



CORPORATE BRIEFING SESSION

June 02, 2025





Our Vision

To restore and maintain pride in KE, Karachi and Pakistan.

Our Mission

Brightening lives by building the capacity to deliver uninterrupted, safe and affordable power to Karachiites.

KE OVERVIEW



The only vertically integrated power utility company in Pakistan, KE has a **robust network to ensure sustainable and reliable power supply to Karachi and its adjoining areas**



Customers
3.7 Million



Area
6,500km²



LS Exempt
70%

Presence Across the Entire Power Value Chain



Generation

Installed generation capacity of own plants **2,397 MW**. Further, has arrangements of **1,600+ MW** via external sources – expected to be increased by further 400 MW post completion of line works by NTDC

Transmission

Over **7,095 MVAs** Capacity, **74** Grids, **184** Power Trafos, and **1,394 km** of lines

Distribution

8,964 MVAs capacity, **2,112** feeders, **31,422** PMTs and **11,298km** HT lines

KE's Privatization: Investments & Improvements

Since privatization in 2005, investments of USD 4.6 Billion have been made upto FY 2024 in power infrastructure resulting in significant improvements across the power value chain. KE's post privatization operational improvements have been recognized at various local and international forums



Over USD 700 Million of direct investment by foreign shareholders – **classic example of Foreign Direct investment (FDI)**



Unprecedented investments of over **USD 4.6 Billion** across the power value chain which includes **reinvestment of all profits**



Significant Operational Improvements across the power value chain **benefiting the Government of Pakistan as well as consumers.**

Most improved distribution company in terms of T&D and AT&C loss reduction in the last 15 years



Industry Leader in terms of **technological advancements** and **customer centric solutions** providing high impact services to our customers



*Since its privatization in 2005, K-Electric (formerly KESC) has experienced significant improvements in its performance This privatization has resulted in **savings of PKR 900 billion for consumers and the government.** Targeted investment across the power value chain have led to significant improvements in generation efficiency and a reduction in transmission and distribution losses."*

Pakistan Federal Public Expenditure Review
2023 (World Bank)

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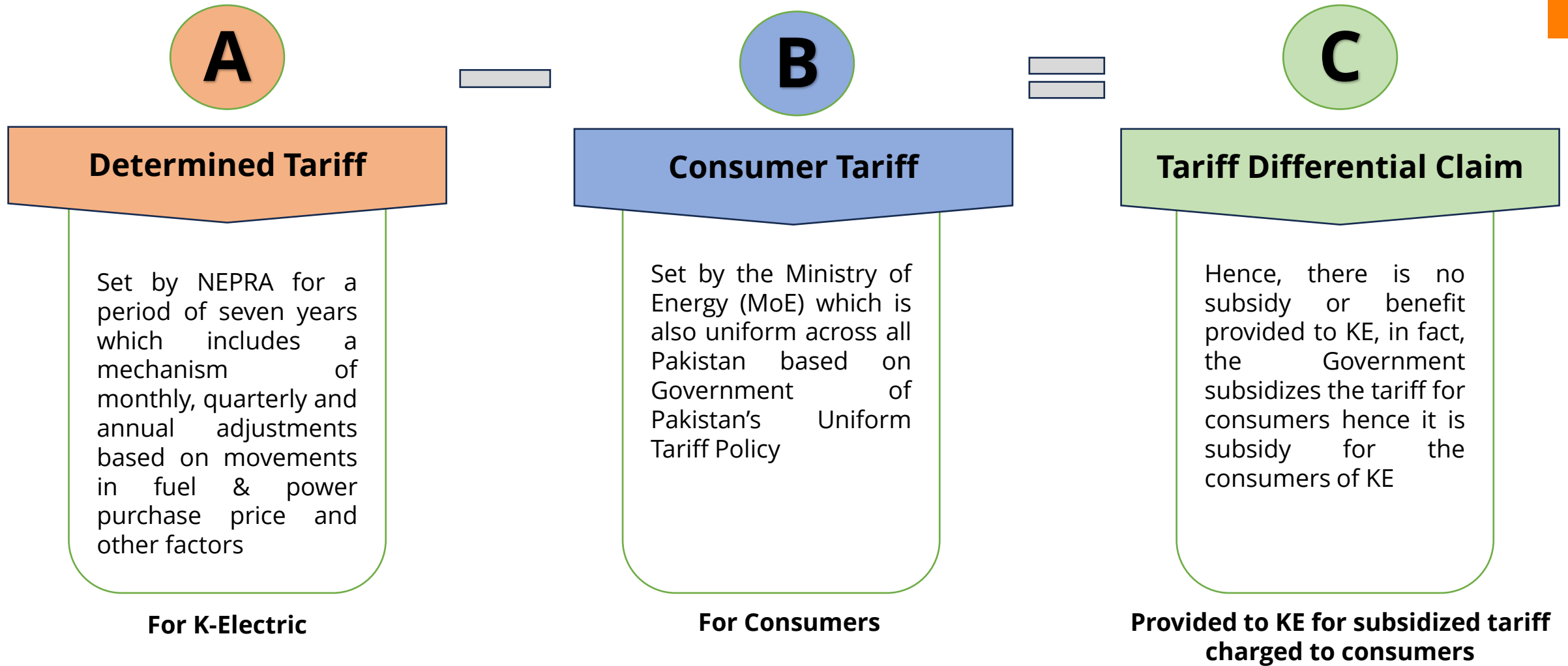
Operational Improvements since KE Privatization

	2005	2024	Change
 Generation Capacity (MW) Addition	-	1,957	1,957
 Generation Fleet Efficiency - Gross	30%	46%	↑ 16% points
 Grid Stations	52	74	↑ 22
 Transmission Capacity (MVAs)	3,480	7,095	↑ 104%
 Load-shed Exempt Areas	6.6%	70%	↑ 63.4% points
 Distribution Capacity (MVAs)	3,882	8,964	↑ 2.3x
 Transmission & Distribution Loss	34.2%	16.0%	↓ 18.2% points
 Aggregate Technical & Commercial Loss	36.6%	23.1%	↓ 13.5% points

MULTI YEAR TARIFFS OVERVIEW

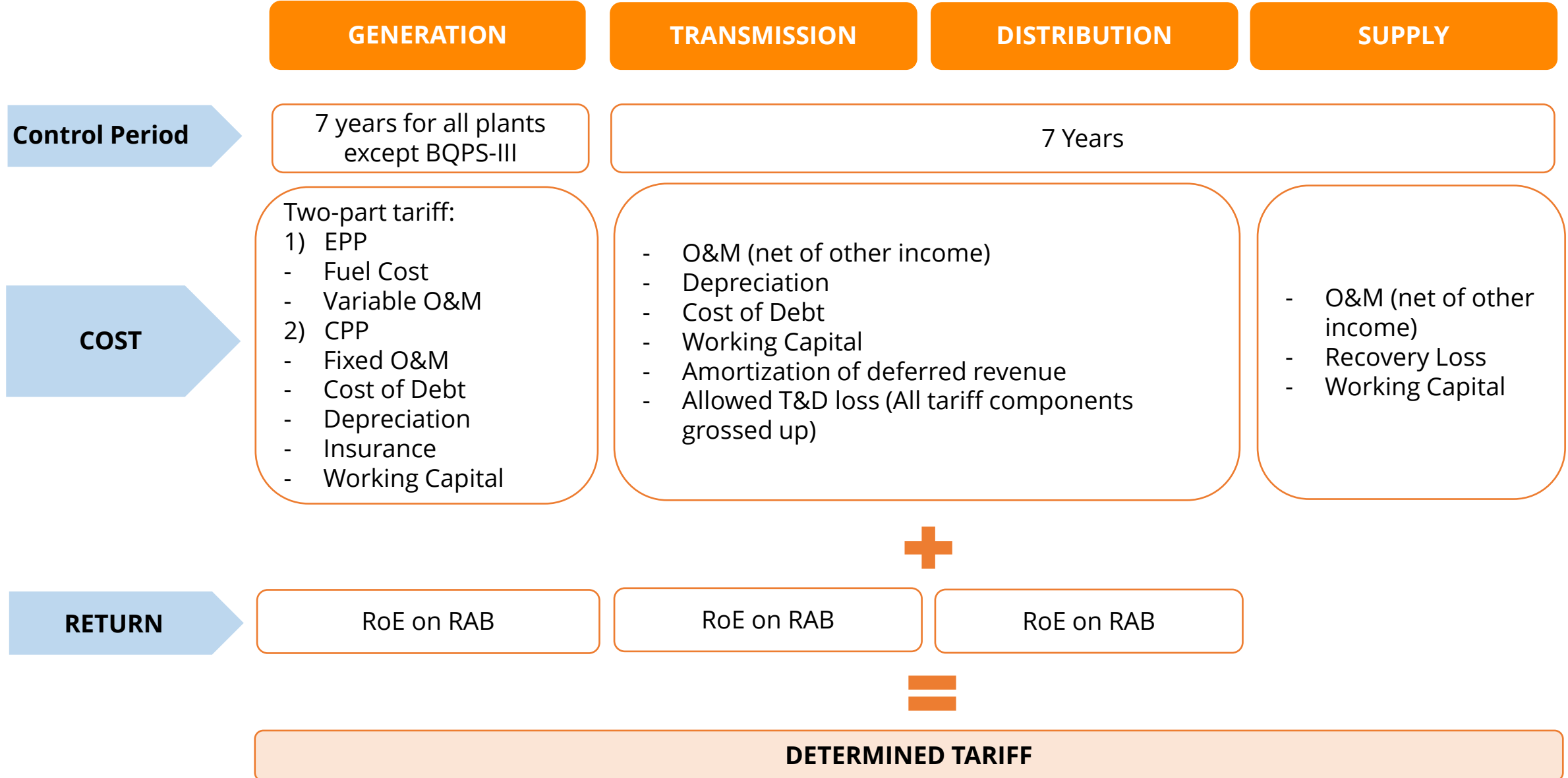


Tariff Structure



TDC primarily arises due to non-fulfilment of local gas commitment and is not a profit / subsidy / benefit to KE – It is for the benefit of consumers

Determined Tariff Methodology by Segment



Salient Features - Generation

Description	KE Ask	NEPRA Determination
Tariff Structure	<ul style="list-style-type: none"> Two-part (EPP & CPP) Take or Pay Tariff on all fuel including HSD, similar to IPPs, 	<ul style="list-style-type: none"> Two-part (EPP & CPP) Take-or-Pay Tariff approved Responsibility of Fuel arrangement on KE and Capacity payment linked with fuel availability and outage allowance
Tariff Control Period	Control period to comprise of remaining Useful Life of the plant as per Generation License.	<ul style="list-style-type: none"> BQPS-III: 11 years (aligning with Debt Repayment Tenure) Other Plants: 7 years or life, whichever is lower
Return on Equity (RoE)	USD based 15% RoE	USD based 14% RoE
Cost of Debt (CoD)	KIBOR + 2.5% on all plants except BQ-III, inline with previous MYT	<ul style="list-style-type: none"> KIBOR + 2.25% on all Plants, based on recent guidelines For BQ-III approved as per actual being within NEPRA limits.
D:E Ratio	Requested 70:30 inline with previous MYT	Taken as 70:30
Depreciation	Depreciation requested based on straight-line, same as previous MYT, on plant life	<ul style="list-style-type: none"> Other plants - Depreciation on plant life for both Debt and Equity portions BQ-III – Debt repayment in 11 years
Insurance	Requested based on actual with capping of 1.0% of EPC Cost	Allowed based on actual with capping of 0.7% of EPC Cost

Salient Features - Generation

Description	KE Ask	NEPRA Determination
Fuel Take or Pay Impact	KE asked to consider ToP fuel commitments for BQPS III RLNG (or any future agreement) and allow operations under ToP commitments	<ul style="list-style-type: none"> NEPRA has allowed ToP post increase of Supply from National Grid or Implementation of Central Despatch in line with mechanism of 4 large Govt. RLNG Power Plants
Working Capital	As per standard	<p>Approved as per standard except:</p> <ul style="list-style-type: none"> SBLC capping of 1% for 60 days Gas requirement.
Heat Rates & Net Capacity	Base load Heat rates and capacity requested based on Independent Engineer's test reports, also approved in previous MYT, where applicable.	<p>Approved with part load and degradation curves to be approved separately based on independent engineer</p> <p>Further, Claw-back mechanism included on Annual basis as per the following ratio:</p> <ul style="list-style-type: none"> Plants other than BQ-I: 60:40 (Consumer:KE) For BQ-I, efficiency gains to be shared ranging from 70:30 to 40:60 depending on gain percentage.
Residual Value Treatment	Requested to retain the same aligned with no depreciation on Equity Portion (i.e. No Equity Redemption), aligned with IPP Model.	<ul style="list-style-type: none"> Residual value realized at actual disposal shall be credited to the consumers. In case of disposal, before completion of useful life, any gain/ (loss) to be pass-through (as Other Income) on cost basis (rather than re-valued amount).

Salient Features – Transmission, Distribution & Supply

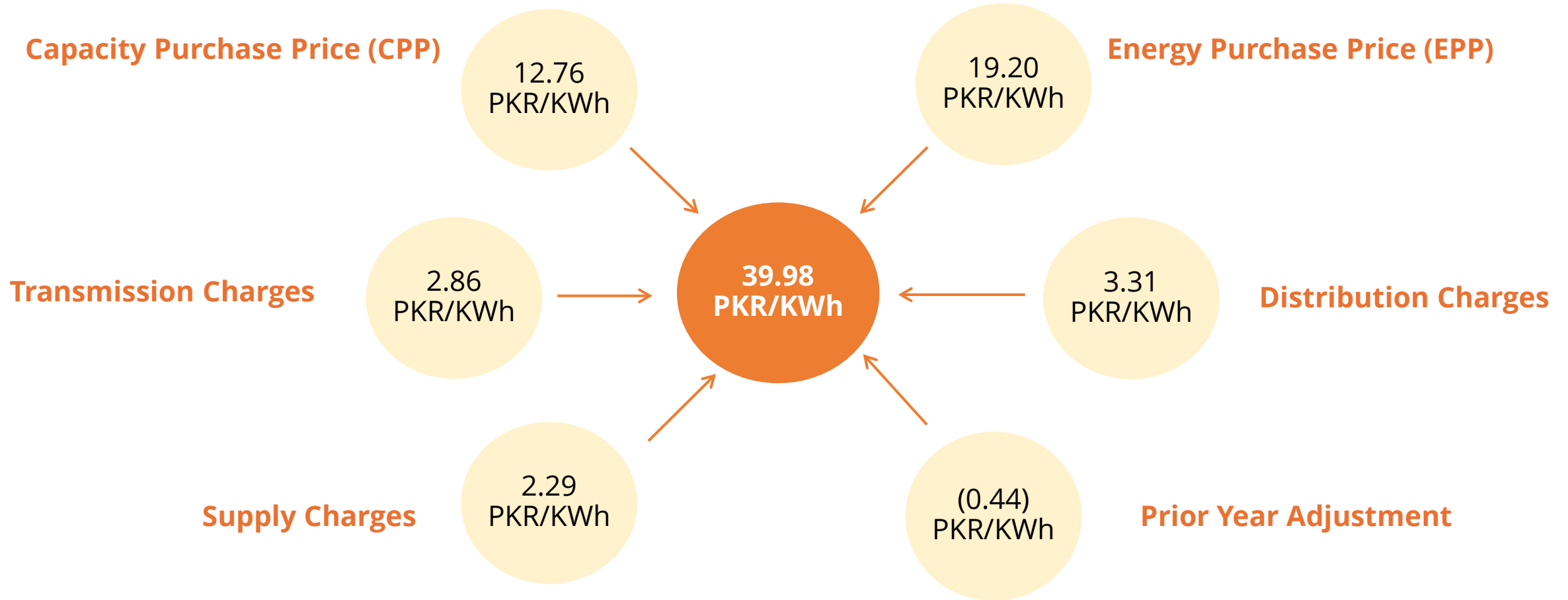
Description	KE Ask	NEPRA Determination
Control Period Duration	KE requested a 7-year control period for the tariff determination.	7-year control period for the tariff determination.
Cost of Equity	USD-based cost of equity of 15% for the Transmission and 16.67% for the Distribution.	NEPRA allowed 12% for Transmission and 14% for Distribution USD-based RoE.
Cost of Debt	<ul style="list-style-type: none"> - Local loans: KIBOR + 2.5% spread - Foreign loans: SOFR + actual spread - Currency depreciation on unhedged loan foreign loans repayments - Hedged costs for hedge loan. - EGL as per actual 	<ul style="list-style-type: none"> - Local loans: KIBOR + actual spread capped at 2% for individual loans. - Foreign loans: SOFR + actual spread capped at 4.5% for individual loans. - EGL as per actual allowed on repayment - Unamortized balance of transaction cost of opening loans disallowed
D:E Ratio	- Requested 70:30 inline with previous MYT.	- 70:30 allowed
Loan Mix	- Loan mix calculated on average outstanding foreign & local loan balances.	- Foreign Debt is taken at actual in the mix, remaining is taken as local debt.
Base Year & O&M Indexation	- FY 2023 as base year with CPI indexation on a May-over-May basis for FY 24 & onwards along with sent-out growth.	<ul style="list-style-type: none"> - FY 24 O&M to be allowed at lower of actual FY 24 or FY 23 O&M indexed with Dec CPI. - Future CPI indexation (Dec-over-Dec) to be applied on lower of actual or allowed O&M of previous year. - No sent-out growth indexation allowed - Sharing of O&M in 50:50 ratio in case actual O&M is lesser than allowed.
Efficiency Factor on O&M	- No efficiency factor on CPI-based indexation.	- 30% efficiency factor to apply from the third year of the control period.
T & D loss & sales mix	<ul style="list-style-type: none"> - T Loss was requested at 1.3% as part of investment plan - D loss improvement curve was requested - Request made for adjustment of distribution loss target due to change in actual voltage wise sales mix. 	<ul style="list-style-type: none"> - T loss for FY24 was allowed at actual of 0.75%. - D Loss for FY24 was allowed at 13.90%. - For FY25 to FY30, it will be decided in investment plan - The request for adjustment in D loss for sales mix has been disallowed by NEPRA.



Salient Features – Transmission, Distribution & Supply

Description	KE Ask	NEPRA Determination
Working Capital	Requested as per standard.	Allowed as per standard except: <ul style="list-style-type: none">- cash & bank restricted to 15 days and actual spread with a cap of 1%.- Working capital on opening receivable disallowed.- Working capital on systematic lag on fuel & quarterly adjustment is disallowed.
Other Income	<ul style="list-style-type: none">- Items hedging gain/losses, LPS, etc were proposed to be retained by KE.	<ul style="list-style-type: none">- Hedging gains & LPS are treated as pass through / actualized in tariff.- Further, MCA has been inadvertently made part of passthrough cost during working of tariff by NEPRA which as per determination wordings has been allowed to be retained.
SBLC cost	<ul style="list-style-type: none">- Cost of SBLC on existing and upcoming power purchases with a cap of 1.5% was requested.	<ul style="list-style-type: none">- Cost of SBLC on existing and upcoming power purchases with a cap of 1% allowed.
Retail Margin	<ul style="list-style-type: none">- Requested retail margin of 1.5% on overall revenue requirement.	<ul style="list-style-type: none">- Disallowed. However, to be reconsidered once public owned DISCOs get privatized
Recovery loss	<ul style="list-style-type: none">- Recovery loss requested on consumer revenue starting from 7.24% in FY 24 and ending on 4.52% in FY 30- Yearly adjustment based on allowed recovery loss trajectory including Cap & Floor adjustment mechanism.- Adjustment for change in Recovery loss % due to change in Sales mix.	<ul style="list-style-type: none">- Recovery loss improvement curve from 6.75% in FY 24 and ending at 3.5% in FY 2030 allowed.- Cap & floor mechanism disallowed.- Annual adjustment allowed based on lower of:<ul style="list-style-type: none">- Amount based on allowed recovery loss %;- Amount based on actual recovery loss %; and- Amount based on provision for impairment recorded during the year.- Recovery loss sales mix adjustment disallowed.
Sent-out Actualization	<ul style="list-style-type: none">- Sent out actualization requested	<ul style="list-style-type: none">- NEPRA allowed the same as requested in line with other DISCOs.

Summary of Determined Tariff FY 2024



SOME FACTS ON POWER SECTOR & KE



KE – A role model for privatization of DISCOs

- In Pakistan Power sector, recovery loss is a major issue which is resulting in increase in burden on consumers and government.
- Below is the XWDISCOs recovery losses and AT&C losses for FY24:

	HESCO	PESCO	IESCO	SEPCO	LESCO	FESCO	MEPCO	GEPCO	TESCO	QESCO	Total
Recovery Ratio	76.40%	91.91%	97.03%	65.41%	96.11%	97.61%	97.20%	96.21%	105.66%	31.76%	92.44%
AT&C losses	43.50%	42.56%	11.46%	56.31%	15.80%	11.60%	16.30%	12.30%	1.57%	74.32%	23.41%

- These losses become part of the circular debt and are ultimately passed on to customers nationwide including KE consumers in the form of PHL Surcharge or cost tax-payers.
- For reference, in FY 2024 the DISCO's inefficiency has costed more than PKR 591 bn alone – this is not sustainable and needs to be addressed on war footing benefit
- To address this issue, privatization is crucial and for any private investor to invest they would **require these costs allowed in tariff and gradually agree to reduce over time** – otherwise there is no business case if they have to bear this cost in entirety
- KE AT&C losses reduced from **43% in 2009** to 21% in FY 23 and target **starts at 20.3%** – annual benefit for **GoP : PKR 164 billion**
- AT&C loss target set to reduce to **15.6% by FY 2030** - total annual benefit to GoP to increase to **PKR 232 billion**
- Hence, privatization of DISCOs and setting recovery loss targets with improvement curve is essential so that risk of any over / under performance is taken up by shareholders as done in the case of KE instead of continuing to park it to circular debt.

Non-provision of local gas is the only cause for higher KE tariff

- Below is the summary of KE's tariff versus XWDISCO's tariff:

Components	DISCOs			KE		
	Base Tariff	FCA / QTA	Total	Base Tariff	FCA	Total
Energy Charge	7.63	2.96	10.59	19.2	1.37	20.57
Capacity & Transmission Charge	18.38	2.53	20.91	15.62	-	15.62
Power Purchase Price	26.01	5.49	31.5	34.82	1.37	36.19
Distribution Margin inc. PYA	3.35	-	3.35	2.87	-	2.87
Supply Margin and PHL **	3.65	-	3.65	2.29	-	2.29
Revenue Requirement	33.01	5.49	38.50	39.98	1.37	41.35

** Includes PHL surcharge of PKR 3.23 for DISCOs

- As reflected from above, EPP of KE is higher than DISCOs as it includes plant operations at expensive RLNG due to non-provision of Local Gas – **Base tariff EPP reduces to PKR 11.92 if local gas provided instead of RLNG.**
- Further, unlike CPPA-G, KE does not have availability of Nuclear or Hydro based power plants in its fleet.
- Accordingly: KE is Planning to increase share of renewables to 30% which is covered in detail in coming slides.
- Further, addition of KKI and Dhabeji grid would potentially increase offtake from NTDC to 2,000 MW
- Moreover, KE is in discussion with GoP for conversion of Jamshoro coal project from imported coal to local coal and change in power off-taker to KE. With government and regulatory approvals, conversion and subsequent inclusion in KE's system, would result in significant savings in fuel cost as well as Forex outflow.

OTHER KEY MATTERS UPDATE





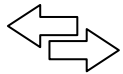
T&D Investment Plan

- Decision on the investment plan was issued in April 2024.
- Amount approved in the decision is PKR 392,290 Mn.
- KE team filed Motion for Leave for review of Investment Plan on May 13, 2024 outlining matters for Authority's consideration



Write-off Claims & End of Term Adjustments

- Public hearings on KE's write-off claims were conducted on December 10, 2024 & April 17, 2025.
- NEPRA determination on both the matters are still awaited.



Settlement of Historic Receivables / Payables

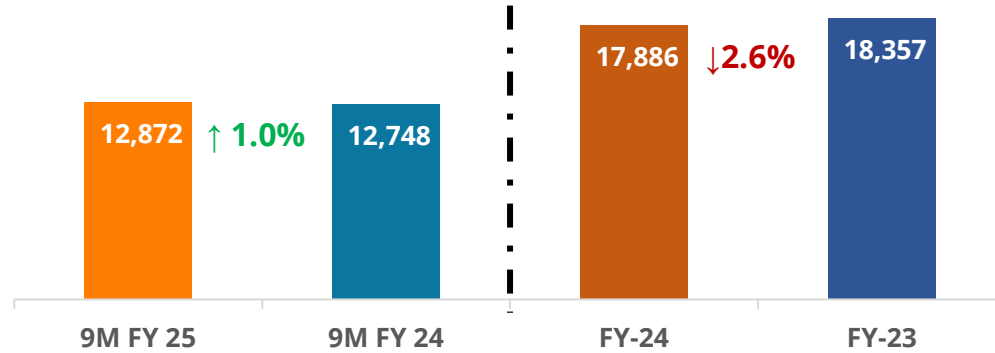
- Mediation Agreement signed between the parties (KE, GoP, CPPA, NTDC, SSGC and KWSB)
- KE is engaged with relevant stakeholders for an amicable settlement to the issue

OPERATIONAL PERFORMANCE



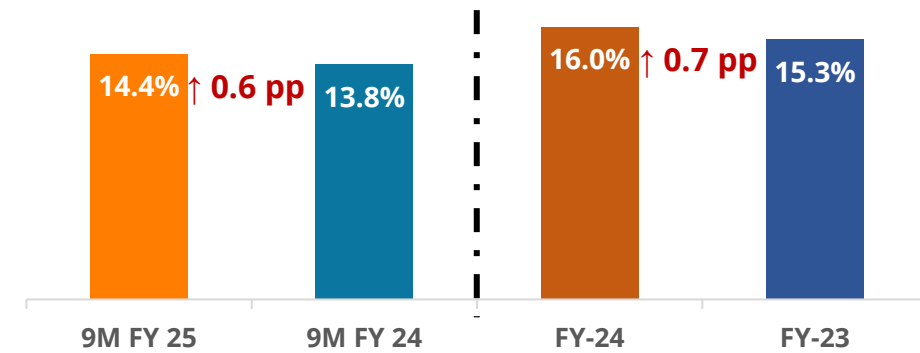
Operational Performance

Sent-out (GWh)



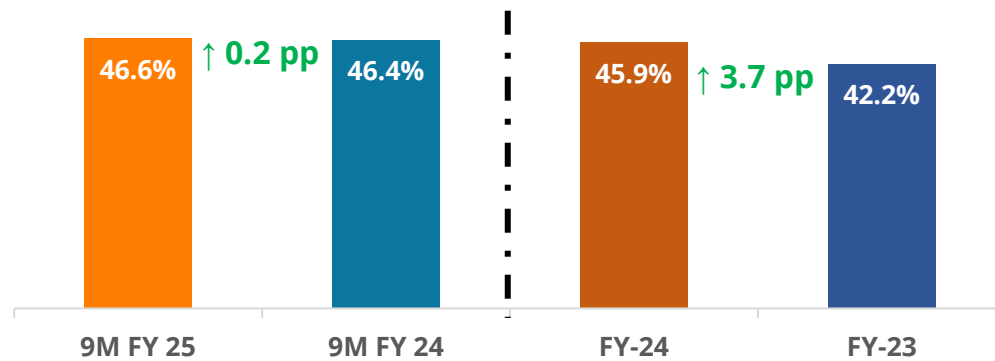
Overall consumption in FY-24 has decreased significantly on account of deterioration of macro economic factors. However, improvement / stability of economy in FY-25 has resulted in increased ordinary consumption leading to increased sent out in 9M FY 25 as compared to 9M FY 24.

T&D loss (%)



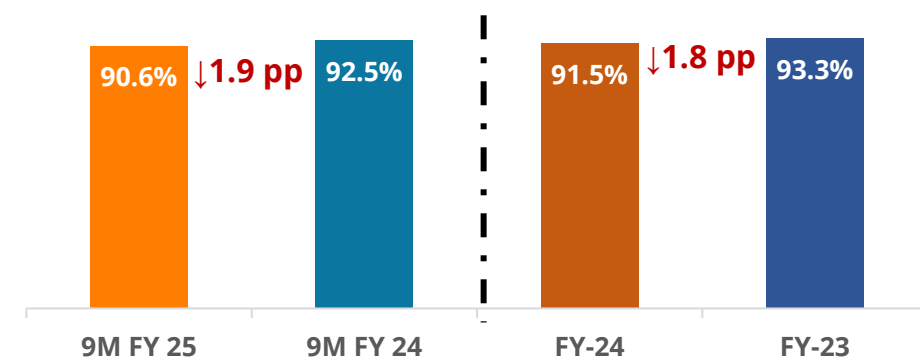
Increase in T&D loss is primarily due to sent-out mix deterioration, as sent-out of Industrial feeders declined in both FY-24 and 9M FY 25 and increase incidence of theft due to tariff increase.

Generation Efficiency (%)



Increase in generation efficiency is primarily attributable to the change in generation mix in both FY-25 and 9M FY 25.

Recovery Ratio (%)



Significant increase in effective consumer-end tariffs by 42.7% in FY-24 and 9.2% in 9M FY 25 coupled with deteriorating macro economic factors, impacted recovery from regular payers due to lower propensity to pay. However, targeted recovery efforts are being done with the aim to improve RR.

RENEWABLE INITIATIVES



Renewables: 30% of Generation Capacity by 2030

KE is committed to adding cheaper and greener energy in its system – in a landmark achievement, KE becomes the first to successfully complete the competitive bidding on its 640 MW renewable projects.

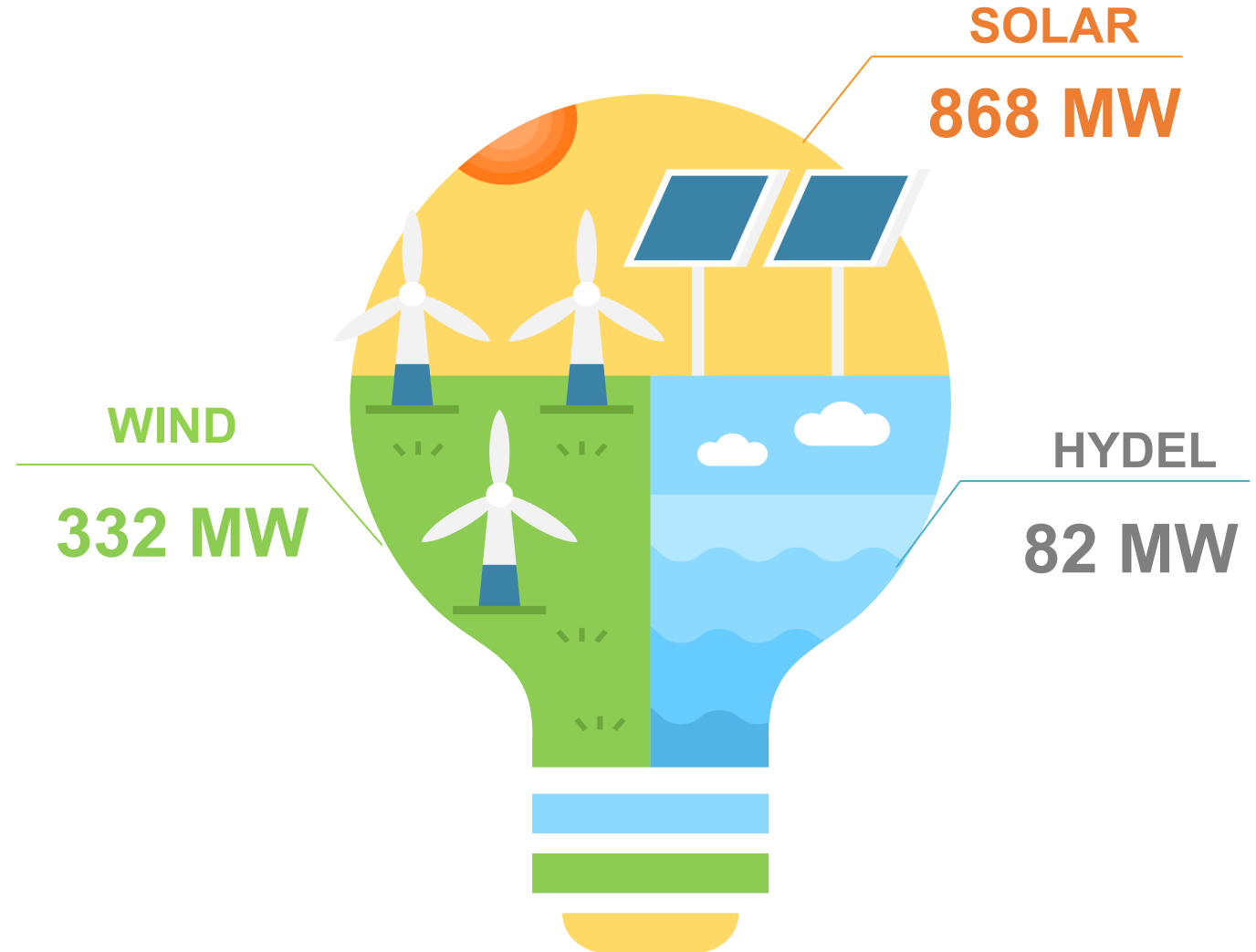
Adding

1,282 MW
Renewables

Competitive Bidding





completed for 640 MW of
renewable projects

**KE breaks record with
Lowest Tariff Bid** for 220
MW Hybrid Project in Dhabeji
– PKR 8.92/kWh



Competitive Bidding - 640 MW Renewable Projects

KE is committed to adding cheaper and greener energy in its system – in a landmark achievement, KE becomes the first to successfully complete the competitive bidding on its 640 MW renewable projects.

	Project	Successful Bid
	100 MW Solar Project at Bela	PKR 11.21/kWh
	50 MW Solar Project at Winder	PKR 11.65/kWh
	220 MW Solar-Wind Hybrid Project at Dhabeji	PKR 8.92/kWh
	150 MW Solar Project at Deh Metha Ghar	PKR 9.83/kWh
	120 MW Solar Project at Deh Halkani	PKR 9.83/kWh



THANK YOU

