

K-Electric Limited

NEPRA approved KEL's Generation Tariff

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NEPRA approved KEL's Generation Tariff

REP-300

The National Electric Power Regulatory Authority (NEPRA) has approved K-Electric's (KEL) generation tariff for its power plants. To recall, on Dec 01, 2022 KEL filed tariff petition, for its generation plants for the period commencing from Jul 01, 2023 till remaining licensed useful lives of respective plants.

Brief Takeaways

The key takeaways from tariff decision are as follows:

- **Return on Equity:** NEPRA has authorized a 14% USD-based return on equity (RoE) for KEL's power plants, earlier it was 15%.
- **Tariff Control Period:** Most of KEL's plants have a 7-year tariff control period, except for BQPS-III, which has an 11-year control period aligned with debt servicing.
- **Operating Mode:** The tariff operates on a "Take or Pay" model for all power plants, with KE handling the fuel arrangements.
- **Debt-to-Equity Ratio:** NEPRA has maintained the 70:30 ratio for plants.
- **Savings Sharing Mechanism:** A savings-sharing model has been implemented, where 60% of fuel and O&M cost savings are allocated to consumers. However, for BQPS-I, only 50% of fuel savings are shared with consumers.
- **Tax and Additional Charges:** NEPRA has approved KEL's request for the tax on foreign lender interest payments as a pass-through cost.
- **Black Start charges:** The authority mentioned that the decision on Black Start and Startup charges will be made separately, after a third-party evaluation.
- **Must Run Status:** KEL has a "Take or Pay" agreement for the supply of RLNG from Pakistan LNG Limited (PLL), which is set to expire in Dec'25. KEL requested the regulatory authority to grant "must-run" status for the plant and allow the associated costs to be passed through. However, the authority has decided not to give the 'must run' status to RLNG plants under the current arrangement.
- **Earning Impact:** Based on generation tariff we estimate the earnings to arrive at PKR 0.52/share which is adjusted for additional short-term borrowings cost and T&D losses (assuming 15.0% T&D and 11.7% benchmark). Also, total earnings would also dependent on the distribution tariff which is yet to be approved by the NEPRA.

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Exhibit: KEL's Tariff Summary - Levelized

		BQPS-I	BQPS-II	KCCPP	KTGEPS	SGEPS	BQPS-III
Fuel	FO	RLNG	RLNG	RLNG	RLNG	RLNG	RLNG
Net Capacity	MW	693.08	494.53	220.83	92.05	92.73	899.60
Energy Purchase Price	PKR/KWh	34.43	31.38	32.17	53.18	35.57	21.07
Fuel Cost Component	----	34.10	30.69	30.40	50.75	33.69	20.67
Variable O&M (Local)	----	0.19	0.06	0.08	0.08	0.64	0.04
Variable O&M (Foreign)	----	0.13	0.63	1.69	2.35	1.23	0.35
Capacity Purchase Price	----	2.19	3.23	3.52	3.53	2.47	2.97
Fixed O&M (Local)	----	0.59	0.21	0.46	0.46	0.79	0.33
Fixed O&M (Foreign)	----	0.20	0.25	0.26	0.27	-	0.11
Insurance	----	0.01	0.06	0.06	0.06	0.04	0.11
Cost of Working Capital	----	0.54	0.50	0.54	0.54	0.26	0.49
RoRB	----	0.42	1.71	1.61	1.61	1.02	1.25
Cost of Debt	----	0.27	1.08	1.01	1.01	0.63	1.22
Cost of Equity	----	0.15	0.62	0.60	0.60	0.39	0.02
Depreciation	----	0.43	0.50	0.58	0.58	0.36	-
Plant Factor		60%	60%	60%	60%	60%	90%
Capacity Purchase Price	@ Plant Factor	3.66	5.38	5.86	5.88	4.12	3.30
Total Tariff	----	38.08	36.76	38.03	59.06	39.69	24.37

Source (s): NEPRA, AHL Research

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