Karachi.  
   
Consumption of energy is charged by Kilo Watt Hours (kWh), which is the unit by which they charge us on our monthly bills.  
   
In 30 days there are 30\*24 = 720 hours, so if KESC delivers 1500 Million Watt continuously for 30 days i.e. all the 720 hours, it actually delivers 1500\*720 = 1,080,000 Million Watt hours.  
   
This is equal to 1080 Million Kilo Watt hours.  
   
In conclusion, we can say that **1500 Mega Watt translates into 1080 Million kWh per month.** If it is below 1080,then KESC is not utilizing 100% of its capacity. If it is equal to 1080, then KESC is utilizing 100% of its capacity.  
   
A figure above 1080 kWh per month is theoretically not possible if the capacity limit is 1500 Mega  Watt.

**The production figures of KESCL of June and July 2013**

**a) KESC ‘s Own production figures through gas and furnace oil both**

It is important to know what is the total installed capacity of the KESCL? According to their website details it is

2341 MW of their own generation capacity

1021 of IPPs and imports

**This makes an access of total 3362 MW for KESCL which makes Karachi a load shedding free area as the total demand is around 2600 MW in summers even and lower now . We give de rated capacity as 3000MW**

The details submitted tell us the following .

Aug 800 MkWh  = **1112 MW  (27%) of installed capacity**

Sept 778  **1081 (36%)**

**This shows the true state of production data of KESCL in the given months. Is this why KESCL was privatized to give outputs at these levels of production after privatization? It was producing more power before it was privatized with less people.**

**b)KESC”s total power purchases  vs its own production levels**

Aug 609 MKwh  846 MW (76 %) of production

July 618   859 MW  (80%) of production

**Purchases through NTDC from the above total purchases :**

Aug 628 MW

Sept 629 MW

**Purchases through IPPs/other sources**

Aug 157 MW

Sep 160 MW

**Total units sent out**

June **1958 MW**

July  **1937**  **MW**

**Analysis of figures obtained above**

It is important to note that  what has happened to the production ability of KESCL.

**a)It not producing not more than 27% of its total operative capacity on average**

**b)it is also not buying enough from the vendors.** Gul Ahmed  and Tapal individually have  about 125 MW each .Is  NEPRA not supposed to ask KESCL about this? Who is suffering? Total purchases excluding NTDC is less than 250 MW

**From this we infer that**

**a)**KESC is producing furnace oil based power at Rs 15.75 per kwh based on the Aug 2013 data in the report.

b)if it is expected that amount of load shedding will be extremely low if the production levels are to be believed. . NEPRA must ensure that these level of fuels used are made a comparative standard for reference keeping the machine performance etc as minimum variant. If Karachi is warranting a 2500 MW demand then there is a gap of 400 MW only and that too can be completed by purchasing fully from Tapal and Gul Ahmed . Only 54 MW was purchased from Gul Ahmed . 100 MW was purchased from Tapal. Why was the purchase reduced?

c)***standard must be made as to what amount of deficiency in gas supply will result in how much load shedding after this standard eg what is the power supply level at 150 mmcfd or 50000 m tons of oil. This Is a simple tabular event and be calculated with much accuracy.***

d) if KESC does not deliberately buy the desired levels to curb load shedding then NEPRA must ask its reasons of doing so. Simply blaming other issues by KESCL will not solve the problem of load shedding.

**Now it is the responsibility of NEPRA TO FINALISE WHAT AMOUNT OF MW DEFICIENCY RESULTS IN WHAT LEVEL OF LOADHEDDING IN TERMS OF HOURS. WITHOUT THIS , I THINK THE WHOLE EXERCISE IS FUTILE. The consumers can not be left at the whim of the KESC to load shed at will when we have presented the clear picture of the issue at hand with regards to the production and the load shedding relationship.**

**Auxiliary power consumption**

It is very disturbing to see that there are plants in KESC that have an **auxiliary consumption level higher than 6.1%.** This needs an audit from NEPRA to find out why is this so? Although we do understand that **financial impact is not carried out to the end user but the question remains is this not a waste** and if so **why is it being allowed** and **not being reduced** resulting in even **more fuel consumption levels**.

**Issue of cost of KESC’s furnace oil based consumption vs purchased**

Since the prices are comparable for the IPP’s and the KESC it is beyond understanding to observe why there is so less purchasing from them . **Even by the orders of economic purchases the cost of KESCL at Rs 17.57 is higher than the IPPs and the power from them is cheaper and available** . Still it is not being purchased and Karachi is in the darkness. What is the role of NEPRA as regulator in this ?

IPP Month MW

Tapal Aug Sept 91 102

Gul Ahmed Aug Sept 37 70

The city is suffering as

1. KESC does not produce the required levels due to various reasons
2. **The purchases are kept very low of the possible levels**
3. **The economics are the same** whether they produce it or buy it so what is keeping KESCL from purchasing the power at nearly the same rate as they produce it themselves unless the seller does not want to sell for bad credit reason?
4. There is a genuine need to save fuel and NEPRA should compel the KESCL to buy and maintain a certain level of production for the end users
5. **The levels of load shedding could have been reduced and lowered** had the KESCL purchased the right quantities at the right time and made payments to the IPPs. NEPRA should take a look into this aspect.

**Conclusion**

**What should NEPRA do?**

a) NEPRA  should go in a **detailed audit** of the situation of things in KESC with regards to its mandate.

b) place in effect an **energy audit and the cost of service audit**

c) **restrict the admission of the fuel adjustment petitions** to acceptance only if they are meeting certain performance standards with special emphasis of percentage loss reduction and  efficiency improvements

d) **implement** the following rulings

 1. as per determination of 23-12-2009

“ ***KESC shall not be allowed any adjustment in tariff on account of fuel price variation till approval of heat rate***”. This of course applies to all its new and upcoming units.The KESCL is repeatedly making a mockery of this by openly writing that it is “considering” it. The regulator has that power or NEPRA has also given that power to KESCL?

 2.according to clause vi of the  same

“ ***while approving monthly adjustments in tariff the authority shall ensure that KESC  has dispatched the units in the economic merit order’***

 Has this been ensured and verified by NEPRA? What is the guarantee that KESC is doing it now and will abide by it? Verbal commitment are not acceptable. There must be some sort of verifiable system in place to look at it and observe for NEPRA. Until this happens the end users will pay for the costly power in spite of the availability of the cheaper power. **A classic example is not running the units on furnace oil under the argument that it is not feasible but purchasing costlier power from external sources .**

3.same determination in para 11.2.7 says that

“ ***the economic dispatch criterion is used to  economise on fuel bill while not compromising in the power demands of the people while in this case the act of KESCL  the deliberate act of under utilisation of its generation capacity has resulted in depriving the end users from power.”***

 Is there anything left to say after the NEPRA authorities saying this in their determination? Is that not a final  word on this issue? Why must the NEPRA still give in to the demands of KESCL? It has been established without a doubt that the KESC is not doing all it can to end load shedding and at the same time being compensated by NEPRA in its claims to  fuel expenses which are nominal to begin with and are a plan to make the end user suffer unnecessarily.

 NEPRA must act swiftly and decisively. Consumer interests and the company interests are to be balanced. The mechanism provided in determination of 2009 needs to be revisited. The FAS should only be considered when it is

a)ensured that dispatch meet the criterion of economic dispatch

b)plants are at approved heat rates and minimum  auxiliary consumption levels

c)expenditure on fuel is justified to produce more at economical terms

Dr Qazi Ahmed Kamal

Advisor

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SAI