



Fuel Adjustment Clause

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Introduction

- In the beginning of 2008, the fuel price used on electricity generation became depending on international Fuel price.
- Year 2009 witnessed a fluctuation in fuel price (UP & Down) which led to the fluctuation in production costs of the electricity.
- in spite of this ERC keen to control the tariff without decide any increase in tariff during 2009.



Introduction..... Cont.

- In stead of increasing in tariff, ERC adopt
A concept of {Fuel Adjustment Clause
Concept } in order to absorb any increase
which may occur in future .This concept will
use to compensate the consumers in case of
any decreasing in fuel adjustment price.



The need of Fuel Adjustment Clause Concept

- The need of this concept has raised due to the huge losses Incurred by the Governmental national electricity power company (NEPCO) which consider the single Buyer.
- The Government Revoked the additional tax (fils/KWh) and ERC with full cooperation with ministry of finance and decided to add this fils to the tariff.

First :- Assumption

1. Adopting 2010 dispatch (sent out Energy from GEN. To TRANS which equal 14604 GWh .

2. Fuel prices and Quantities as follow :-

Diesel	HFO
Fils/ liter	JD/Ton
589	389

Diesel	HFO
Thousand M ³	Thousand Ton
5.4	300

* Plants which burning NG has a constant price writhen an 20 yrs agreement



Fuel Adjustment Clause Methodology

- Fuel Adjustment Clause is calculated every 3 months (Jan, Feb, and March) in the end of April since Fuel prices for these months became actual and so the difference between assumed cost and the actual cost is available.
- The new figure we have will be divided on the forecasted sales for the months (May, June and July) and the result will be fils/KWh.
- This amount will be compensated by final consumers transferring via reflecting it on the consumers bills as Fuel Adjustment Clause (plus or minus).



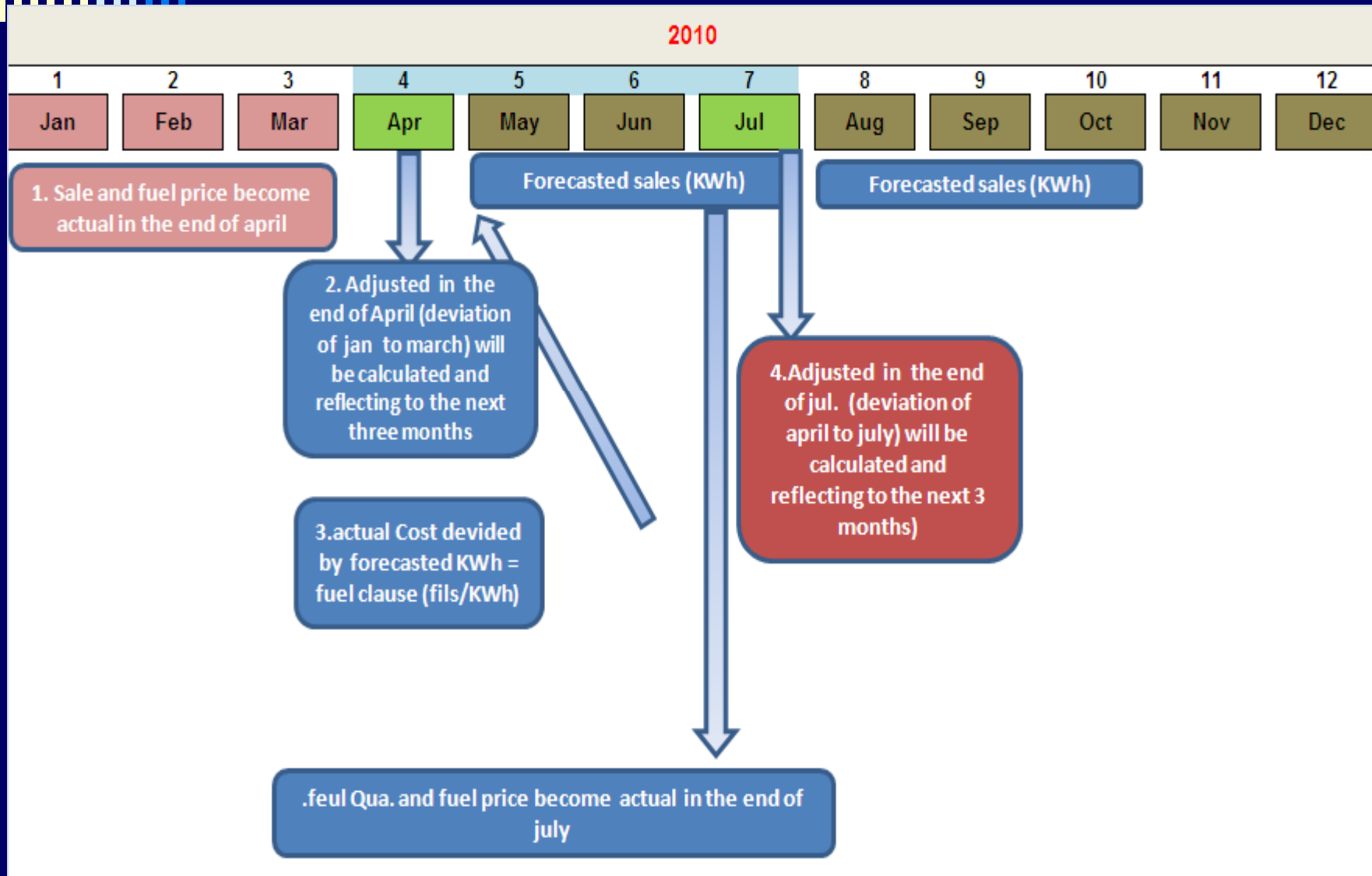
Fuel Adjustment Clause Methodology Cont

- Then , In the end of July we calculate the **Fuel Adjustment Clause for the months (April, may, June)** as a result of becoming **Fuel prices and Quantities KWh** for these months **is actual** .
- Then we calculate the difference between the assumed cost and actual cost (in millions JD), and then divided it by forecasted sales of electric power (KWh) of the month following the month in which was the treatment (july), and these months are **(Aug. September, October)** and so this amount (Fils /KWh) will be shown on the final consumers bills as fuel clause (plus or minus).



Fuel Clause Methodology Cont

- And thus have been addressing the differences of the month from Jan to June).
- At the end of OCT. we calculate the Fuel Clause for the months (July, Aug, and Sept). as a result of becoming Fuel prices and Quantities **KWh** for these months is actual.
- And then we divided the amount we have **MJD** on the forecasted sales to the month and the result will be a **(fils/KWh)** . and so on





Example:

The sent out energy of power (GWh) from station burning HFO and LFO from January to March 2010 is expected to reach about, 313.3 GWh as follows:

- HFO : 311.2 GWh . About 95 thousand tons of HFO.
- LFO : 2.1 GWh About 0.9 thousand M³ of LFO.

The expected prices was built on a study of existing tariff for the period (2010-2011) shown in the following table

EXPECTED FUEL PRICES							
		JAN		FEB		MAR	
		1 ST half	2 ND half	1 ST half	2 ND half	1 ST half	2 ND half
HFO	JD/TON	380.0	380.0	380.0	380.0	380.0	380.0
LFO	FILS/LITER	589.0	589.0	589.0	589.0	589.0	589.0

- The **expected cost** by tariff adopted in 2010 :

		JAN			FEB			MAR			TOTAL
		1 ST half	2 ND half	TOTAL	1 ST half	2 ND half	TOTAL	1 ST half	2 ND half	TOTAL	
HFO	MJD	8.3	8.3	16.5	5.8	5.8	11.5	4.0	4.0	8.1	36.1
LFO	MJD	0.1	0.1	0.2	0.0	0.0	0.0	0.2	0.2	0.3	0.5
TOTAL	MJD	8.4	8.4	16.7	5.8	5.8	11.5	4.2	4.2	8.4	36.6

Acutal Fuel prices set by government

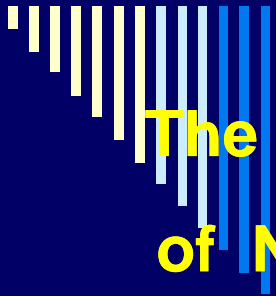
		JAN		FEB		MAR	
		1 ST half	2 ND half	1 ST half	2 ND half	1 ST half	2 ND half
HFO	JD/TON	370.3	379.1	379.1	363.9	363.9	367.7
LFO	FILS/LITER	445.0	455.0	455.0	435.0	435.0	465.0

The actual cost -

		JAN			FEB			MAR			TOTAL
		1 ST half	2 ND half	TOTAL	1 ST half	2 ND half	TOTAL	1 ST half	2 ND half	TOTAL	
HFO	MJD	8.0	8.2	16.3	5.7	5.5	11.3	3.9	4.0	7.9	35.4
LFO	MJD	0.1	0.1	0.2	0.0	0.0	0.0	0.1	0.1	0.2	0.4
TOTAL	MJD	8.1	8.3	16.4	5.7	5.5	11.3	4.0	4.1	8.1	35.8

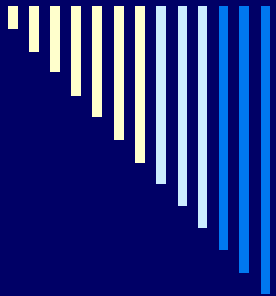
The Difference -

		JAN			FEB			MAR			TOTAL
		1 ST half	2 ND half	TOTAL	1 ST half	2 ND half	TOTAL	1 ST half	2 ND half	TOTAL	
HFO	JD	0.21	0.02	0.23	0.01	0.24	0.26	0.17	0.01	0.18	0.67
LFO	JD	0.02	0.02	0.05	0.00	0.00	0.00	0.04	0.04	0.08	0.13
TOTAL	JD	0.23	0.04	0.28	0.01	0.24	0.26	0.21	0.05	0.26	0.80



The amount of **0.80** million JD will be for the benefit of **NEPCO** (the expected cost still less than the actual) and will assume that this sum would be negative (only for the purposes of the study) and will therefore be absorbed from the final **consumers** through the bills coming months, as follows:

- expected sale for (may - july 2010) is 3142 GWh.
- $0.8 / 3142 = 0.23$ fils/kwh and this will be absorbed by final consumer from the same months (may to july) .



Thank you

