



Whistleblower Pakistan

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Dated: 15th August, 2016

TRUSTEES

Ms. Yasmeen Lari

Justice (R) Nasira Iqbal

Ms. Shahana Kaukab

Mr. Sohail Muzaffar

Justice (R) Zia Perwaiz
(Secretary General)

Justice (R) Dr. Ghous
Muhammad
(Vice Chairman)

Syed Adil Gilani
(Chairman)

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:

- A. NEPRA's Advertisement Daily News dated 05.08.2016
- B. Whistleblower Pakistan letter dated 20.05.2016
- C. Whistleblower Pakistan letter dated 15.03.2016
- D. Whistleblower Pakistan letter dated 02.07.2015
- E. Whistleblower Pakistan letter dated 09.06.2015
- F. Whistleblower Pakistan letter dated 04.03.2015
- G. Whistleblower Pakistan letter dated 03.03.2015
- H. Whistleblower Pakistan letter dated 14.01.2015
- I. Whistleblower Pakistan letter dated 15.12.2014
- J. Whistleblower Pakistan letter dated 01.12.2014
- K. Whistleblower Pakistan letter dated 01.12.2014
- L. Whistleblower Pakistan letter dated 10.11.2014
- M. Whistleblower Pakistan letter dated 10.11.2014
- N. Whistleblower Pakistan letter dated 05.09.2014
- O. Whistleblower Pakistan letter dated 04.09.2014
- P. Whistleblower Pakistan letter dated 04.06.2014
- Q. Other letters of Whistleblower written with regard to K-Electric Issues



I Adil Gilani, Chairman Whistleblower, Pakistan am a law abiding and concerned citizen of Pakistan and an end-consumer of K-Electric system. I am deeply perturbed and burdened by the higher price of electricity and illegal load shedding in the distribution territory of K-Electric mainly due to operation of the utility by K-Electric in a non-prudent manner as well as due to un-economic and un-wise decisions of the Authority.

Whistleblower Pakistan has been participating in the process of Monthly and Quarterly Adjustments proceedings of K-Electric which NEPRA conducts in Karachi. Whistleblower Pakistan is raising serious concerns which all consumers of electricity are facing. The financial and economic impact of issues which are being raised by Whistleblower Pakistan are not in millions but in billions of rupees on monthly basis. The highlighted issues are not only affecting the Nation in terms of finances and the economy, but the Nation is also facing social disorder due to load shedding, mis-governance of Distribution Companies and high prices of electricity on account of inefficiencies of the Power Sector players. Unfortunately, the Regulator is protecting the Investor, the Utility K-Electric, and ignoring the most deserving stakeholder: that is the consumers of K-Electric. The current working of NEPRA shows protection and promotion of inefficiencies.

Through Monthly Fuel Charges Adjustments and Quarterly Adjustments, NEPRA not only adjusts the effect of Fuel Price but also adjusts the Generation mix, Impact of T&D losses etc. to their actual values as against the Reference values and also sets the Reference values for the next quarter. The factor of Generation mix is itself dependent on effective Regulation as well as development and operation of the Utilities as per prudent practices. Hence, the process of Fuel Charges Adjustment not only provides opportunities of effective monitoring of the performance of Power Plants and their Despatch but can also be used as a tool to evaluate the impact of Regulatory decisions made in the past.



Availing the opportunity of the proceedings of Monthly and Quarterly Adjustment in K-Electric Consumer-end Tariff, Whistleblower Pakistan, along with other stakeholders, is also participating and highlighting various issues which are causing loss to the National economy and the electricity consumers.

Whistleblower Pakistan in the past has mentioned several times that K-Electric is a private vertically integrated utility which is engaged in the business of electricity Generation, Transmission, Distribution and its sale to the electricity consumers in the area of Karachi and some of its adjoining areas. Although K-Electric is performing the functions of electricity Generation, Transmission and Distribution under separate Licenses but they have no separate Tariff for each such separate function. K-Electric has a Consumer-end Tariff determined by NEPRA; K-Electric is the only Utility in Pakistan which is doing this business in a vertically integrated manner.

Strong monitoring from the Regulator, in timely manner, is the prime need of the Regulatory regime and this need increases manifold if the Utility is vertically integrated like K-Electric as it is maintaining all accounting books under 'One-Single' management and there is no check and balance from end-consumers and National Ex-Chequer's perspective. Therefore, under such conditions a vigilant, competent, wise, experienced, and pro-active Regulator which believes in merit is needed to protect the interest of the electricity consumers and the National economy by ensuring that all National resources are being used to their best economic values.

It is a known fact that Electricity is the basic need of the society and being a monopoly of the Utility Company in the specified area there is always a chance that the Utility may exploit the condition to realize its own vested interest under various names. Companies do not hesitate to obtain their interest at the cost of disharmony among the Provincial/State Governments/people. Such Companies may often approach the Courts with distorted facts to maximize their undue profits at the cost of electricity



consumers and scarce National resources. Thus the role of the Regulator becomes more and more important to control the situation in a manner that the National economy's efficiency and interest are not scarified through exploitation by the Utility.

Unfortunately, the Electric Power Regulator in Pakistan has not been able to perform its function: resultantly the health of the Pakistan Power Sector has gone from bad to worse. Total Regulatory capture can easily be judged in the Pakistan Power Sector. None of the decisions of the Regulator are based on economic analysis and economic prudence, rather they are based on exploitation by the Investors. The induction of low efficiency Power Plants on pipeline quality Gas of more than 900 MMBTU/lb, allowing Gas Power Plants to run on Open Cycle mode for such an inordinately long period, extending the life of old in-efficient Power Plants by allowing conversion of these Power Plants to Coal from RFO fuel etc. are but a few examples.

Since K-Electric is a vertically integrated Utility and no other forum is available to discuss and highlight these issues of inefficiency and mismanagement, operation of the Utility in a non-prudent manner and against the interest of electricity consumers and the national economy, Whistleblower Pakistan used to present its submissions and observations before the Regulator. From the past working and decisions of NEPRA it appears that NEPRA is only protecting the Investors' interest at the cost of electricity consumers and the National economy for reasons best known to it.

Whistleblower Pakistan is submitting its points/issues in detail continuously for the last two years through the letters referred to above. However, no action has been taken by NEPRA on the highlighted issues. NEPRA is ignoring Whistleblower Pakistan's observations for the last 15 to 16 months despite the fact that the financial impact of the highlighted issues is in billions of rupees per month. Therefore, Whistleblower Pakistan would like to again submit the same points/issues for the Fuel Charges

Adjustment for the month of June, 2016 and again request NEPRA to consider all the highlighted issues, raised in their previous letters specially in the letter of 15.03.2016 and Intervention Request submitted by Whistleblower Pakistan in the matter of MYT Tariff application of K-Electric, and to give its' ruling on all such issues. If NEPRA considers that the highlighted issues are not material, it should record the same in its' decision so that Whistleblower Pakistan can correct its' position in the light of the response of NEPRA.

It may be noted that Whistleblower Pakistan is highlighting only those issues, in the public interest, which are adversely affecting the consumers of electricity in Pakistan and the economy of the country. It is significant that many of the issues highlighted in the past have lost their efficacy due to lapse of time, even though it was illegal not to have addressed them. This constituted gross carelessness verging on criminal negligence on the part of the sole Regulator of the electric power sector of Pakistan.

Whistleblower Pakistan reiterates its oft-stated position that all public hearings concerning K-Electric must be held in Karachi to enable consumers and citizens to participate.

Yours faithfully,


(Syed Adil Gilani)

Copy forwarded to:

1. The Chairman, Senate of Pakistan, Islamabad.
2. The Chairman National Accountability Bureau (NAB), Islamabad.
3. Registrar, Supreme Court of Pakistan, Islamabad.
4. The Secretary, Ministry of Water and Power, Pakistan Secretariat, Islamabad.
5. The Secretary, Ministry of Finance, Pakistan Secretariat, Islamabad.
6. The Members of the National Electric Power Regulatory Authority through the Registrar, NEPRA Tower, Islamabad.
7. Director General, National Accountability Bureau (NAB), Karachi.
8. The Chairman, Transparency International-Pakistan.
9. Mr. Anwar Kamal, Advocate Supreme Court, Anwar Kamal Law Associates, 1-Turner Road, Lahore