



National Electric Power Regulatory Authority
Islamic Republic of Pakistan

2nd Floor, OPF building, G-5/2, Islamabad
Ph: 9206500,9207200, Fax : 9210215
E-mail: registrar@nepra.org.pk

Registrar

No. NEPRA/R/TRF-158/IESCO-2010/2081-2083
March 24, 2011

Subject: Decision of the Authority with respect to Motion for Leave for Review filed under Rule 16(6) of NEPRA (Tariff Standards and Procedure) Rules, 1998 by Islamabad Electric Supply Company Ltd. against the Authority's Determination dated 15th December, 2010 [Case # NEPRA/TRF-158/IESCO-2010 1st Quarter]

Dear Sir,

Enclosed please find herewith the Decision of the Authority (03 pages) in the matter of Motion for Leave for Review filed by Islamabad Electric Supply Company Ltd. (IESCO) against the Authority's Determination dated 15.12.2010 pertaining to the 1st Quarter (July-September) of FY 2010-11 in respect of IESCO in Case No. NEPRA/TRF-158/IESCO-2010 1st Quarter, for information please.

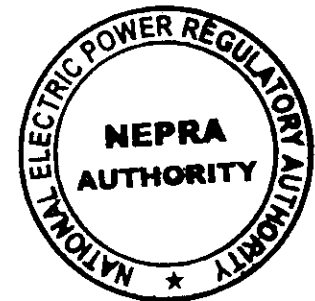
Encl: As above

(Syed Safer Hussain)

Secretary
Ministry of Water & Power
'A' Block, Pak Secretariat
Islamabad

CC:

1. Secretary, Cabinet Division, Cabinet Secretariat, Islamabad.
2. Secretary, Ministry of Finance, Islamabad.



Decision of the Authority with respect to Motion for Leave for Review filed under Rule 16 (6) of NEPRA Tariff (Standards and Procedures) Rules , 1998 by Islamabad Electric Supply Company Limited (IESCO) against the Authority's determination dated 15th December , 2010.

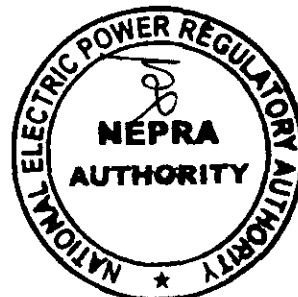
1. Islamabad Electric Supply Company (hereinafter referred as "Petitioner"), being a distribution licensee of NEPRA had filed a tariff petition on 10th May, 2010 for determination of its consumer-end tariff for the First Quarter of FY 2010-11, which was processed by NEPRA and decided vide determination dated 15th December, 2010.

2. IESCO has now filed the subject motion for leave for review against the determination dated 15th December, 2010. It has been requested inter-alia by IESCO to revise the annual target for losses from 9.5% to 9.8% on the ground that the actual losses for first five months of FY- 2010-11 are almost at par with the corresponding period of last FY 2009-10, therefore, it is not possible for petitioner to achieve the requisite target. IESCO also requested to revise the target of O&M expenses at Rs. 4,950 Million as against the set target of Rs. 4,491 Million, allegedly due to additional expenses likely to be incurred on account of raise in salary and allowance announced by the Government of Pakistan, one annual increment, honoraria and advertisement charges.

3. As per rule 16(6) of the NEPRA (Tariff Standards and Procedure) Rules, 1998 read with regulation 3(2) of the NEPRA (Review Procedure) Regulations, 2009, a motion for leave for review is competent only upon discovery of new and important matter of evidence or on account of some mistake or error apparent on the face of record. With a view to examine the maintainability or otherwise of the motion for leave for review and also its merits, the Authority considered it just and appropriate to provide an opportunity of hearing to the parties which was accordingly held on 9th February, 2011.

4. At the time of hearing, the representatives of petitioner were heard and record perused by the Authority.

5. Having considered the contentions of petitioner on account of re-assessment of T&D losses for the FY 2010-11, it is observed that the Petitioner failed to provide any additional or new evidence in support of its reconsideration request. The Authority in its determination dated 15th December, 2010 at para 5.5 has clearly given its rationale of assessment of the costs sought to be reviewed by petitioner. During the hearing, the Representatives of the



Petitioner pleaded that since the determination was issued in December 2010, for the period starting from July 2010– June 2011, it based all its planning on the actual T&D losses achieved during the FY 2009-10. The Petitioner justified its stance by comparing the actual T&D losses for the last seven months of the FY 2010-11 with the corresponding period of last financial year and tried to prove that the assessed target of 9.50% for the FY 2010-11, is very difficult to achieve at this point of time. The Authority considers that the comparison presented by the Petitioner and its consequent conclusion of non achievement of T&D losses target, is very premature at this point of time, keeping in view the seasonal effect of any DISCO's sales. The Authority has assessed the T&D losses target for the whole FY 2010-11 and the comparison pertains to only last seven months of the FY 2010-11. As far as the reasonability of the assessment is concerned, the Authority has assessed T&D losses target of 9.50% for the FY 2010-11, against the actual results of 9.8%, achieved during the FY 2009-10, thus giving an efficiency target of 0.3% to be achieved during the whole financial year, on the basis of efficiency that a DISCO must achieve based on the amount of investments already incurred by the Petitioner with respect to the up gradation and improvement in its existing system.

6. As far as the re-assessment of O&M cost due to increases announced by the GOP, the Authority in its determination dated 15th December, while making assessment of the said costs has taken into consideration the aforementioned increase. Para 5.8.2.3 & para 5.8.4.1 of the Authority's determination dated 15th December, 2010 clarifies that the assessment for the FY 2010-11 has been arrived at after accounting for the increases with respect to GOP's 50% increase , annual increment and revision of daily allowances rates. On the issue of honoraria, the Authority is of the view that bonus and honoraria are awarded on the better performance of the employees after the approval of Board of Directors (BOD) of a company. If the Petitioner's BOD considers payment of any such incentive for its employees, the same should be done out of the profits or through the reserves of the company and the relevant burden cannot be passed on to the consumers of electricity.

7. On the issue of advertisement charges the Authority's determination dated 15th December, 2010 at para. 5.8.6, clearly mentioned that while assessing Other expenses it has also included advertisement and publicity expense. During the hearing, the Petitioner pleaded that the amount requested under the head of advertisement has been allocated to it centrally by PEPCO and the basis of allocation are not clear. Yet the Petitioner emphasized the benefits achieved through this publication. The Authority considers that a reasonable level of this cost is already allowed to the Petitioner for the FY 2010-11. If the Petitioner feels that PEPCO has allocated a cost over and above to what Authority has allowed, without giving any basis of allocation, then the matter should be taken up with the relevant quarters.


8. In terms of regulation 3(2) of the NEPRA (Review Procedure) Regulations, 2009, a motion seeking of review of any order of the Authority is competent only upon discovery of new and important matter of evidence or on account of some mistake or error apparent on the face of record. After going through the record and hearing the petitioner, it has been established that the petitioner has failed to point out any error or omission in the impugned determination and it also failed to produce any new and important matter of evidence. The





points raised in the motion for leave for review stood already addressed in the impugned determination. Therefore, the Authority is convinced that the review would not result in the withdrawal or modification of its determination.

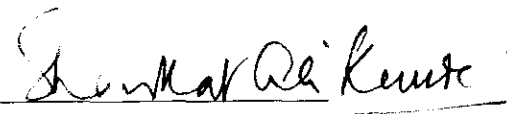
9. For the foregoing reasons, the motion seeking leave for review of the determination dated 15th of December, 2010 is held to be without any merits and the same is declined accordingly.

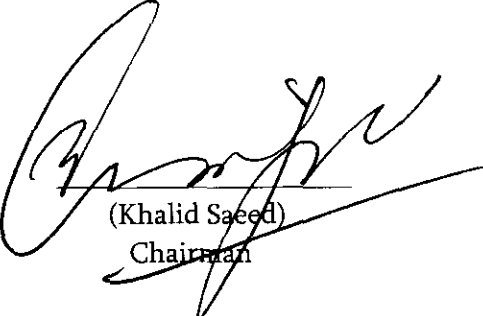
AUTHORITY


(Zafar Ali Khan)
Member
14/3/11


(Maqbool Ahmad Khawaja)
Member


(Ghiasuddin Ahmed)
Member
15/3


(Shaukat Ali Kundi)
Vice Chairman
21.03.2011


(Khalid Saeed)
Chairman

