

NEPRA reserves ruling on K-Electric's petition

ISLAMABAD: The National Electric Power Regulatory Authority (Nepra) on Tuesday reserved its judgement on tariff revision on account of monthly fuel cost and quarterly adjustments sought by K-Electric.

Nepra conducted a public hearing on K-Electric's request for monthly fuel cost adjustments for June to December 2020 and quarterly tariff variations for April to December 2020.

These requests are in line with the mechanism given in K-Electric's multi-year tariff whereby changes in fuel prices, generation and power purchase mix are passed along with certain annual adjustments. There has been a reduction in tariff on account of quarterly adjustments.

Quarterly tariff variations include request for a drop in tariff of Rs3.918 per kilowatt-hour (kWh) for April to June 2020, Rs1.929 per kWh for July to September 2020 and Rs1.874 per kWh for October to December 2020.

The negative adjustment for April to June 2020 is mainly attributable to lower fuel prices, which dropped due to Covid-19, followed by a gradual increase in the second half of the year.

Furnace oil prices dropped from Rs57,000 per ton in March 2020 to as low as Rs35,000 per ton in May 2020 and then increased to Rs55,000 per ton during July to December 2020.

Similarly, re-gasified liquefied natural gas (RLNG) prices dropped from Rs1,800 per million British thermal units (mmbtu) in March 2020 to Rs1,040 per mmbtu in June 2020, and then increased to Rs1,300 per mmbtu in December 2020.

With the government's policy of a uniform consumer tariff across the country, these variations are not likely to impact consumers. K-Electric will be able to file tariff differential claims of Rs39 billion for July 2020 to March 2021 after determination of these variations.

It is important to note that K-Electric has already incurred these costs and has paid the cost to fuel suppliers and for external power purchases.

Monthly fuel charges adjustment requests for June to December 2020 amount to Rs3.9 billion, out of which Rs3.2 billion will be passed on to consumers and the remaining will become part of quarterly adjustments as per given mechanism for transmission and distribution losses and non-passing of negative fuel charges adjustment to certain consumer categories.

The increase in fuel charges mainly relate to gas infrastructure development cess (GIDC) being billed by Sui Southern Gas Company (SSGC) (impact of around Rs2.9 billion) as well as rise in fuel prices after Covid-19 and higher proportion of RLNG being billed due to non-availability of natural gas.

K-Electric's fuel charges adjustment requests for July 2019 to May 2020 are already pending with Nepra, which seek to cut tariff to provide relief of Rs1.5 billion, on which a decision is expected shortly.