

# Power Generation and Distribution: K-Electric Limited

## Analyst Briefing Takeaways

### Corporate Analyst Briefing

REP-300

K-Electric Ltd (KEL) management held a corporate briefing session today to discuss the recently approved tariffs.

### Brief Takeaways

- KE's generation portfolio comprises 2,397 MW from in-house generation and over 1,600+ MW through external sources. Post-NTDC line completions, an additional 400 MW is anticipated.
- The transmission network features over 7,095 MVAs of capacity, 74 grid stations, 184 power transformers, and an extensive 1,394 KM of lines.
- Distribution infrastructure includes 8,964 MVAs capacity, 2,112 feeders, 31,422 PMTs, and 11,298 KM of HT lines.
- The management revealed during the briefing that the privatization has led to savings of PKR 900bn for both consumers and the government.
- Since 2005, KE has substantially expanded its operations, adding 1,957MW in generation capacity, improving efficiency by 16ppt to 46%, and more than doubling transmission capacity to 7,095 MVAs (+104%), alongside an increase in the number of grid stations.
- A notable decline seen in T&D losses by 18.2% (2005: 34.2%, 2024: 16.0%) and AT&C losses by 13.5% (2005: 36.6%, 2024: 23.1%) since 2005.
- **Determined Tariff:** NEPRA determined MYT covers a seven-year period, with adjustments aligned to fuel and power purchase price fluctuations.
- **Consumer Tariff:** Ministry of Energy sets a uniform national tariff, ensuring equitable consumer pricing.
- **Tariff Differential Claim:** No subsidy or financial benefit is extended directly to KE. Instead, the government subsidizes the tariff for end-consumers
- **KE's tariff structure:** The Energy Purchase Price (EPP) covers fuel costs and variable O&M, while the Capacity Purchase Price (CPP) includes fixed O&M, debt servicing, depreciation, insurance, and working capital. Transmission and distribution tariffs account for O&M (net of other income), working capital, and other related factors. The supply tariff comprises O&M, recovery losses, and working capital.
- NEPRA approved a tariff of PKR 39.98/KWh for KE, compared to the utility's requested ~PKR 44/KWh.
- NEPRA determined a USD based RoE of 14% for generation and distribution, and 12% for transmission, while D/E allowed at 70:30.
- The cost of debt for local loans is capped at KIBOR + 2%, while foreign loans are capped at SOFR + 4.5%.
- For FY24, Transmission Loss was allowed at the actual level of 0.75%, while Distribution Loss was allowed at 13.90%.
- The recovery loss trajectory is permitted to improve from 6.75% in FY24 to 3.5% by FY30.
- The management revealed that KE's AT&C losses have declined from 43% in FY09 to 21% in FY23, resulting in annual savings of PKR 164bn for the Government of Pakistan.

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- KE’s reliance on expensive RLNG due to non-provision of local gas has led to elevated EPP levels, with local gas provision expected to reduce KE’s EPP to PKR 11.92/KWh.
- Management disclosed that, unlike CPPA-G, KE does not have access to lower-cost nuclear and hydel-based generation, which leads to higher generation costs of KE.
- The addition of KKI and Dhabeji grids is expected to potentially increase NTDC offtake to 2,000 MW.
- NEPRA approved KE’s PKR 392.29bn investment plan to modernize and expand its T&D network. KE has filed for review of the investment plan.
- KE is advancing plans to transition 30% of its generation to renewables by 2030. Competitive bidding for 640MW of renewable projects has been completed.
- Units sent out decreased by 2.6% YoY to 17,886 GWh in FY24. T&D losses rose by 70bps, reaching 16.0% in FY24. Meanwhile, generation efficiency improved to 45.9% in FY24, up from 42.2% in FY23. However, the recovery ratio declined to 91.5% in FY24, compared to 93.3% in FY23.
- Units sent out increased by 1.0% YoY to 12,872 GWh in 9MFY25. T&D losses rose by 60bps, reaching 14.4% in 9MFY25. Meanwhile, generation efficiency improved to 46.6% in 9MFY25, up from 46.4% in 9MFY24. However, the recovery ratio declined to 90.6% in 9MFY25, compared to 92.5% in 9MFY24.
- Management disclosed that the efficiency of BQPS-III is 59.7%.
- When asked about future expansion, KE management stated they are open to acquiring other DISCOS if privatization proceeds.

Exhibit: Summary of Determined Tariff	
Component	PKR/KWh
Energy Purchase Price (EPP)	19.20
Capacity Purchase Price (CPP)	12.76
Distribution Charges	3.31
Transmission Charges	2.86
Supply Charges	2.29
Prior Year Adjustment	(0.44)
Total	39.98
Source (s): Analyst Briefing Presentation, AHL Research	

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