

F.No Tariff/XWDISCOs 2018-19/FCA-II

Government of Pakistan  
Ministry of Energy  
(Power Division)

Power Policy and Finance Wing

TARIFF (DEPARTMENT)

Dir (T-I)..... Dir (T-II).....  
Dir (T-III)..... Dir (T-IV).....  
Dir (T-V)..... Addl. Dir (RE).....  
Date: 17-02-2023

For info and further in a PI

1 DG (M&E)	2 DG (Licencing)
3 DG (CAD)	4 DG (Admn/HR)
5 ADG (Trf)	6 ADG (Legal)
7 Dir (Finance)	8 Dir (Technical)
9 LA	10 ALA
10 Consultant	12 Consultant
13 Addl. Dir (IT)	14 Master File

AC: 1/Chairman  
2/Member (Technical)  
3/Member (Licencing) 4/Member (Tariff & Finance)  
5/Member (Law)

Dated: February 16, 2023

The Registrar NEPRA  
NEPRA Tower Ataturk Avenue (East),  
Sector G-5/1, Islamabad.

Subject: FEDERAL GOVERNMENT MOTION WITH RESPECT TO RECOMMENDATION OF CONSUMER END TARIFF FOR XWDISCOs AND K-ELECTRIC, UNDER SECTION 31 OF THE REGULATION, GENERATION, TRANSMISSION AND DISTRIBUTION OF ELECTRIC POWER ACT, 1997 (THE ACT) READ WITH RULE 17 OF THE NEPRA TARIFF (STANDARDS AND PROCEDURES) RULES, 1998 (THE RULES)

Please refer to the subject and to the Decision of the Authority with respect to recommendation of the consumer-end tariff dated July 22, 2022, intimated to the Federal Government for notification under section 31 (7) of the Act and duly notified by the Federal Government vide SROs 1165 to 1175 dated July 25, 2022.

2. National Electricity Policy, 2021 (the Policy) approved by the Council of Common Interest provides under Clause 5.6.1 that 'financial sustainability of the sector is premised on the recovery of full cost of service, to the extent feasible, through an efficient tariff structure, which ensures sufficient liquidity in the sector' and vide Clause 5.6.4 it states that 'in due course, financial self-sustainability will eliminate the need for Government subsidies (except for any subsidies for lifeline, industry or agriculture consumers, as per prevailing Government considerations)'.  
3. Section 31 of the Act provides that "Notwithstanding anything contained in this Act and in addition to the tariff, rates and charges notified under sub-sections (7) and this sub-section, each electric power supplier shall collect such surcharges from any or all categories of consumers, as the Federal Government may charge and notify in the official Gazette from time to time, in respect of each unit of electric power sold to any or all categories of consumers and deposit the amount so collected in such manner as may be prescribed. The amount of such surcharges shall be deemed as a cost incurred by the electric power supplier and included in the tariff notified under sub-section (7):  
Provided that such surcharges shall be levied for the following purposes, namely: —  
(a) funding of any public sector project of public importance to the extent decided by the Federal Government; and  
(b) fulfilment of any financial obligation of the Federal Government with respect to electric power services to the extent decided by the Federal Government.

Tariff Division Record  
By No. 1094  
Dated: 17-2-23

REGISTRATION NO.  
Diary No. 1824  
Date: 12-2-2023

4. The Federal Government envisaged arrangements whereby GoP guaranteed finance facilities have been executed through Power Holding Limited (PHL) for the funding the power sector payables. Out of the total outstanding finance facilities of Rs. 800.253 billion, as of 30-06-2022, servicing of loans amounting to Rs. 246.384 billion is being managed by imposing Financing Cost (FC) surcharge levied @ Rs. 0.43/kWh under section 31 of the Act notified vide SROs 374-383(I)/2018 dated March 22, 2018, as modified from time to time. This FC Surcharge @ Rs 0.43 /kWh is not sufficient to cover markup charges of total PHL loans.

5. The mark up of remaining loans is being paid from revenue collected through electricity sales and the same constrains the essential fuel and debt payments to the suppliers. Concerning the issue, Economic Coordination Committee (ECC) of the Cabinet, vide its decision in Case No. ECC-44/06/2023 dated 10<sup>th</sup> February 2023, duly ratified by the Cabinet vide Case No. 98/Rule-19/2023 dated 14<sup>th</sup> February 2023, approved the additional surcharge of Rs. 3.39/unit to be recovered for period from Mar to Jun 2023 as per **Annex-I** to cover the markup charges of PHL loans not covered through already applicable FC surcharge @ 0.43/kWh for FY 2022-23, total surcharge becomes Rs. 3.82/kWh for the said period and for FY 2023-24, additional surcharge of Rs. 3.39/unit be reduced to Rs. 1/unit as per **Annex-I** to cover the additional markup charges of PHL loans not covered through already applicable FC surcharge @ 0.43/kWh the total surcharge becomes Rs. 1.43/unit for FY 2023-24. It was also decided that the same be submitted to the Authority for incorporation of the above-mentioned surcharges i.e., Rs. 3.82/kWh and Rs. 1.43/kWh for four months of FY-23 and FY-24 respectively, in the latest Schedule of Tariffs of XWDISCOs. The surcharge so collected is within ten percent of the aggregate revenue requirement of all electric power suppliers, engaged in supply of electric power to end consumers, as determined by the Authority.

6. Once considered and approved, the same will lead to determination of revised uniform tariff, in terms of section 31 of the Act, for notification by the Federal Government to the extent of modification of existing determined notified rate (inclusive of subsidy/tariff rationalization surcharge) in SROs 182 to 191 (I)/2021 dated February 12, 2021, as amended vide SROs 1280 to 1289 (I)/2021 dated October 01, 2021, SROs 1419 to 1428 (I)/2021 dated November 05, 2021, and SROs 1165 to 1174 dated July 25, 2022.


7. Further, in accordance with clause 5.6.3 of the Policy, the Government may maintain a uniform consumer-end tariff for K-Electric and state-owned distribution companies (even after privatization) through incorporation of direct / indirect subsidies. Accordingly, KE applicable uniform variable charge is required to be modified to recover the revenue requirements of KE determined by NEPRA (inclusive of quarterly adjustments) keeping in view the proposed targeted subsidy and cross subsidies, which will also be consistent with the surcharge approved for XWDISCOs (**Annex-I**). The same has been approved by the Federal Government and it was decided that the same be submitted to the Authority for consideration in terms of the provisions of section 31 of the Act. Once considered and approved, the same will also lead to issuance of a separate Schedule of Tariff for K-Electric after incorporating the above surcharges for notification by the Federal Government in the official gazette by way of modification in SRO Nos. 575 (I)/2019 as modified from time to time.

8. In light of the above, instant Motion is being filed by the Federal Government with respect to Consumer End Tariff Recommendations of XWDISCOs under section 31 of the Act read with Rule 16 and 17 of the Rules so as to reconsider and issue:

a) the revised uniform schedule of tariff of XWDISCOs, by incorporating above surcharges, to be notified in official gazette by way of modification / amendments in SROs 182 to 191 (I)/2021 dated February 12, 2021, as amended vide SROs 1280 to 1289 (I)/2021 dated October 01, 2021, SROs 1419 to 1428 (I)/2021 dated November 05, 2021, and SROs 1165 to 1174 dated July 25, 2022.

b) separate revised SoT for K-Electric after incorporating the above surcharges, to be notified in the official gazette by way of modification in SRO No. 575(1)/2019 as modified from time to time, on the same pattern of XWDISCOs.

9. That for the purposes of this motion it is requested that a hearing opportunity be provided for detailed submissions including session with the technical professional team of the Authority prior to hearing. Further, additional grounds may also be presented subsequently.

  
(Syed Mateen Ahmed)  
Addl,Dir/SO (Tariff)

<b>Additional Surcharge for PHL Markup</b>
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	FY 2022-23			FY 2023-24				
	Existing Surcharge	Increase in Mar-Jun	Total Surcharge Mar-Jun	Existing Surcharge	Surcharge for Jul-Oct	Total Surcharge Jul-Oct	Surcharge for Nov-Jun	Total Surcharge Nov-Jun
	Rs/kWh	Rs/kWh	Rs/kWh	Rs/kWh	Rs/kWh	Rs/kWh	Rs/kWh	Rs/kWh
Lifeline	-	-	-	-	-	-	-	-
Protected (000 - 200)	0.43	-	0.43	0.43	-	0.43	-	0.43
Non-protected (000 - 200)	0.43	-	0.43	0.43	-	0.43	1.00	1.43
Non-protected (201-300)	0.43	-	0.43	0.43	-	0.43	1.00	1.43
Non-protected > 300 & ToU	0.43	3.39	3.82	0.43	1.00	1.43	1.00	1.43
Commercial	0.43	3.39	3.82	0.43	1.00	1.43	1.00	1.43
General Services	0.43	3.39	3.82	0.43	1.00	1.43	1.00	1.43
Industrial	0.43	3.39	3.82	0.43	1.00	1.43	1.00	1.43
Bulk	0.43	3.39	3.82	0.43	1.00	1.43	1.00	1.43
Agricultural Tube-wells	0.43	-	0.43	0.43	-	0.43	1.00	1.43
Others	0.43	3.39	3.82	0.43	1.00	1.43	1.00	1.43