

PR

KE's online FCA calculator goes live

KARACHI: K-Electric (KE) has launched a Fuel Cost Adjustment (FCA) calculator on its website (<https://www.ke.com.pk/fcacalculator/>), which will allow consumers to calculate the impact on their monthly bill based on their monthly consumption. The pending FCA as determined by the National Electric Power Regulatory Authority (Nepra) would be applied from January 2020 onwards, spread over 9 months, based on the notification issued by Nepra through the SRO dated 27 December 2019 which also defines both the amount and the period over which the amount is to be adjusted. All details related to FCA would also be provided in respective customer bills.

Per Nepra mechanism, fuel is a pass-through cost to customers of all power distribution companies in Pakistan including KE. According to the mechanism, a reference fuel cost is considered in determining the tariff and any increase or decrease in actual fuel price compared to this reference cost is adjusted after verification by Nepra, which is subsequently passed on to the consumers, as per the Nepra approved mechanism.

However, due to the delay in finalization of KE's Multi-Year Tariff, KE could not pass on the increased fuel cost during the period between July 2016 to June 2019 to its customers. In fact, KE has been absorbing this cost on behalf of customers for the last three years, which has significantly constrained the company's working capital and cash flows while simultaneously increasing the financial cost on account of increased borrowing.

KE's new MYT was notified by the Ministry of Energy (Power Division) on May 22, 2019 after which KE filed its monthly and quarterly tariff variations, as allowed under the MYT, and a public hearing was also held by Nepra in this regard in August 2019. The variation in tariff was due to different factors including rupee devaluation and increase in fuel prices. Furnace oil cost was PKR 27,700/MTon in June 2016 and increased to around PKR 70,000/MTon in FY 2019. The other major reason for increase in fuel cost is reduction in supply of natural gas from SSGC, which resulted in the addition of re-gasified liquefied natural gas (RLNG) in the fuel mix. Further, the cost of natural gas in June 2016 was PKR 613 per MMBTU and with the addition of RLNG in the mix, the cost of gas on commingled basis increased to PKR 936 per MMBTU in FY 19.