

Office of the, Chief Executive Officer, MEPCO Multan
Ph#061-9220120 Ext@2075) E-mail: dgmiradmepeco@gmail.com

No.CE/MEPCO/DG(MIRAD)/ 1647-53

Dated: 02-10-2023

The Registrar,
National Electric Power Regulatory Authority (NEPRA),
NEPRA Tower, Attaturk Avenue (East), G5/1,
Islamabad.

F/A

Sub: PETITION FOR DETERMINATION OF USE OF SYSTEM CHARGES (UoSC).

In pursuance of Regulation 7 of NEPRA Open Access (Interconnection and wheeling of Electric Power) Regulations, 2022 whereby, a distribution company shall prepare and submit a separate petition to the honorable Authority for its use of system charges (Annex-1), we are pleased to submit attached herewith Use of System Charges Petition for kind consideration and approval of Authority. It may kindly be noted that the instant petition includes Cost of Service Charges Study of MEPCO (FY 2022-23) as Annex-2, thereto forming fundamental basis for the instant petition.

For any clarification or additional information or any other matter relating to the said petition Engr. Muhammad Sohail Ahmad (Director General MIRAD) MEPCO (03028266424; email: dgmirad@mepeco.com.pk) is designated as focal person.

DA/as above

Chief Executive Officer
MEPCO H/Q Multan

Copy to:-

1. DG MIRAD, MEPCO for information.
2. Finance Director MEPCO for information.
3. GM (Tech.) MEPCO for information.
4. GM (Op.) MEPCO for information.
5. GM (CS) MEPCO for information.
6. Director Legal MEPCO for information.
7. Master File.

Forwarded please:	
<input checked="" type="checkbox"/> For nec action	<input type="checkbox"/> for information
1. DG (Lic.)	2. DG (Admn./HR)
3. DG (M&E)	4. DG (CAD)
5. DG (Trf.)	6. Dir. (Fin.)
7. Dir. (Tech.)	8. Consultant
9. LA	10. Dir. (IT)

For kind information please

Chairman	2. M (Tech.)
3. M (Lic.)	4. M (Trf. & Fin)
5. M (Law)	

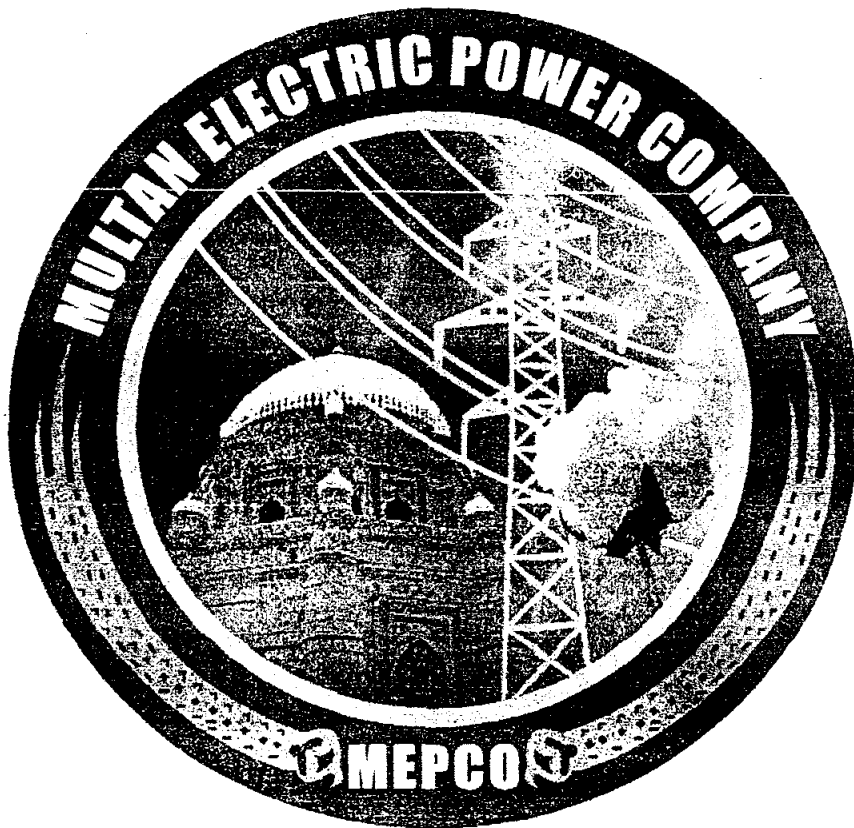
Di (RO)

MEPCO USE OF SYSTEM CHARGES PETITION FOR THE FY 2023-24

SUBMITTED BY

MULTAN ELECTRIC POWER COMPANY (MEPCO) AS SUPPLIER OF LAST RESORT

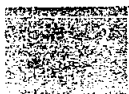
IN COMPLIANCE OF NATIONAL ELECTRICITY POLICY (NE POLICY) READ WITH
REGULATION 7 OF NEPRA OPEN ACCESS (INTERCONNECTION AND WHEELING
OF ELECTRIC POWER) REGULATIONS, 2022 ("OPEN ACCESS REGULATIONS")



Q l u L

Table of Contents

1. BACKGROUND.....	3
1.1 ABOUT THE PETITIONER MEPCO:.....	3
1.2 PETITIONER MEPCO LICENSE DETAILS:	3
2. OBLIGATION & RATIONALE FOR PETITION:	3
2.1 DIRECTIONS IN NATIONAL ELECTRICITY POLICY:.....	3
2.2 LEGAL AND REGULATORY FRAMEWORK:.....	5
3. TECHNICAL AND FINANCIAL ATTRIBUTES:	7
4. BASIS OF USE OF SYSTEM CHARGES:	8
4.1 METHODOLOGY FOR RECOVERY OF USE OF SYSTEM CHARGES:.....	9
4.2 MECHANISM FOR ADJUSTMENT/INDEXATION OF USE OF SYSTEM CHARGES:.....	9
4.3 APPLICABLE CATEGORIES OF ELIGIBLE BPCS UNDER EXISTING TARIFF REGIME:.....	10
5. OTHER IMPORTANT CONSIDERATIONS IN INSTANT PETITION:	11
5.1 CAPTIVE POWER PRODUCERS AND USERS:.....	11
5.2 APPLICABILITY OF STRANDED CAPACITY COSTS:.....	12
5.3 APPLICABILITY OF USE OF SYSTEM CHARGES FOR NEW ELIGIBLE BPCS:.....	12
6. PRAYER OF MEPCO AS PETITIONER:	12



2 u L N

1. BACKGROUND

1.1 ABOUT THE PETITIONER MEPCO:

Multan Electric Power Company (MEPCO) was incorporated on 14th May 1998 in line with Government policy of unbundling and corporatization of Pakistan power sector. MEPCO is responsible for the electricity delivery to over 7.6 million consumers of **13 administrative districts of southern Punjab** i.e. Multan, Muzaffargarh, Layyah, D.G. Khan, Rajanpur, Lodhran, Bahawalpur, R.Y. Khan, Khanewal, Sahiwal, Pakpattan, Vehari and Bahawalnagar, Pakistan as set out in MEPCO's Distribution License no. 06/DL/2002, granted by NEPRA under the NEPRA Act on April 25, 2002 as a result of the restructuring of WAPDA's Power Wing, MEPCO assumed its official operations and since then being headed by a Chief Executive Officer (CEO) and MEPCO Board of Directors.

1.2 PETITIONER MEPCO LICENSE DETAILS:

Under the provisions of Regulation of Generation, Transmission & Distribution of Electric Power (Amendment) Act, 2018, MEPCO is deemed to hold a "Power Supply" License to perform the function of sale of electric power in addition to existing licensee as Distribution Company. The Distribution function now shall, under Section 20, be limited to ownership, operation, management or control of distribution facilities for the movement or delivery to consumers of electric power. After the approval of Competitive Trading and Bilateral Contracts Market (CTBCM) by the honorable Authority on November 12, 2020 (No. NEPRA RJDL/LAM-01/40691-98) several implementation actions were taken. This included issuance of License for the Market Operator (MO) promulgation of several Regulations to ensure smooth implementation of CTBCM and create balance in roles, rights and obligations of the stakeholders in the CTBCM.

2. OBLIGATION & RATIONALE FOR PETITION:

Pursuant to the relevant directions of National Electricity Policy (NE Policy) read with regulation 7 of NEPRA Open Access (Interconnection and Wheeling of Electric Power) Regulations, 2022 ("Open Access Regulations"), following are the grounds for petition for determination of use of system charges:

- a) In compliance with the Clause 4.4, Clause 5.5.2(f), Clause 5.5.2(g), Clause 5.5.4 and Clause 5.6.5 of NE Policy and
- b) In compliance with the regulation 7 Open Access Regulations, each distribution licensee, in consultation with the respective supplier of last resort shall, within ninety days following the date of notification of Open Access Regulation, submit separate petition to the Authority for determination of use of system charges.

2.1 DIRECTIONS IN NATIONAL ELECTRICITY POLICY:



1. The National Electricity Policy, 2021 issued under Section 14A of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (The Act) was prepared by the the Government of Pakistan for the development, reform, improvement and sustainability of the power market and power sector.
2. The National Electricity Policy identifies the major goals sought to be achieved for the power sector, and in this respect, provides policy directions. It also provides the key guiding principles to develop subservient frameworks that will steer the decisionmaking in the power sector to achieve identified goals.
3. Various sections of the said National Electricity Policy, 2021, as relevant to the instant case, are provided in the below lines.
4. **Clause 4.4 (Financial Viability)** of the National Electricity Policy provides that sustainability of the entire power sector pivots around the financial and commercial viability of its individual sub-sectors. This will be done by:
 5. promoting investments on least cost basis balanced with development in the underserved areas;
 6. having cost-reflective tariffs in transmission and distribution, to the extent feasible;
 7. timely passing of costs to the consumers, while netting off any subsidies funded by the Government; and
 8. recovery of costs arising on account of open access, distributed generation, etc.
9. **Clause 5.5.2(f) of National Electricity Policy also provides:**
 - a. "providing a level playing field to all market participants through uniform application of cross-subsidization and other grid charges to consumers of all suppliers;
10. **Clause 5.5.2(g) of National Electricity Policy also provides:**
 - a. "the Government shall take a decision on the recovery of costs that arise due to advent of the open access and market liberalization;"
11. **Clause 5.5.4 of National Electricity Policy further directs:**
 - a. "In order to ensure implementation of wholesale market design and its further evolution, the Regulator shall in a timely manner frame, modify and evolve regulatory framework for, inter alia, supply, procurement, open access / wheeling, competitive bidding, import of power, and ensure effective market monitoring and enforcement. Provided that after implementation of CTBCM, every transmission licensee and distribution licensee shall offer, to all market participants, non-discriminatory open access / wheeling to its respective transmission or distribution system and interconnection services in accordance with CTBCM on the terms determined under the policy and legal framework."
12. **As per Clause 5.6.5 of National Electricity Policy stipulates:**
 - a. "The Regulator, in order to ensure liquidity of the power sector, provides a level playing field for the development of wholesale market and to facilitate



20/1/22

prudent projects of the Government, may impose additional charge(s) which shall be deemed to be costs incurred by the distribution companies / electric power supplier(s). Such additional charge may take into account the sustainability, socio-economic objectives and commercial viability of the sector, affordability for the consumers and the policy of uniform tariff. Similarly, the Government may also incorporate, in the consumer-end tariff, any surcharge imposed by it, which shall also be deemed to be cost incurred by the distribution companies / electric power supplier(s) and shall be collected by them in discharge of their public service obligations."

2.2 LEGAL AND REGULATORY FRAMEWORK:

The approved design of Competitive Trading and Bilateral Contracting Market (CTBCM) provides the right of choice to the eligible Bulk Power Consumers (BPCs) to opt for any Supplier of Electric Power. The design, within the framework of the Act, also provides the concept of Competitive Supplier of Electric Power besides the Supplier of Last Resort, for the purposes of said right of choice to the BPCs within the said wholesale market design.

As directed in Clause 5.5.4 of the said National Electricity Policy, 2021, the honorable Authority promulgated / specified several Regulations to ensure effective implementation of the market regime in Pakistan. This included promulgation of National Electric Power Regulatory Authority Open Access (Interconnection and Wheeling of Electric Power) Regulations, 2022 ("Open Access Regulations").

For the purpose of this petition for determination of Use of System Charges in terms of mentioned Open Access Regulations, following terms as defined in the legal and regulatory framework are reproduced as below:

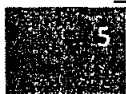
As per Section 2(ii) of the Act 1997 amended to date:

"bulk-power consumer" means a consumer who purchases or receives electric power, at one premises, in an amount of one megawatt or more or in such other amount and voltage level and with such other characteristics as the Authority may specify and the Authority may specify different amounts and voltage levels and with such other characteristics for different areas"

Important definitions provided in Regulation 2 of Open Access Regulations are provided below:

2(1)(m) "open access" means the access to a network licensee's system or its associated facilities for movement and delivery of electric power, subject to the terms and conditions as provided in the Act, these regulations and use of system agreement, on non-discriminatory basis to:

- a) an electric power supplier for supply of electric power to its consumer(s); or
- b) a captive generating plant for delivery of the electric power from generation facility to the destination of its use; or



2 u 5 ✓

- c) any other person, including a licensee for delivery of electric power from a designated place to another designated place;

2(1)(n) "open access user" means any person who is availing open access under these regulations; and

2(1)(r) "use of system charges" shall include all charges related to use of distribution system, use of transmission system, system operator services, market operator services, metering service provider services and any other charges as determined by the Authority that may arise due to advent of the open access and market liberalization.

Part-III (OPEN ACCESS) Regulation 5 (Obligation to provide open access) of Open Access Regulations is reproduced hereunder:

- i. A network licensee shall establish, operate and maintain its distribution system or transmission system, as the case may be, in a manner that ensure non-discriminatory open access in accordance with the Act, these regulations, Market Commercial Code, Grid Code, Distribution Code and other applicable documents.
- ii. A network licensee shall, on an annual basis, prepare an open access report demonstrating compliance with these regulations and licence terms and conditions, with the detail of its open access users, available and planned capacity, any issues identified in provision of open access, and any instances where open access was denied along with justification thereof. The said report shall also be made available on the website of the network licensee.
- iii. The report required under sub-regulation (2) shall be prepared and submitted to the Authority within a period of one month from the date of end of respective financial year and shall also be made available on the website of the network licensee.
- iv. The distribution company shall develop the use of system agreement in accordance with the minimum provisions provided in Schedule I within ninety days of the notification of these regulations and shall obtain the approval of the Authority and publish the same in its website.

Regulation 7 (Filing of petition and determination of use of system charges) of Open Access Regulations provides as under:

Within ninety days following the date of notification of these regulations, each distribution licensee, in consultation with the respective supplier of last resort, shall prepare and submit separate petition to the Authority for determination of its use of system charges. Such petition shall be accompanied with a statement which will set out the basis upon which the use of system charges shall be calculated in such manner and with such details as shall be necessary.

Regulation 8 (Wheeling of electric power) of Open Access Regulations states under:

An open access user shall be entitled to wheel electric power using system of network licensee subject to compliance with these regulations and the Market Commercial Code, upon coming into effect, and use of system agreement.



3. TECHNICAL AND FINANCIAL ATTRIBUTES:

Adjoining the purposes of CTBCM, directions of the National Electricity Policy, 2021 and stipulations of the legal and regulatory framework; following understandings are inferred:

1. The network licensee, the MEPCO for the purposes of instant petition, is obligated to provide open access to its network to the open access users on non-discriminatory basis.
2. For the said obligation, the MEPCO is entitled for recovery of use of system charges in line with use of system agreement, as determined by the honorable Authority.
3. The use of system charges shall include:
 - a. Transmission Use of System Charges (NTDC, PGC) irrespective of the placement of BPC and the respective generator.
 - b. System Operator Charges
 - c. Metering Service Provider Charges
 - d. Market Operator Charges
 - e. Distribution Margin Charges w.r.t to the voltage level (132kV, 11kV etc) and consumer category wise for all possible BPC
 - f. Cross-Subsidy Charges (consumer category wise for all possible BPCs)
 - g. Stranded Cost/Capacity (consumer category wise for all possible BPCs)
 - h. Technical Transmission and Distribution Losses
4. With reference to the above elements of use of system charges, following clarification shall apply for clarity of application:
 - a. Currently applicable Transmission Use of System (TUoS) Charges, as already determined by the honorable Authority, compositely represent the charges relating to Transmission Network Operator(s)/Licensee(s), System Operator and Metering Service Provider. Accordingly, the said TUoS Charges remain part of use of system charges till separate charges for each of the said service providers are separately determined by the honorable Authority.
 - b. Market Operator Fee / Charges (MOF) will be recovered by Market Operator as per the mechanism provided in the Market Commercial Code. Accordingly, without prejudice to being part of Cost of Service of MEPCO, these shall not form part of use of system charges to be recovered directly by MEPCO
 - c. Cross subsidy will be assessed based on Cost of Service analysis for the applicable consumer categories of all possible BPCs, which is according to the principles of uniformity as provided in the National Electricity Policy (referred above).
 - d. Subject to the decision of the Government on the recovery of costs that arise due to advent of the open access and market liberalization, the Stranded Capacity Costs will include the use of system charges.
 - e. As the transmission and distribution losses will be charged to market participants of open access through the mechanism as explained in the Market Commercial Code, therefore, such charges shall not be levied under these use of system charges as requested under this instant petition.



Explanation

The use of system charges will be determined in terms of metered quantities (kWh or kW), in consideration of allowed %age of losses and also that arrangements under the Market Commercial Code the parties (the BPC, Competitive Supplier and/or Generator) shall be committing to the Capacity Obligation (including all losses and reserve margin up to bus-bar) through Firm Capacity, therefore, such transmission or distribution losses, as the case may be, will not be charged separately. However, for the purposes of transparency of charges, the impact of such losses may be separately disclosed.

- f. The use of system charges, including the Distribution Margin Charges, as requested by MEPCO and to the extent approved by Authority, will be applicable with reference to those eligible Bulk Power Consumers (BPCs) who opt for supply from a competitive supplier, other than supplier of last resort.
- g. The use of system charges shall be with reference to the voltage level (132/66 kV, 11/33 kV) for the applicable consumer categories of all possible BPCs. The component-wise Cost of Service as per outcome detailed Cost of Service Study (**Annex-2**) and consequent assessment, as detailed above, of component-wise Use of System Charges for the applicable BPCs is provided at **Annex – 1**.
- h. Power Factor Penalty as provided in applicable documents shall remain applicable in addition to the Use of System Charges.
- i. Any taxes and surcharges as imposed by the Government shall be applicable.

Summarizing the above, following is the abstract of entitled entities for each element of the use of system charges:

Sr. No.	Use of System Charge Element	Entitled Entity
1.	Transmission Use of System Charge	NTDC and other TSPs through NTDC/NGC.
2.	System Operator Charge / Fee	System Operator through NTDC.
3.	MSP Charge / Fee	MSP through NTDC
4.	Distribution Use of System Charge	MEPCO as Distribution Licensee
5.	Cross Subsidy	MEPCO as SOLR (Supply Licensee)
6.	Stranded Capacity Costs	MEPCO as SOLR (Supply Licensee)

4. BASIS OF USE OF SYSTEM CHARGES:

The instant petition for determination of use of system charges is framed under guidelines provided in the NEPRA Open Access (Interconnection and Wheeling of Electric Power) Regulations, 2022 considering Model year i.e. FY 2022-23 and Prior year i.e. FY 2021-22 as base year. The cost of service study was carried out by MEPCO for the eligible BPCs of



a v L v

different categories who want to opt for competitive supplier leaving SOLR and wanted to use wire business facilities of SOLR about the cost reflective tariff and cross subsidies as attached hereto Annex-1.

4.1 METHODOLOGY FOR RECOVERY OF USE OF SYSTEM CHARGES:

The instant petition is for determination of use of system charges for recovery of costs and charges relating to service providers (SO, TNO, TSP, DNO), stranded capacity costs and the cross-subsidy currently being contributed by the eligible BPCs. It is pertinent to mention that most, if not all, costs and charges are fixed in nature, the natural mode of recovery should be the fixed (in terms of Rs./kW/Month) charge. However, following options are available for consideration and determination:

1. Use of system charges recovery in term of Rs./kW/Month metered shall provide guaranteed stream of revenue to cover for costs which are fixed in nature. This may, however, over burden the relevant consumers thus undermining the very purpose of CTBCM and open access regime.
2. Use of system charges recovery in term of Rs./kWh will render the service providers and the SOLR to face the revenue loss arising from low load factor of the eligible BPCs. On the other hand the open access users shall be benefitted for any favorable Energy or Capacity Imbalance at the Market this option may not provide a balanced approach to promised sharing of risks and rewards under CTBCM regime.
3. Use of system charges recovery through a hybrid approach, i.e. partly through fixed charge in terms of Rs./kW/Month (subject to minimum MDI compared to the contracted load) and partly in terms of Rs./kWh may provide a balanced plausible approach for all the involved parties. It is submitted that, in order to ensure level playing field for consumers of SOLR and Competitive Supplier, the recovery of use of system charges may have same charging mechanism.

As already mentioned, **Annex-1** to this petition also include proposed rates to be charged under each of the Three (3) options narrated above.

It is, however, noted that the methodology and process as per FACOS model, for the purpose of allocation of demand (kW or MW) related costs, allocates single system peak demand (of MEPCO) to different categories to arrive at the allocation base. This allocation, irrespective of being rational, judicious and in line with international norms, results in less than actual (billable) MDIs of respective customers. Accordingly, taking the same MW demand as denominator for demand (MW) based rate making will result in higher per MW rates

4.2 MECHANISM FOR ADJUSTMENT/INDEXATION OF USE OF SYSTEM CHARGES:

Each component of use of system charges detailed in the instant petition shall be subject to periodic adjustment/indexations. Whenever these components are adjusted for regulated consumers of the suppliers of last resort, at the same time, the corresponding adjustment in

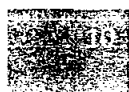
the relevant component of the proposed Use of System Charges for eligible BPCs shall simultaneously be made.

Note: It is further added that as per MEPCO understanding, losses on 132kV and 11kV caused by transportation of energy / capacity by generator / competitive supplier for providing supply to its BPCs shall be adjusted (units shall be credited to MEPCO) as per approved technical losses of MEPCO Network by NEPRA as discussed in section 5.2 & 5.3 of approved Market Commercial Code.

4.3 APPLICABLE CATEGORIES OF ELIGIBLE BPCS UNDER EXISTING TARIFF REGIME:

While, in terms of existing stipulation of the Act, a consumer who purchases or receives electric power, at one premises, in an amount of one megawatt or more is considered as Bulk Power Consumer, following position, with regard to consumer with one megawatt or more load at connection voltage 11 kV and above, is brought out for consideration:

Sr. No.	Consumption Category	Tariff Category	Voltage Level	Remarks
1.	General	A-2 & A-3	N/A	As per the existing tariffs, no kW sanctioned load quantification or connection voltage is applicable to A-2 and A-3 tariff categories. Accordingly, these are not considered BPC for the purposes of this petition. However, these customers, based on the sanctioned load, may be connected at 11 KV level, as required. Any such customer falling within the definition of BPC, and subject to the approval of the Authority, will be considered in the analogy of C2.
2.	Industrial Consumer ranging from 500 kW to 5 MW. [extendable to 7.5 MW under conditions]	B-3	11/33 kV	B 3 consumer ranges from 500 kW to 5 MW.[Extendable to 7.5 MW under conditions] It is clarified here that the consumers of this category below 1MW shall not be treated as eligible BPCs for CTBCM. The use of system charges indicated for B-3 category will apply in case of eligible BPC.
3.	Industrial	B-4	66/132 kV and above	The use of system charges for B-4 category of consumers are assessed in the analogy of B-3 adjusted with differential of allowed losses at 11/33 kV (B-3) and 66/132 kV (B-4)
4.	Bulk Supply Ranging from 500	C-2(b)	11/33 kV	Bulk Supply consumer ranges from 500 kW to 5 MW. [Extendable to 7.5



	kW to 5 MW. [extendable to 7.5 MW under conditions]			MW under conditions] Although the Bulk Supply C-2 customers are at 11/33 KV connection level. It is clarified here that the consumers of this category below 1MW shall not be treated as eligible BPCs for CTBCM. The use of system charges indicated for C-2 category will apply in case of BPC at one premises. Further, the consumers falling under the resale shall not be considered as eligible BPC.
5.	Bulk Supply	C-3(b)	66 kV and above	The use of system charges for C-3(b) category of consumers are assessed in the analogy of C-2(b) adjusted with differential of allowed losses at 11/33 kV (C-2) and 66/132 kV (C-3). The consumers falling under the resale shall not be considered as eligible BPC.
6.	Housing Colonies attached to Industries	H	N/A	As per the existing tariffs, no kW sanctioned load quantification or connection voltage is applicable to H tariff category. Further, these connections are resale in nature. Accordingly these are not considered BPC for the purposes of this petition.
7.	Azad Jammu & Kashmir	K	N/A	The supply feed for AJK customer category is more than 1 MW at 11 kV level. However, the same is primarily for resale purpose, therefore, not considered as BPC.

5. OTHER IMPORTANT CONSIDERATIONS IN INSTANT PETITION:

Following paragraphs of the petition highlights other important aspects which shall be taken into account while determining the said charges.

Government Subsidies

Any subsidy provided by the Government to the industrial or any other eligible BPC, as applicable, will be dealt with according to the directions and terms and conditions thereof as decided by the Government. However, for the purposes of this petition, such subsidies are not considered.

5.1 CAPTIVE POWER PRODUCERS AND USERS:

aur

1. A captive power producer / user using the MEPCO network for wheeling of power to user destination will be considered "Market Participant" in terms of Market Commercial Code and will be dealt with accordingly. The use of system charges, except the Cross-Subsidy and Stranded Capacity cost, shall fully apply.
2. The cases of captive generation and consumption points at the same location taking additional supply from the local supplier of last resort (SOLR) shall be considered a regulated consumer of the SOLR with applicable regulated tariff. The quantum of additional sanctioned / contracted load (in terms of MW) shall be considered to determine its status as BPC in terms of the Act.
3. In case, the BPC choose to opt for a competitive supplier leaving SOLR, the use of system charges shall apply in full.

5.2 APPLICABILITY OF STRANDED CAPACITY COSTS:

The costs arising on account of market liberalization and advent of open access shall be the capacity charges/stranded costs to be paid by all eligible BPCs of a competitive supplier as detailed in this instant petition and the amount of such capacity charges shall be the same as the total generation capacity charges recovered from the equally placed BPCs of the suppliers of last resort either in a volumetric form (kWh) and/or through fixed charges and such charges shall continue to be paid till such time as may be decided by the Federal Government as per the National Electricity Policy.

5.3 APPLICABILITY OF USE OF SYSTEM CHARGES FOR NEW ELIGIBLE BPCS:

The Use of System Charges provided in the instant petition shall be applicable to all such BPCs who will opt to avail supply of electric power from competitive supplier including the captive generator using the distribution or/and transmission network to wheel its power to the destination of its use. Such charges shall be fully applicable to any new eligible BPC or incremental consumption, obtaining supply of electric power from competitive supplier without any exception.

6. PRAYER OF MEPCO AS PETITIONER:

In view of the above submissions, it is humbly requested that the Authority may kindly consider and determine the Use of System Charges as calculated in the attached Annex-1, containing detailed analysis from eligible BPCs falling under different categories as stated above who want to avail supply of electric power from competitive suppliers leaving SOLR.



avv

Annex-I

Cost of Service & Proposed Use of System Charges

For Eligible BPC's (One MW & above at One Premises)

Cost Assessment Level	Cost of Service (Inclusive of Energy Loss Impact)				Cost of Service (Separated Energy Loss Impact)				PROPOSED Use of System Charges (Proposal-1)			
Consumption Category	Industrial				Industrial				Industrial B-3 (1 MW or More)			
Tariff Category	B-3				B-3							
Functional Cost Element	Variable	Fixed		Total	Variable	Fixed		Total	MDI Based	Volumetric	Hybrid	
	Rs./kWh	Rs./kW/ Month	Rs./kWh	Rs./kWh	Rs./kWh	Rs./kW/ Month	Rs./kWh	Rs./kWh	Rs./kW/ Month	Rs./kWh	Rs./kW/ Month	Rs./kWh
Generation Cost - Energy	7.485			7.485	6.778			6.778	443.93	0.707		0.707
Generation Cost - Capacity		6,929.15	9.789	9.789		6,274.72	8.864	8.864	6,274.72	8.864	1,882.42	6.205
Transmission Charges		555.56	0.785	0.785		503.09	0.711	0.711	503.09	0.711	150.93	0.497
Market Operator's Fee		3.06	0.004	0.004		2.77	0.004	0.004				
Distribution Use of System		1,410.17	1.992	1.992		1,276.98	1.804	1.804	1,276.98	1.804	383.09	1.263
Total Applicable Costs	7.485	8,897.94	12.570	20.055	6.778	8,057.56	11.383	18.161	8,498.71	12.086	2,416.44	8.672
Impact of allowed losses					0.707	840.38	1.187	1.894	840.38	1.187	252.11	0.831
Total Cost of Service	7.485	8,897.94	12.570	20.055	7.485	8,897.94	12.570	20.055	9,339.10	13.273	2,668.55	9.503
Cross Subsidy				15.562				15.562	9,771.93	15.562		15.562
Average Applicable Tariff				35.617				35.617	19,111.03	28.835	2,668.55	25.065

Cost Assessment Level	Cost of Service (Inclusive of Energy Loss Impact)				Cost of Service (Separated Energy Loss Impact)				PROPOSED Use of System Charges (Proposal-1)			
Consumption Category	Bulk Supply				Bulk Supply				Bulk Supply C-2(b) (1 MW or More)			
Tariff Category	C2(b)				C2(b)							
Functional Cost Element	Variable	Fixed		Total	Variable	Fixed		Total	MDI Based	Volumetric	Hybrid	
	Rs./kWh	Rs./kW/ Month	Rs./kWh	Rs./kWh	Rs./kWh	Rs./kW/ Month	Rs./kWh	Rs./kWh	Rs./kW/ Month	Rs./kWh	Rs./kW/ Month	Rs./kWh
Generation Cost - Energy	7.485			7.485	6.778			6.778	408.09	0.707		0.707
Generation Cost - Capacity		6,929.15	12.003	12.003		6,274.72	10.870	10.870	6,274.72	10.870	1,882.42	7.609
Transmission Charges		555.56	0.962	0.962		503.09	0.872	0.872	503.09	0.872	150.93	0.610
Market Operator's Fee		2.77	0.005	0.005		2.77	0.005	0.005				
Distribution Use of System		1,357.12	2.351	2.351		1,228.95	2.129	2.129	1,228.95	2.129	368.63	1.490
Total Applicable Costs	7.485	8,844.61	15.322	22.807	6.778	8,009.52	13.875	20.653	8,414.85	14.577	2,402.03	10.416
Impact of allowed losses					0.707	835.37	1.447	2.154	835.37	1.447	250.61	1.01
Total Cost of Service	7.485	8,844.61	15.322	22.807	7.485	8,844.90	15.322	22.807	9,250.22	16.024	2,652.64	11.429
Cross Subsidy				15.516				15.516	8,956.80	15.516		15.516
Average Applicable Tariff				38.323				38.323	18,207.02	31.540	2,652.64	26.945

Cost Assessment Level	Cost of Service (Inclusive of Energy Loss Impact)				Cost of Service (Separated Energy Loss Impact)				PROPOSED Use of System Charges (Proposal-1)			
Consumption Category	Industrial				Industrial				Industrial B-4			
Tariff Category	B4				B4							
Functional Cost Element	Variable	Fixed		Total	Variable	Fixed		Total	MDI Based	Volumetric	Hybrid	
	Rs./kWh	Rs./kW/ Month	Rs./kWh	Rs./kWh	Rs./kWh	Rs./kW/ Month	Rs./kWh	Rs./kWh	Rs./kW/ Month	Rs./kWh	Rs./kW/ Month	Rs./kWh
Generation Cost - Energy	6.867			6.867	6.778			6.778	56.06	0.089		0.089
Generation Cost - Capacity		6,357.36	10.124	10.124		6,274.72	9.992	9.992	6,274.72	9.992	1,882.42	6.995
Transmission Charges		509.71	0.812	0.812		503.09	0.801	0.801	503.09	0.801	150.93	0.561
Market Operator's Fee		2.81	0.004	0.004		2.77	0.004	0.004				
Distribution Use of System		720.21	1.147	1.147		710.85	1.132	1.132	710.85	1.132	213.25	0.792
Total Applicable Costs	6.867	7,590.09	12.087	18.955	6.778	7,491.42	11.930	18.708	7,544.71	12.015	2,246.60	8.437
Impact of allowed losses					0.089	98.67	0.157	0.246	98.67	0.157	29.60	0.110
Total Cost of Service	6.867	7,590.09	12.087	18.955	6.867	7,590.09	12.087	18.955	7,643.39	12.172	2,276.20	8.547
Cross Subsidy				16.579				16.579	10,410.61	16.579		16.579
Average Applicable Tariff				35.533				35.533	18,054.00	28.751	2,276.20	25.126

Cost Assessment Level	Cost of Service (Inclusive of Energy Loss Impact)				Cost of Service (Separated Energy Loss Impact)				PROPOSED Use of System Charges (Proposal-1)			
Consumption Category	Bulk Supply				Bulk Supply				Bulk Supply C-3(b)			
Tariff Category	C3(b)				C3(b)							
Functional Cost Element	Variable	Fixed		Total	Variable	Fixed		Total	MDI Based	Volumetric	Hybrid	
	Rs./kWh	Rs./kW/ Month	Rs./kWh	Rs./kWh	Rs./kWh	Rs./kW/ Month	Rs./kWh	Rs./kWh	Rs./kW/ Month	Rs./kWh	Rs./kW/ Month	Rs./kWh
Generation Cost - Energy	6.867			6.867	6.778			6.778	51.54	0.089		0.089
Generation Cost - Capacity		6,357.36	10.679	10.679		6,274.72	10.540	10.540	6,274.72	10.540	1,882.42	7.378
Transmission Charges		509.71	0.856	0.856		503.09	0.845	0.845	503.09	0.845	150.93	0.592
Market Operator's Fee		2.81	0.005	0.005		2.77	0.005	0.005				
Distribution Use of System		709.41	1.192	1.192		700.19	1.176	1.176	700.19	1.176	210.06	0.823
Total Applicable Costs	6.867	7,579.30	12.731	19.599	6.778	7,480.77	12.566	19.344	7,529.53	12.650	2,243.40	8.882
Impact of allowed losses					0.089	98.53	0.166	0.255	98.53	0.166	29.559	0.116
Total Cost of Service	6.867	7,579.30	12.731	19.599	6.867	7,579.30	12.731	19.599	7,628.06	12.816	2,633.94	10.413
Cross Subsidy				18.641				18.641	10,760.82	18.641		18.641
Average Applicable Tariff				38.240				38.240	18,388.88	31.457	2,633.94	29.054

2/11/22



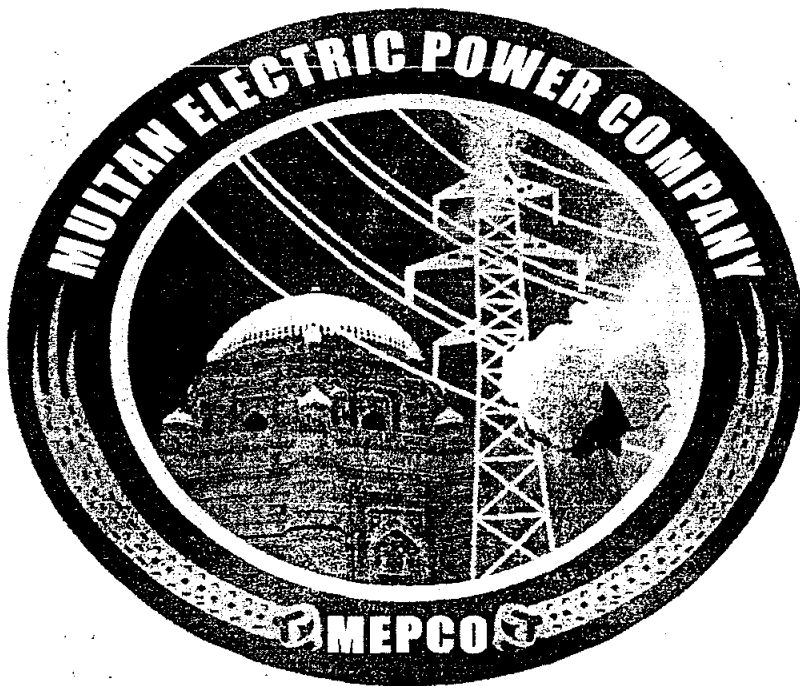
MEPCO COST OF SERVICE STUDY FOR FY 2023-24

PREPARED BY

MULTAN ELECTRIC POWER COMPANY (MEPCO)

**UNDER GUIDELINES OF
USAID CONSULTANT, PSIA**

THE COST OF SERVICE STUDY OF MEPCO IS CONDUCTED ON THE MS EXCEL BASED FULLY ALLOCATED COST
OF SERVICE (FACOS) MODEL DEVELOPED BY USAID TO FACILITATE DISCOS FOR DEVELOPMENT OF
COMPETITIVE ENERGY MARKET



akir h

Contents

1. COST OF SERVICE STUDY:.....	4
1.1 Fully Allocated Cost of Service Study (FACOS) Model.....	4
1.2 Major Steps of Cost of Service Study	4
1.3 Fundamentals of FACOS Model.....	4
2. PROJECTIONS FOR REVENUE REQUIREMENT OF MEPCO 2023-24:	5
3. SUMMARY OF REVENUE REQUIREMENT:.....	6
4. LINE LOSSES ON NETWORK CHARGED TO DIFFERENT VOLTAGE LEVELS:	6
5. CUSTOMER CLASSIFICATION BY VOLTAGE LEVEL:	7
6. MEPCO TARIFF DETERMINED BY NEPRA IN JULY-2023:	7
7. RESULTS FROM FACOS MODEL:	9
7.1 Proposed Revenue Requirement Allocation (in Percentage).....	9
7.2 Revenue Requirement Allocation to Energy, Demand and Customer.....	9
7.3 Revenue as per NEPRA Tariff by Customer Category and Voltage Level	10
8. COST OF SERVICE FUNCTIONALIZED RATES (TARIFF WISE)	11
8.1 Unbundled Rates Rs./kWh (Tariff Wise).....	12
8.2 Volumetric Rates at Each Customer Category	13
9. REVENUE, COST OF SERVICE AND SUBSIDIES (TARIFF CATEGORY WISE)	13
10. REVENUE, COST OF SERVICE, SUBSIDY AND REVENUE TO COST RATIOS	14
11. REVENUE, COST OF SERVICE AND SUBSIDIES (RS./KWH)	15
12. REVENUE, COST OF SERVICE AND SUBSIDIES (11 KV AND ABOVE)	16
13. REVENUE/KWH, COST OF SERVICE/KWH AND SUBSIDIES/KWH (BPC ONLY)	17
14. MASTER DATA FOR RESULTS OF MEPCO'S COST OF SERVICE STUDY (FY 2023-24)	18
15. FINAL REMARKS:	18

2 v/s

List of Tables

Table 1 Major Assumption of FACOS Model.....	4
Table 2 Component Wise Revenue Requirement of MEPCO	5
Table 3 Summary of MEPCO Revenue Requirement	6
Table 4 MEPCO Line Losses at Different Voltage levels as per Business plan	6
Table 5 Classification of Different Consumer Categories with respect to Voltage Levels.....	7
Table 6 NEPRA Determined Tariff for Different Consumer Categories of MEPCO	8
Table 7 Proposed Allocation of COS & RB to Cost Drivers i.e. Energy, Demand and Customer percentages	9
Table 8 Summary of Revenue Requirement w.r.to Cost Drivers	9
Table 9 Allocation of Sales and Demand to Category wise & Segregation of Fixed and Variable Costs	10
Table 10 Allocation of Sales and Demand to Voltage Levels & Segregation of Fixed and Variable Costs	10
Table 11 Determination of Functional Rates based on Cost Drivers to Different Customer Categories.....	11
Table 12 Functional Rates of Different Customer Categories Encapsulated in Rs/kW/Month	11
Table 13 Tariff-wise Functional Rate Allocation of RR	12
Table 14 Tariff-wise Functional Rate Allocation of RR	12
Table 15 Tariff & Voltage level wise Sales Volume, Allocation of Fixed and Variable Cost in Terms of Rs./kW/Month and/or Rs./kWh.....	13
Table 16 Tariff wise Cross Subsidy Determination based on sales and demand.....	13
Table 17 Revenue to Cost Ratio i.e. Difference of NEPRA Allocated and Required Revenue	14
Table 18 Tariff wise Revenue, Cost of Service and Subsidy in terms of Rs./kWh.....	15
Table 19 Cross Subsidy for Eligible BPCs 1MW and above	16
Table 20 Sales, Revenue, Cost of Service and Cross Subsidy for Eligible BPCs 1MW and Above	17
Table 21 Master Data for Results of MEPCO's Cost of Service Study (FY 2023-24).....	19
Table 22 COST OF SERVICE FY 2023-24 (per kW or kWh SOLD)	19
Table 23 COST OF SERVICE FY 2023-24 (per kW or kWh at Purchased)	20
Table 24 COST OF SERVICE FY 2023-24 (per kWh SOLD)	20
Table 25 COST OF SERVICE FY 2023-24 (per kWh Purchased)	21
Table 26 Impact of Losses on per kW or kWh basis (FY 2023-24).....	21
Table 27 Impact of Losses on per kWh basis ((FY 2023-24)	22

2.1/4

Multan Electric Power Company (MEPCO) Ltd.

1. COST OF SERVICE STUDY:

Cost of Service is the total cost incurred by a utility company/DISCO in providing services to its customers and the allocation of the cost to different customer classes and/or voltage levels.

1.1 Fully Allocated Cost of Service Study (FACOS) Model

FACOS is a model developed in MS Excel with the support of USAID for DISCOs to conduct Cost of Service Study. The methodology used to build the FACOS Model follows very closely the standards that are used internationally. The Model performs the standard three steps encompassed in most of Cost related Studies, namely, functionalization, classification, and allocation.

1.2 Major Steps of Cost of Service Study

A class based cost of service study begins with a detailed documentation of the numerous budgetary elements of the total revenue requirements of a utility. The detailed revenue requirements are the data inputs to the FACOS Model. At a high level, the FACOS process consists of the following three (3) basic steps:

1. **Functionalization** – The identification of each cost element as one of the basic utility service “Functions” (e.g. generation/Power Purchase Price, transmission, distribution and customer).
2. **Classification** – The classification of the functionalized costs based on the billing component/determinant that each is associated with (e.g. kW of capacity, kWh of energy or number of customers).
3. **Allocation** – The allocation of the functionalized and classified costs to customer classes, based on respective service requirements / parameters (e.g. kW of capacity, kWh of energy and the number of customers) of each class.

1.3 Fundamentals of FACOS Model

Table 1 Major Assumption of FACOS Model

Description	FY 2023-24
Allowed Rate of Return (WACC)	21.14%
Capital Work in Progress ("CWIP")	Total CWIP
Prior Year Adjustment (Direct Input)	20,756,000,000
Demand Allocation Methodology	1 CP
Customer Growth %	3.00%
MODEL YEAR	FY 2023-24
BASE YEAR	2022-23

2/10/24

2. PROJECTIONS FOR REVENUE REQUIREMENT OF MEPCO 2023-24:

The Revenue Requirement (RR) is the fundamental input to the Cost of Service Model of MEPCO for revenue allocation to different categories of customers based on Capacity (kW), Energy (kWh) and number of consumers. The Table 2 below explains in detail the projected cost to be incurred for arriving at Revenue Requirement (Overall Cost of Service) of MEPCO for Model Year 2023-24.

Table 2 Component Wise Revenue Requirement of MEPCO

DESCRIPTION	MODEL YEAR
	FY 2023-24
Proj. Units Purchased (MkWh) incl export loss	21,968.93
Export Loss (MkWh)	0.00
Proj. Units Purchased (MkWh) for MEPCO consumers	21,968.93
Proj. Units Sold (MkWh) MEPCO consumers	19,370.00
Assessed T&D Losses	0.12
Average Monthly MDI (MW)	5,518.00
Energy Purchase Price (Rs/kWh)	6.78
Capacity Purchase Price (Rs/kW/Month)	5,052.43
UoS Rate (Rs/kW/Month)	407.32
POWER PURCHASE PRICE	PKR
Energy Charge	148,909,809,334.87
Capacity Charge	334,552,000,000.00
Transmission Charge	26,971,000,000.00
TOTAL	510,432,809,334.87
DISTRIBUTION MARGIN	0.00
Pay & Allowances	16,900,000,000.00
Provision for Retirement Benefits	10,106,000,000.00
Maintenance	1,801,000,000.00
Traveling allowance	1,431,000,000.00
Vehicle maintenance	601,000,000.00
Elec. Bills Collection Charges	0.00
Other expenses	2,645,000,000.00
TOTAL O&M COST	33,484,000,000.00
Other Income	7,108,000,000.00
Provision for bad debts	0.00
Depreciation	6,207,999,999.57
Return on Assets	13,808,000,000.00
Working Capital Allowance	0.00
TOTAL DISTRIBUTION MARGIN	46,391,999,999.57
Prior Year Adjustment	20,756,000,000.00
TOTAL REVENUE REQUIREMENT	577,580,809,334.44
AVERAGE TARIFF (Rs/kWh)	0.00
Power Purchase Price-Unadj.	23.23
Power Purchase Price-Adjusted	26.35
Distribution Margin	2.40
Prior Year Adjustment	1.07

a v h

3. SUMMARY OF REVENUE REQUIREMENT:

The summary of Revenue Requirement of MEPCO is provided in the Table 3 below:

Table 3 Summary of MEPCO Revenue Requirement

	DESCRIPTION	MODEL YEAR
1	POWER PURCHASE COST	PKR 510,432,809,335
2	DISTRIBUTION MARGIN	
A	Operation and Maintenance Expense	PKR 33,484,000,000
B	Depreciation of Distribution Plant	PKR 6,208,000,000
C*	Return on Rate Base	PKR 13,808,000,000
	GROSS DISTRIBUTION MARGIN	PKR 53,500,000,000
D	Less: Other Income	PKR 7,108,000,000
	NET DISTRIBUTION MARGIN	PKR 46,392,000,000
3	PRIOR YEAR ADJUSTMENTS	PKR 20,756,000,000
	TOTAL REVENUE REQUIRED	PKR 577,580,809,334

4. LINE LOSSES ON NETWORK CHARGED TO DIFFERENT VOLTAGE LEVELS:

Line losses taken from as a percentage on purchased units is given in Table 4. Line losses as a percentage on received units at each voltage level are calculated on the basis of sales data of FY 2021-22. The network losses of Table 4 are based on the third party studies conducted for STG and Distribution losses and segregation of current losses as per last conducted studies on pro rata basis. However, any further study will have immediate effect on Cost of service studies as and when conducted through third party.

Table 4 MEPCO Line Losses at Different Voltage levels as per Business plan

Voltage Level	0.2 kV	0.4 kV	11 kV	Total Distribution	132kV	Total
Losses %age	2.64%		7.89%	10.53%	1.30%	11.83%

Q v Sel

5. CUSTOMER CLASSIFICATION BY VOLTAGE LEVEL:

While the Cost of Service study is based on allocation of the Revenue Requirement on Classes (categories) of the consumers at different voltage levels; the Table 5 below provides mapping of existing categories of consumers on the basis of applicable voltage levels.

Table 5 Classification of Different Consumer Categories with respect to Voltage Levels.

Classification by Voltage Level					
age	Volt	132/66kV	11kV	0.4kV	0.2 kV
Customer Class		B4	B3	A1b	A1a
		C3a	C2a	A2b	A2a
		C3b	C2b	A2c	B1a
			H1	A2d	C1a
			H2	A3a	E1i
			K1a	B1b	E1ii
			K1b	B2a	E2
				B2b	
				C1b	
				C1c	
				D1a	
				D1b	
				D2a	
				D2b	
				G1	
				G2	

6. MEPCO TARIFF DETERMINED BY NEPRA IN JULY-2023:

Tariffs for various categories of MEPCO consumers as determined by NEPRA vide their adjustments/indexation determination No. NEPRA/R/DG(Trf)/ TRF- 559 & TRF- 560/MEPCO/2021/18185-91 dated 14-07-2023 are provided in Table 6 below.

Q v 4 v

Table 6 NEPRA Determined Tariff for Different Consumer Categories of MEPCO

TARIFF CATAGORIES		14-07-2023	
		Fixed Charges Rs/kW/M	Variable Charges Rs/kWh
A1 (a)	RESIDENTIAL -A1		
i	Up to 50 Units Life line		7.00
ii	51-100 units Life line		11.74
iii	01-100 Units (Protected)		14.83
iv	101-200 Units (Protected)		17.15
v	01-100 Units		23.87
vi	101-200 Units		29.34
vii	201-300 Units		32.53
viii	301-400Units		35.92
ix	401-500Units		38.13
x	501-600Units		39.55
xi	601-700Units		40.69
xii	Above 700 Units		45.60
A1(b)	Time of Use (TOU) - Peak		44.65
	Time of Use (TOU) - Off-Peak		38.32
E-1(i)	Temporary E-1 (i)		44.78
	COMMERCIAL - A2		
A2 (a)	Commercial - For peak load requirement up to 5 kW		40.26
A2 (b)	Sanctioned load 5 kw and above	500.00	41.94
A2 (c)	Time of Use (TOU) - Peak (A-2)	500.00	43.86
	Time of Use (TOU) - Off-Peak		37.90
E-1 (ii)	Temporary E-1 (ii)		40.65
A2 (d)	Electric Vehicles		42.07
	INDUSTRIAL		
B1(a)	B1		36.95
B1(b)	B1- TOU (Peak)		40.51
	B1 - TOU (Off-peak)		34.95
B2 (a)	B2	500.00	36.45
B2 (b)	B2 - TOU (Peak)	500.00	40.45
	B2 - TOU (Off-peak)		34.74
B3	B3 - TOU (Peak)	460.00	40.45
	B3 - TOU (Off-peak)		34.65
B4	B4 - TOU (Peak)	440.00	40.45
	B4 - TOU (Off-peak)		34.55
E-2	Temporary E-2		38.03
	BULK		
C1 (a)	C1(a) up to 5 kW		41.07
C1 (b)	C1(b) exceeding 5 kW	500.00	40.57
C1 (c)	Time of Use (TOU) - Peak	500.00	43.99
	Time of Use (TOU) - Off-Peak		37.39
C2 (a)	C2 Supply at 11 kV	460.00	40.37
C2 (b)	Time of Use (TOU) - Peak	460.00	43.99
	Time of Use (TOU) - Off-Peak		37.19
C3 (a)	C3 Supply above 11 kV	440.00	40.27
C3 (b)	Time of Use (TOU) - Peak	440.00	43.99
	Time of Use (TOU) - Off-Peak		37.09
	AGRICULTURAL TUBE WELLS - Tariff D		
D1 (a)	D1 Scarp		37.07
D2 (a)	D2 Agricultural Tube-wells	200.00	39.99
D1 (b)	Time of Use (TOU) - Peak		32.74
	Time of Use (TOU) - Off-Peak	200.00	26.74
D2 (b)	Time of Use (TOU) - Peak	200.00	26.74
	Time of Use (TOU) - Off-Peak		26.74
G	Public Lighting G		40.07
H	Residential Colonies H		40.07
K1	Special Contracts - Tariff K (AJK)	0.00	0.00
K1 (i)	Time of Use (TOU) - Peak	0.00	0.00
	Time of Use (TOU) - Off-Peak		0.00
A3	General Service		40.04

2 u 52V

7. RESULTS FROM FACOS MODEL:

7.1 Proposed Revenue Requirement Allocation (in Percentage)

While developing the Fully Allocated Cost of Service Model, the detailed study for allocation of cost of service and rate base (for each component) to cost drivers (energy, demand and customer) was developed. When the distribution business is isolated from the supply business, the proposed cost allocation percentage may be considered as under proposed in Table 7 below. However, the real cost of distribution and supply business will be depicted when these may run in real business.

Table 7 Proposed Allocation of COS & RB to Cost Drivers i.e. Energy, Demand and Customer percentages

Revenue Requirement Allocation %age				
Description	Energy	Demand	Customer	Total
Generation Cost (Energy)	100%			100%
Generation Cost (capacity)		100%		100%
Transmission UoSC		100%		100%
MOF		100%		100%
O&M		82%	18%	100%
Depreciation		78%	22%	100%
Other Income		86%	14%	100%
RORB		78%	22%	100%
DM		80%	20%	100%
PYA		80%	20%	100%

7.2 Revenue Requirement Allocation to Energy, Demand and Customer

Based on the allocation percentages given in above table, the revenue requirement allocated to energy, demand and customer (cost triggers) is shown in Table 8 below.

Table 8 Summary of Revenue Requirement w.r.to Cost Drivers

Summary of Revenue Requirement	
Description	FY 2023-24 Rs. (M)
Generation Cost (Energy)	148910
Generation Cost (capacity)	334552
Transmission UoSC	26919
MOF	52
Power Purchase Price	510433
O&M	33484
Depreciation	6208
Other Income	-7108
RORB	13808
DM	46392
PYA	20756
Total	577581

Q v L N

7.3 Revenue as per NEPRA Tariff by Customer Category and Voltage Level

The Table 9 below provides detailed category-wise estimated revenue and average (Rs./kWh) thereof. Whereas, the Table 10 is summary of the said category-wise estimated revenue based on the supply Voltage level of relevant customer category, with average rate (Rs./kWh) thereof. As already mentioned, the calculation of revenue is based on NEPRA vide adjustments/indexation determination No. NEPRA/R/DG(Trf)/ TRF- 559 & TRF-560/MEPCO/2021/18185-91 dated 14-07-2023 already provided in (Table6).

Table 9 Allocation of Sales and Demand to Category wise & Segregation of Fixed and Variable Costs

Classes	Voltage	Sales	Demand	Revenue as per NEPRA Tariff			Rs./kWh
			1 CP	Demand Charge	Energy Charge	Total	
	kV	GWh	MW	Rs. (M)	Rs. (M)	Rs. (M)	
Industrial -- B3	11kV	1393	164	1,876	49,471	51,347	36.8579 6
Industrial -- B4	132/66kV	633	84	642	22,468	23,110	36.51
Bulk Supply -- C2(b)	11kV	211	30	309	8,100	8,409	39.8636 3
Bulk Supply -- C3(b)	132/66kV	45	6	74	1,721	1,795	39.8889 3

Table 10 Allocation of Sales and Demand to Voltage Levels & Segregation of Fixed and Variable Costs

TARIFF CATAGORIES	Sales	Demand	NEPRA Revenue	
		1 CP	Fixed Charge	Variable Charge
0.2kV TARIFF CATAGORIES	(kWh)	MW	Rs	Rs
TOTAL 0.2 kV	10967326345	2,503.84	109386	293,949,159,209
0.4kV TARIFF CATAGORIES				
TOTAL 0.4 kV	6112482263	1,116.33	9785331042	192,753,321,085
11kV TARIFF CATAGORIES				
11 Kv	1612211789	197.54	2186134047	57898352961
132/66kV TARIFF CATAGORIES				
132/66 kV	677979603.6	90.30	715599174.4	24189511147
SUB TOTAL	19370000000	3908.00346	12687173650	568,790,344,403

2 u L

8.- COST OF SERVICE FUNCTIONALIZED RATES (TARIFF WISE)

Based on the allocation of overall Revenue Requirement of MEPCO to customers categories, the resultant functional amounts (Rs. in million) for each customer category are summarized at Table 11 below.

Table 11 Determination of Functional Rates based on Cost Drivers to Different Customer Categories

Classes	Voltage	Customer	Sales	Demand	Generation Cost		Transmission	MOF	Distribution Cost		Total Cost
				1 CP					Distribution Margin		
	kV	No.	GWh	MW	Energy (Rs. M)	Demand (Rs. M)	Demand (Rs. M)	Rs. M	Demand (Rs. M)	Customer (Rs. M)	
Industrial -- B3	11kV	384	1393	164	10428	13637	1093	6	2,209	566	27939
Industrial -- B4	132/66kV	10	633	84	4347	6408	514	3	516	209	11998
Bulk Supply -- C2(b)	11kV	63	211	30	1579	2532	203	1	410	86	4811
Bulk Supply -- C3(b)	132/66kV	3	45	6	309	481	39	0	39	15	882

Based on the cost drivers (energy, demand & customers) based allocation of overall Revenue Requirement of MEPCO to the customers categories, the resultant functional (generation, transmission, MO Fee & Distribution) rates (in terms of Rs./kWh, Rs./kW/Month and Rs./Customer /Month, as applicable) are summarized at Table 12 below.

Table 12 Functional Rates of Different Customer Categories Encapsulated in Rs/kW/Month

Classes	Voltage	Customer	Sales	Demand	Rates						Total Rs. /kWh
				1 CP	Generation Tariff		Transmission	MOF	Distribution		
	kV	No.	GWh	MW	Energy (Rs./kWh)	Demand (Rs/kW/M)	Cost (Rs/kW/M)	Cost (Rs/kW/M)	Demand (Rs/kW/M)	Customer/Month	
Industrial – B3	11kV	384	1393	164	7.49	6,929.15	555.56	3.06	1,123	122,823	20.06
Industrial -- B4	132/66kV	10	633	84	6.87	6,357.36	509.71	2.81	512	1,738,430	18.95
Bulk Supply -- C2(b)	11kV	63	211	30	7.49	6,929.15	555.56	3.06	1,123	113,933	22.81
Bulk Supply -- C3(b)	132/66kV	3	45	6	6.87	6,357.36	509.71	2.81	512	413,205	19.60

The above detailed functional rates recapitulated, in terms of Rs./kW/Month, for each function is given in table Table 13 below.

20/1/20

Table 13 Tariff-wise Functional Rate Allocation of RR

Classes	Voltage	Customer	Sales	Demand	Rates						Total Rs./KW/Month
				1 CP	Generation Tariff		Transmission	MOF	Distribution		
	kV	No.	GWh	MW	Energy (Rs/kWh/M)	Demand (Rs/kW/M)	Cost (Rs/kW/M)	Cost (Rs/kW/M)	Demand (Rs/kW/M)	Customer/Month	
Industrial -- B3	11kV	384	1393.11	164	5298.58	6,929.15	555.56	3.06	1,123	122,823	14196.52
Industrial -- B4	132/66kV	10	632.97	84	4312.43	6,357.36	509.71	2.81	512	1,738,430	11902.52
Bulk Supply -- C2(b)	11kV	63	210.95	30	4320.89	6,929.15			1,123	113,933	
							555.56	3.06			13165.78
Bulk Supply -- C3(b)	132/66kV	3	45.01	6	4088.38	6,357.36			512	413,205	
							509.71	2.81			11667.68

8.1 Unbundled Rates Rs./kWh (Tariff Wise)

The functional allocation of Revenue Requirement of MEPCO (Generation, Transmission, MO Fee and Distribution Cost) to customers categories, in Rs./kWh are shown in Table 14 below.

Table 14 Tariff-wise Functional Rate Allocation of RR

Classes	Voltage	Sales	Demand	Generation	T. UoSC	MOF	D. UoSC	Total Rate
			1 CP	Rs./kWh	Rs./kWh	Rs./kWh	Rs./kWh	Rs./kWh
	kV	GWh	MW					
Industrial -- B3	11kV	1393	164	17.27	0.72	0.003	1.99	20.06
Industrial -- B4	132/66kV	633	84	16.99	0.92	0.004	1.15	18.95
Bulk Supply -- C2(b)	11kV	211	30	19.49	1.09	0.005	2.35	22.81
Bulk Supply -- C3(b)	132/66kV	45	6	17.55	0.97	0.005	1.19	19.60

2024

8.2 Volumetric Rates at Each Customer Category

The above functional rates combined in terms of the nature (Fixed or Variable) and resultant rates in terms of Rs./kW/Month and/or Rs./kWh are provided in Table 15 below.

Table 15 Tariff & Voltage level wise Sales Volume, Allocation of Fixed and Variable Cost in Terms of Rs./kW/Month and/or Rs./kWh

Classes	Voltage	Sales	Allocated Cost Rs. (M)		Fixed Charge	Variable Charge
	kV	GWh	Fixed Cost	Variable Cost	Rs/kW/Month	Rs/kWh
Industrial -- B3	11kV	1393	16,945	10,993	8,610	7.9
Industrial -- B4	132/66kV	633	7,441	4,556	7,382	7.2
Bulk Supply -- C2(b)	11kV	211	3,147	1,665	8,610	7.9
Bulk Supply -- C3(b)	132/66kV	45	558	324	7,382	7.2

Note: Variable Cost in Table 15 includes energy cost and customer services cost.

9. REVENUE, COST OF SERVICE AND SUBSIDIES (TARIFF CATEGORY WISE)

Based on assessment of revenue and the cost of service for each category of consumer, as per the details provided herein before, the Subsidy or Cross Subsidy (the difference between revenue and cost) in terms of million rupees against each customer tariff category is provided in Table 16 below. It may be noted that the negative figure means the customer is subsidized (revenue less than cost) Whereas, the positive figure shows that the customer is cross subsidizing (revenue more than cost). Average, in terms of Rs./kWh, assessment of subsidy or cross-subsidy, as the case may be, is also arrived in the last column of Table 16 below.

Table 16 Tariff wise Cross Subsidy Determination based on sales and demand

Classes	Voltage	Sales	Demand	Revenue as per NEPRA Tariff			Cost of Service			Difference Subsidy	subsidy
			1 CP	Demand Charge (M. PKR)	Energy Charge (M. PKR)	Total	Demand Cost (M.PKR)	Energy Cost M.PKR	Total M. PKR	M. PKR	Rs./kwh
	kV	GWh	MW								
Industrial -- B3	11kV	1393	164	1876	49471	51347	16945	10993	27939	23408	17
Industrial -- B4	132/66kV	633	84	642	22468	23110	7441	4556	11998	11112	18
Bulk Supply -- C2(b)	11kV	211	30	309	8100	8409	3147	1665	4811	3598	17
Bulk Supply -- C3(b)	132/66kV	45	6	74	1721	1795	558	324	882	913	20

2 v l 6

10. REVENUE, COST OF SERVICE, SUBSIDY AND REVENUE TO COST RATIOS

Revenue, Cost of Service and Subsidy in terms of million rupees for each category of the consumers is shown in Table 17 below. The Table also provides the Revenue to Cost Ratio which shows that:

- If this ratio is less than one, the relevant customer class is subsidized, i.e. the tariff revenue is less than the allocated cost;
- If this ratio is greater than one, the relevant customer class is cross subsidizing, i.e. the tariff revenue is higher than the allocated cost; and
- If this ratio is equal to one, the customer class is at adequately priced vis-à-vis the allocated cost.

Table 17 Revenue to Cost Ratio i.e. Difference of NEPRA Allocated and Required Revenue

Classes	Sales	Demand	Revenue as per NEPRA Tariff		Cost of Service		Difference		Revenue to Cost Ratio		
		1 CP	Demand Charge (M. PKR)	Energy Charge (M. PKR)	Demand Cost (M.PKR)	Energy Cost M.PKR	Demand (M.PKR)	Energy M.PKR	Demand Charge	Energy Charge	total
	GWh	MW									
Industrial -- B3	1393	164	1876	49471	16945	10993	(15,069)	38477	0.11	4.50	1.84
Industrial -- B4	633	84	642	22468	7441	4556	(6,800)	17912	0.09	4.93	1.93
Bulk Supply -- C2(b)	211	30	309	8100	3147	1665	(2,838)	6436	0.10	4.87	1.75
Bulk Supply -- C3(b)	45	6	74	1721	558	324	(484)	1397	0.13	5.31	2.04

Q. V. S.

11. REVENUE, COST OF SERVICE AND SUBSIDIES (RS./KWH)

Revenue, Cost of Service and Subsidy in terms of Rs./kWh for each category of the consumers is shown in Table 18 below. The Table also provides the Revenue to Cost Ratio.

Table 18 Tariff wise Revenue, Cost of Service and Subsidy in terms of Rs./kWh

Classes	Voltage	Sales	Revenue	Cost of Service	Subsidy	Revenue to Cost Ratio
		GWh	Rs./kwh	Rs./kwh	Rs./kwh	
Industrial -- B3	11kV	1393	36.86	20.06	16.80	1.84
Industrial -- B4	132/66kV	633	36.51	18.95	17.56	1.93
Bulk Supply -- C2(b)	11kV	211	39.86	22.81	17.06	1.75
Bulk Supply -- C3(b)	132/66kV	45	39.89	19.60	20.29	2.04

Q v L L Q.

12. REVENUE, COST OF SERVICE AND SUBSIDIES (11 KV AND ABOVE)

The revenue cost of service and subsidies for customer categories that fall under 11kv are summarized at Table 19 below.

Table 19 Cross Subsidy for Eligible BPCs 1MW and above

Classes	Voltage	Sales	Demand	Revenue as per NEPRA Tariff			Cost of Service			Difference Subsidy	CoS
			1 CP	Demand Charge (M. PKR)	Energy Charge (M. PKR)	Total	Demand Cost (M.PKR)	Energy Cost M.PKR	Total M. PKR	M. PKR	Rs./kwh
	kV	GWh	MW								
Industrial -- B3	11kV	1393	164	1876	49471	51347	16945	10993	27939	23408	20.06
Industrial -- B4	132/66kV	633	84	642	22468	23110	7441	4556	11998	11112	18.95
Bulk Supply -- C2(b)	11kV	211	30	309	8100	8409	3147	1665	4811	3598	22.81
Bulk Supply -- C3(b)	132/66kV	45	6	74	1721	1795	558	324	882	913	19.60

Q u l 6

13. REVENUE/KWH, COST OF SERVICE/KWH AND SUBSIDIES/KWH (BPC ONLY)

With regard to the above analysis, the following points are emphasized and limited:

1. For the purpose of this study, the connections which do not come in the category of eligible BPCs i.e. Customers connections having load less than 1MW have not been intensively probed into details.
2. Currently, there are 132/66 KV customer within MEPCO, therefore, real data, thereof could be assessed for B4 and C3 consumers.
3. A broad assessment of the Cost of Service of such customers on analogy of other closest category of customers (e.g. B-3 for B-4 and C-2 for C-3) could be incorporated by adding or subtracting the loss levels.
4. Although the Industrial B-3 and Bulk Supply C2 customers are at 11 KV connection level, however, these customers may or may not fall within the definition of BPC as contained in NEPRA Act, 1997, if these are less than 1 MW load.
5. The customer categories A-2 and A-3, for purposes of cost of service assessment, have been considered at 0.4 KV level. However, these costumers, based on the sanctioned load, may be connected at 11 KV level, as required.
6. Consumer category for tariff H, i.e. housing colonies attached to industries, despite being connected at 11 kV, cannot be considered as BPC for (i) principally being resale in nature and (ii) being less than 1 MW.
7. The supply feed for AJK customer category is primarily for resale purpose, therefore, not entitled for consideration as BPC.
8. Taking a single peak and analyzing it with total sales may have unrealistic load factors.
9. In case of B3 and C2 connections being on the 11kV distribution feeder, the figures of aggregative sales and load may have disrupting outputs in FACOS Model

Based on the above clarification, the abstract of Revenue (Rs./kWh), the Cost of Service (Rs./kWh) and resultant cross-subsidy (Rs./kWh) is appended at **Table 20** below.

Table 20 Sales, Revenue, Cost of Service and Cross Subsidy for Eligible BPCs 1MW and Above

Classes	Voltage	Sales	Revenue	Cost of Service
		GWh	Rs./kwh	Rs./kwh
Industrial -- B3	11kV	1393	36.86	20.06
Industrial -- B4	132/66kV	633	36.51	18.95
Bulk Supply -- C2(b)	11kV	211	39.86	22.81
Bulk Supply -- C3(b)	132/66kV	45	39.89	19.60

avb

14. MASTER DATA FOR RESULTS OF MEPCO'S COST OF SERVICE STUDY (FY 2023-24)

For interest of the readers to glance through overall master data for result of MEPCO's Cost of Service Study (FY 2023-24), following Tables (Table 21 to Table 27) are added separately.

15.FINAL REMARKS:

- The above Cost of Service Study Report (FY 2023-24) is a sincere human effort to arrive at judicious assessment of functional (generation, transmission, market operator, distribution and customer services) costs for each category of consumers demonstrating the needs and parameters associated with relevant category.
- The results of the study are to be used for the purposes of rate making of Use of System Charges for possible eligible Bulk Power Consumers.
- The Fully Allocated Cost of Service (FACOS) model used for the purpose of this study is realistically elaborate, professionally structured in line with international practices and reasonably accurate to provide equitable results in terms of costs associated with demonstrated needs of the customers. Human errors and omissions are, however, expected.
- The underlying assumptions made and considerations relied upon in carrying out this Cost of Service Study were adopted with all possible care, without any prejudice and have been disclosed in details to the extent possible.
- Inherent and unforeseen limitations of the FACOS model, assumptions made and consideration relied upon may not be as exhaustive as expected; accordingly, for the purposes of rate making of Use of System Charges, certain out of the model iterations may be necessary.
- While the Cost of Service is substantially (99%) covered by the determined tariffs, inherent cross subsidization and possibility of stranded costs need considerate, careful, concerted and continuous attention for proactive mitigation thereof.
- While currently certain classes of consumers are enjoying benefit of inter and intra tariff subsidies, the other categories of consumers are paying huge (30~35%) cross-subsidies. For a robust, vibrant and successful wholesale, and later retail, power market, minimization, if not elimination, of intra and inter tariff subsidies shall remain fundamental requirement.

2/11/24

Table 10 Master Data for Results of MEPCO's Cost of Service Study (FY 2023-24)

Classes	Voltage Level	Energy GWh		Demand MW		Generation Cost		Transm	MOF	Distribution		Total Cost (Rs. M)	Cost Rs./kWh sold	Cost Rs./kWh Purchased
		Sold	Purchased	at Meter	at CDP	Energy (Rs.M)	Demand (Rs.M)	Cost (Rs.M)	Cost (Rs.M)	Demand (Rs.M)	cust. Cost (Rs.M)			
Industrial -- B3	11kV	1393	1538	164	181	10427.61	13636.58	1093.34	6.02	2209.47	565.74	27938.75	20.06	18.16
Industrial -- B4	132/66kV	633	641	84	85	4346.93	6408.22	513.79	2.83	516.47	209.50	11997.74	18.95	18.71
Bulk Supply -- C2(b)	11kV	211	233	30	34	1578.98	2532.11	203.02	1.12	410.27	85.67	4811.15	22.81	20.65
Bulk Supply -- C3(b)	132/66kV	45	46	6	6	309.08	480.62	38.53	0.21	38.74	14.90	882.08	19.60	19.34

Table 22 COST OF SERVICE FY 2023-24 (per kW or kWh SOLD)

Classes	Voltage Level	Energy GWh		Demand MW		Generation Cost		Transm	MOF	Distribution		Total Fixed Cost (Rs./kW/M)	Fixed Cost Rs./kWh sold	Total Cost Rs./kWh Sold
		Sold	Purchased	at Meter	at CDP	Energy (Rs./kWh)	Demand (Rs./kW/M)	Cost (Rs./kW/M)	Cost (Rs./kW/M)	Demand (Rs./kW/M)	cust. Cost (Rs./kW/M)			
Industrial -- B3	11kV	1393	1538	164	181	7.49	6929.15	555.56	3.06	1122.70	287.47	8897.94	12.57	20.06
Industrial -- B4	132/66kV	633	641	84	85	6.87	6357.36	509.71	2.81	512.38	207.84	7590.09	12.09	18.95
Bulk Supply -- C2(b)	11kV	211	233	30	34	7.49	6929.15	555.56	3.06	1122.70	234.43	8844.90	15.32	22.81
Bulk Supply -- C3(b)	132/66kV	45	46	6	6	6.87	6357.36	509.71	2.81	512.38	197.04	7579.30	12.73	19.60

21-4

Table 23 COST OF SERVICE FY 2023-24 (per kW or kWh at Purchased)

Classes	Voltage Level	Energy GWh		Demand MW		Generation Cost		Transm	MOF	Distribution		Total Fixed Cost (Rs./kW/M)	Fixed Cost Rs./kWh Purchased	Total Cost Rs./kWh Purchased
		Sold	Purchased	at Meter	at CDP	Energy (Rs./kWh)	Demand (Rs./kW/M)	Cost (Rs./kW/M)	Cost (Rs./kW/M)	Demand (Rs./kW/M)	cust. Cost (Rs./kW/M)			
Industrial - B3	11kV	1393	1538	164	181	6.78	6274.72	503.09	2.77	1016.66	260.32	8057.56	11.38	18.16
Industrial - B4	132/66kV	633	641	84	85	6.78	6274.72	503.09	2.77	505.71	205.13	7491.42	11.93	18.71
Bulk Supply -- C2(b)	11kV	211	233	30	34	6.78	6274.72	503.09	2.77	1016.66	212.29	8009.52	13.88	20.65
Bulk Supply -- C3(b)	132/66kV	45	46	6	6	6.78	6274.72	503.09	2.77	505.71	194.48	7480.77	12.57	19.34

Table 24 COST OF SERVICE FY 2023-24 (per kWh SOLD)

Classes	Voltage Level	Energy GWh		Demand MW		Generation Cost		Transm	MOF	Distribution		Total Fixed Cost (Rs./kWh)	Fixed Cost Rs./kWh Purchased	Total Cost Rs./kWh Sold
		Sold	Purchased	at Meter	at CDP	Energy (Rs./kWh)	Demand (Rs./kWh)	Cost (Rs./kWh)	Cost (Rs./kWh)	Demand (Rs./kWh)	cust. Cost (Rs./kWh)			
Industrial -- B3	11kV	1393	1538	164	181	7.49	9.79	0.78	0.004	1.59	0.41	12.57	12.57	20.06
Industrial -- B4	132/66kV	633	641	84	85	6.87	10.12	0.81	0.004	0.82	0.33	12.09	12.09	18.95
Bulk Supply -- C2(b)	11kV	211	233	30	34	7.49	12.00	0.96	0.005	1.94	0.41	15.32	15.32	22.81
Bulk Supply -- C3(b)	132/66kV	45	46	6	6	6.87	10.68	0.86	0.005	0.86	0.33	12.73	12.73	19.60

Table 25 COST OF SERVICE FY 2023-24 (per kWh Purchased)

Classes	Voltage Level	Energy GWh		Demand MW		Generation Cost		Transm	MOF	Distribution		Total Fixed Cost	Fixed Cost	Total Cost
		Sold	Purchased	at Meter	at CDP	Energy (Rs./kWh)	Demand (Rs./kWh)	Cost (Rs./kWh)	Cost (Rs./kWh)	Demand (Rs./kWh)	cust. Cost (Rs./kWh)	(Rs./kWh)	Rs./kWh Purchased	Rs./kWh Purchased
Industrial -- B3	11kV	1393.1	1538.4	164.0	181.1	6.78	8.86	0.71	0.004	1.44	0.37	11.38	11.38	18.16
Industrial -- B4	132/66kV	633.0	641.3	84.0	85.1	6.78	9.99	0.80	0.004	0.81	0.33	11.93	11.93	18.71
Bulk Supply -- C2(b)	11kV	210.9	232.9	30.5	33.6	6.78	10.87	0.87	0.005	1.76	0.37	13.88	13.88	20.65
Bulk Supply -- C3(b)	132/66kV	45.0	45.6	6.3	6.4	6.78	10.54	0.85	0.005	0.85	0.33	12.57	12.57	19.34

Table 26 Impact of Losses on per kW or kWh basis (FY 2023-24)

Classes	Voltage Level	Energy GWh		Demand MW		Generation Cost		Transm	MOF	Distribution		Total Fixed Cost	Total Fixed Cost	Total Cost
		Sold	Purchased	at Meter	at CDP	Energy (Rs./kWh)	Demand (Rs./kW/M)	Cost (Rs./kW/M)	Cost (Rs./kW/M)	Demand (Rs./kW/M)	cust. Cost (Rs./kW/M)	(Rs./kW/M)	(Rs./kWh)	(Rs./kWh)
Industrial -- B3	11kV	1393	1538	164	181	0.71	654.44	52.47	0.29	106.04	27.15	840.38	1.19	1.89
Industrial -- B4	132/66kV	633	641	84	85	0.09	82.65	6.63	0.04	6.66	2.70	98.67	0.16	0.25
Bulk Supply -- C2(b)	11kV	211	233	30	34	0.71	654.44	52.47	0.29	106.04	22.14	835.37	1.45	2.15
Bulk Supply -- C3(b)	132/66kV	45	46	6	6	0.09	82.65	6.63	0.04	6.66	2.56	98.53	0.17	0.25

Signature

Table 27 Impact of Losses on per kWh basis ((FY 2023-24)

Classes	Voltage Level	Energy GWh		Demand MW		Generation Cost		Transm	MOF	Distribution		Total Fixed Cost (Rs./kW/M)	Total Fixed Cost (Rs./kWh)	Total Cost (Rs./kWh)
		Sold	Purchased	at Meter	at CDP	Energy (Rs./kWh)	Demand (Rs./kW/M)	Cost (Rs./kW/M)	Cost (Rs./kW/M)	Demand (Rs./kW/M)	cust. Cost (Rs./kW/M)			
Industrial -- B3	11kV	1393	1538	164	181	0.71	0.92	0.07	0.0004	0.15	0.04	1.19	1.19	1.89
Industrial -- B4	132/66kV	633	641	84	85	0.09	0.13	0.01	0.0001	0.01	0.00	0.16	0.16	0.25
Bulk Supply -- C2(b)	11kV	211	233	30	34	0.71	1.13	0.09	0.0005	0.18	0.04	1.45	1.45	2.15
Bulk Supply -- C3(b)	132/66kV	45	46	6	6	0.09	0.14	0.01	0.0001	0.01	0.00	0.17	0.17	0.25

F/B

**NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
OPEN ACCESS (INTERCONNECTION AND WHEELING OF ELECTRIC POWER)
REGULATIONS, 2022**

NOTIFICATION

Islamabad, the ^{2nd} day of Nov, 2022

S.R.O. 1994. In exercise of the powers conferred by section 47 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (Act No. XL of 1997) read with all other enabling provisions thereof, the National Electric Power Regulatory Authority is pleased to make the following regulations.—

1. Short title and commencement.—(1) These regulations shall be called the National Electric Power Regulatory Authority Open Access (Interconnection and Wheeling of Electric Power) Regulations, 2022.

(2) These regulations shall come into force and effect upon lifting or expiration of the moratorium on section 23A and 23B, whichever is earlier, pursuant to sub-section 3 of section 1 of the Act.

**PART I
GENERAL**

2. Definitions.—(1) In these regulations, unless there is anything repugnant in the subject or context,—

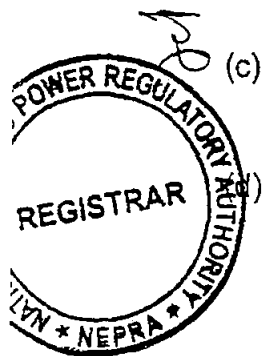
(a) "Act" means the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (Act No. XL of 1997), as amended from time to time;

(b) "applicable documents" means the rules, regulations, terms and conditions of any licence, registration, authorization, determination, any codes, manuals, directions, guidelines, orders, notifications, agreement or document issued or approved under the Act;

(c) "applicant" means any person who submits an application to the concerned network licensee for obtaining open access;

"Distribution Code" means the code prepared by the distribution licensees and approved by the Authority that defines the technical and operational standards and procedures for distribution licensees and all those connected to the distribution system;

(e) "distribution system" includes the distribution facilities and electric lines or circuits, meters, interconnection facilities or other facilities operating at the distribution voltage, and shall also include any other electric lines, circuits,



transformers, sub-stations, interconnection facilities or other facilities determined by the Authority as forming part of the distribution system, whether or not operating at the distribution voltage;

- (f) "generation company" means a person engaged in the generation of electric power;
- (g) "generation facility" means the electrical facility used for the production of electric power and includes a generation facility owned by a captive generating plant, generation licensee or a generation company;
- (h) "Grid Code" means the code prepared by the national grid company and approved by the Authority or, when a separate entity is licensed as system operator, prepared by the system operator licensee under sections 23G and 23H of the Act and approved by the Authority;
- (i) "interconnection facilities" means any equipment, including the electrical lines or circuits, transformers, switchgears, safety and protective devices and meters used for interconnection services;
- (j) "Market Commercial Code" or "Commercial Code" means the commercial code prepared and maintained by the market operator pursuant to sections 23A and 23B of the Act and approved by the Authority from time to time;
- (k) "merchant generating plant" means a generation facility that is connected with the national grid without any bilateral contract to sell electric power or provide ancillary services in the electric power market in accordance with the Market Commercial Code;
- (l) "network licensee" means a transmission licensee or a distribution licensee, as the case may be;
- (m) "open access" means the access to a network licensee's system or its associated facilities for movement and delivery of electric power, subject to the terms and conditions as provided in the Act, these regulations and use of system agreement, on non-discriminatory basis to:
 - (i) an electric power supplier for supply of electric power to its consumer(s); or
 - (ii) a captive generating plant for delivery of the electric power from generation facility to the destination of its use; or
 - (iii) any other person, including a licensee for delivery of electric power from a designated place to another designated place;



- (n) "open access user" means any person who is availing open access under these regulations;
- (o) "system operator" means a person licensed under the Act to administer system operation and dispatch;
- (p) "transmission system" includes the transmission facilities and electric lines or circuits, meters, interconnection facilities or other facilities operating at the transmission voltage but shall not include—
 - (i) electrical circuits forming the immediate connection between generation facilities and the transmission grid to the extent that those circuits are owned by a generation company and are directly associated with that company's generation facilities; and
 - (ii) specified facilities operating at or above the minimum transmission voltage which the Authority, upon an application by a licensee under section 20 of the Act, determines that such facilities shall be owned and operated by a distribution licensee;
- (q) "use of system agreement" means the agreement between an open access user and the concerned distribution licensee covering subjects as specified in Schedule I to these regulations; and
- (r) "use of system charges" shall include all charges related to use of distribution system, use of transmission system, system operator services, market operator services, metering service provider services and any other charges as determined by the Authority that may arise due to advent of the open access and market liberalization.

(2) Words and expressions used but not defined in these regulations shall have the same meanings as assigned to them in the Act and the applicable documents.

PART II INTERCONNECTION

3. Interconnection facilities.— (1) Any applicant whether a generator or a bulk power consumer or captive generating plant may apply to a network licensee for connection to the network licensee's system in accordance with the Distribution Code or Grid Code as the case may be.

(2) The network licensee shall decide any application filed under sub-regulation (1) in accordance with the Distribution Code or Grid Code, as the case may be.

(3) The approval of connection under regulation (2), shall be subject to compliance with the National Electric Power Regulatory Authority Consumer Eligibility Criteria

(Distribution Licensees) Regulations, 2022 and National Electric Power Regulatory Authority Consumer Eligibility Criteria (Electric Power Suppliers) Regulations, 2022 and other applicable documents.

4. Financing, construction and operation of the interconnection facilities.—

(1) Where a generation company intends to connect to a network licensee, the concerned network licensee shall be responsible for financing, construction, and operations of the interconnection facilities in accordance with the Grid Code or Distribution Code, as may be applicable, in accordance with its investment plan approved by the Authority.

(2) The network licensee may raise financing for the interconnection facilities from internal resources, local or foreign lenders or any other source including the generation company on mutually agreed terms, and may include such costs in relevant regulatory filings with the Authority. The inclusion of the interconnection facilities in the asset base of the network licensee shall depend on the terms and conditions of such financing or commercial agreements.

(3) In the event where network licensee shows its inability to construct the interconnection facilities due to technical and/or financial constraints following options may be exercised for the interconnection purposes:

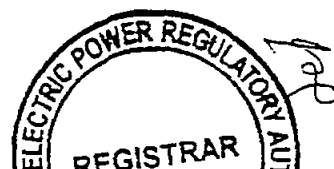
(a) The generation company may arrange the financing required for the construction of interconnection facilities by the network licensee. The network licensee and generation company shall enter into an agreement to mutually decide the terms and conditions for reimbursement of financing to the generation company; or

(b) A special purpose company, may construct, operate and maintain the dedicated network and interconnection facilities for connecting with the national grid after obtaining relevant licence from the Authority.

(4) The interconnection facilities referred to under sub-regulation (3) shall be in accordance with the relevant provisions of the Grid Code, Distribution Code and applicable documents.

(5) Nothing contained in sub-regulation (3) shall absolve the respective network licensee from its obligation to provide interconnection and open access in accordance with the Grid Code, Distribution Code, these regulations and other applicable documents and the mechanisms provided in sub-regulation (3) shall be exercised at the sole option of the generation company.

R /



PART III OPEN ACCESS

5. Obligation to provide open access.— (1) A network licensee shall establish, operate and maintain its distribution system or transmission system, as the case may be, in a manner that ensures non-discriminatory open access in accordance with the Act, these regulations, Market Commercial Code, Grid Code, Distribution Code and other applicable documents.

(2) A network licensee shall, on an annual basis, prepare an open access report demonstrating compliance with these regulations and licence terms and conditions, with the details of its open access users, available and planned capacity, any issues identified in provision of open access, and any instances where open access was denied along with justification therefor. The said report shall also be made available on the website of a network licensee.

(3) The report required under sub-regulation (2) shall be prepared and submitted to the Authority within a period of one month from the date of end of respective financial year and shall also be made available on website of the network licensee.

(4) The distribution company shall develop the use of system agreement in accordance with the minimum provisions provided in the Schedule I within ninety days of the notification of these regulations and shall obtain the approval of the Authority and publish the same on its website.

6. Execution of use of system agreement.— (1) Any person who has been granted a competitive supplier licence by the Authority or a person who has submitted an application to the Authority in this respect may approach the relevant distribution licensee in whose service territory the competitive supplier intends to supply electric power to the eligible bulk power consumers, for execution of use of system agreement as approved by the Authority:

Provided that where the bulk power consumer is connected directly to the transmission system of a transmission licensee, the use of system agreement shall be executed with the relevant distribution licensee in whose territory the bulk power consumer is located.

(2) Such request for execution of use of system agreement shall be accompanied by the following documents and information:

- (a) identification of the bulk power consumers, if applicable;
- (b) proposed commencement date of electric power supply to the bulk power consumers; and
- (c) any other necessary details as may be required by the distribution licensee.



(3) The distribution licensee shall acknowledge the receipt of the request within three days of the receipt thereof:

Provided that any request which is incomplete or not accompanied by the required information, shall be returned within three days of the filing thereof, identifying in writing the deficiencies, and allow a reasonable time to re-submit the request.

(4) The request, if found satisfactory, shall be accepted by the concerned distribution licensee within ten days of acknowledgement of receipt thereof.

(5) After acceptance of the request, the concerned distribution licensee and the competitive supplier shall execute the use of system agreement for collection and payment thereof within thirty days of such acceptance:

Provided that the use of system agreement shall be signed only when the competitive supplier has been granted an electric power supply licence by the Authority.

Provided further that the competitive supplier shall provide a security cover in terms of irrevocable standby letter of credit in favour of the concerned network licensee covering two months' estimated payment of use of system charges and charges on account of late payment thereof.

(6) The above stipulated provisions shall be *mutatis mutandis* applicable, where the captive generating plant is connected with the network licensee's system and availing open access.

7. Filing of petition and determination of use of system charges.— Within ninety days following the date of notification of these regulations, each distribution licensee, in consultation with the respective supplier of last resort, shall prepare and submit a separate petition to the Authority for determination of its use of system charges. Such petition shall be accompanied with a statement which will set out the basis upon which the use of system charges shall be calculated in such manner and with such details as shall be necessary.

8. Wheeling of electric power.— An open access user shall be entitled to wheel electric power using the system of network licensee subject to compliance with these regulations and the Market Commercial Code, upon coming into effect, and use of system agreement.

9. Collection and disbursement of use of system charges.— (1) An open access user shall pay use of system charges, as determined by the Authority from time to time, to the designated accounts as may be determined by the Authority.

(2) The distribution licensees, shall have appropriate back-to-back arrangements in place in order to disburse collected use of system charges



10. **Complaint and dispute resolution.**— (1) The network licensees shall make available a complaint-handling mechanism that provides open access users with expeditious, fair, transparent, inexpensive, accessible, speedy and effective dispute resolution without unnecessary cost or burden.

(2) Any dispute relating to open access shall be dealt with in accordance with the mechanism provided in the use of system agreement, Grid Code or Distribution Code, as the case may be.

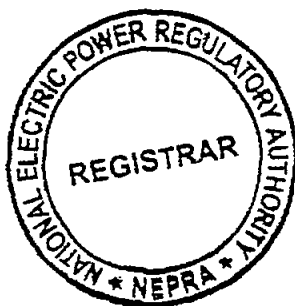
(3) In the event the parties to a dispute are not able to resolve their dispute as per the procedure provided in sub-regulation (2), the matter shall be referred to the Authority.

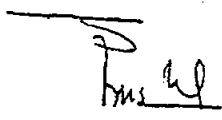
(4) The Authority shall give its decision in any matter referred to it under sub-regulations (3), within a period of three months after providing an opportunity of hearing to the concerned parties.

11. **Repeal and savings.**— (1) Upon the effectiveness of these regulations, the following regulations shall stand repealed.—

- (a) National Electric Power Regulatory Authority (Wheeling of Electric Power) Regulations, 2016;
- (b) National Electric Power Regulatory Authority (Interconnection for Renewable Generation Facilities) Regulations, 2015; and
- (c) National Electric Power Regulatory Authority (Sale of Electric Power by Renewable Energy Companies) Guidelines, 2015.

(2) Any wheeling agreement executed under National Electric Power Regulatory Authority (Wheeling of Electric Power) Regulations, 2016 prior to notification of these regulations shall be brought in conformity with these regulations prior to the date of effectiveness of these regulations.

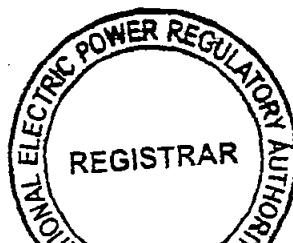



02 X1 22
(Syed Safer Hussain)
Registrar

SCHEDULE-I
"Use of System Agreement"
See regulation 2 (1) (p)

A use of system agreement shall *inter alia* provide for the following:

- (a) Detailed description/profile of parties along with addresses and authorised representatives;
- (b) Effective date and term;
- (c) Provisions on applicability (compliance with) and hierarchy of applicable documents;
- (d) Provision(s) establishing that open access charges will be in accordance with NEPRA tariff determinations;
- (e) Invoicing and payments of open access charges;
- (f) Arrangement in case of failure to provide open access;
- (g) Dispute resolution mechanisms;
- (h) Security cover in terms of cash or irrevocable standby letter of credit;
- (i) Provisions ensuring compliance of these regulations, the Grid Code, the Distribution Code as applicable;
- (j) Notice of Force Majeure Events;
- (k) Representations and Warranties;
- (l) Termination notice;
- (m) Conditions for Assignment of open access rights;
- (n) Provisions related to posting of notices and service address; and
- (o) Procedure of making amendments to the agreement.





OFFICE OF THE
REGISTRAR

F/C

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
ISLAMIC REPUBLIC OF PAKISTAN
NEPRA Tower, Ataturk Avenue (East) G-5/1, Islamabad
Phone: 2013200, Fax: 2600026
Website: www.nepra.org.pk, Email: info@nepra.org.pk

No. NEPRA/DG(Tariff)/TRF-100/ 33375-84

September 13, 2023


Chief Executive Officer Lahore Electric Supply Company (LESCO), 22-A, Queen's Road, Lahore	Chief Executive Officer Faisalabad Electric Supply Company (FESCO), Abdullahpur, Canal Bank Road, Faisalabad
Chief Executive Officer, Sukkur Electric Power Company Ltd. (SEPCO) Administration Block, Thermal Power Station, Old Sukkur.	Chief Executive Officer Hyderabad Electric Supply Company (HESCO) Old State Bank Building, G.O.R. Colony Hyderabad
Chief Executive Officer, Tribal Areas Electricity Supply Company (TESCO) WAPDA House, Shami Road, Peshawar	Chief Executive Officer Peshawar Electric Supply Company (PESCO), WAPDA House, Sakhi Chashma, Shami Road, Peshawar
Chief Executive Officer Quetta Electric Supply Company (QESCO), 14-A Zarghoon Road, Quetta	Chief Executive Officer Multan Electric Power Company (MEPCO) MEPCO Complex, WAPDA Colony, Khanewal Road, Multan
Chief Executive Officer Gujranwala Electric Power Company (GEPCO) 565/A, Model Town G.T. Road, Gujranwala	Chief Executive Officer Islamabad Electric Supply Company (IESCO), Street No. 40, G-7/4, Islamabad

Subject: - **PETITION FOR DETERMINATION OF USE OF SYSTEM CHARGES/
WHEELING CHARGES**

This is with reference to the petitions filed by XWDISCOs for determination of use of system/wheeling charges.

2. The Tariff of FY 2023-24 has been determined by the Authority and subsequently notified by Federal Government vide SRO dated July 25, 2023.

3. Considering the fact that petitions filed by XWDISCOs for use of system/ wheeling charges were based on the revenue requirement/ tariff determined for the FY 2022-23, therefore the Authority has decided to return all such petitions. The Discos are hereby directed to file new petitions after incorporating the revised tariff numbers as determined by NEPRA for the FY 2023-24 and subsequently notified by the Federal Government.


(Haris Khan)
Deputy Director





National Electric Power Regulatory Authority

Islamic Republic of Pakistan

NEPRA Tower, Attaturk Avenue (East), G-5/1, Islamabad
Ph: +92-51-9206500, Fax: +92-51-2600026
Web: www.nepra.org.pk, E-mail: registrar@nepra.org.pk

No.NEPRA/R/DG(Trf)/TRF-559&TRF-560/MEPCO-2021/18185-4/ July 14, 2023

**Subject: DECISION OF THE AUTHORITY REGARDING REQUEST FILED
MULTAN ELECTRIC POWER COMPANY (MEPCO) FOR
ADJUSTMENT/INDEXATION OF TARIFF FOR THE FY 2023-24
UNDER THE MYT [CASE # NEPRA/TRF-559 & TRF-560 /MEPCO-2021]**

Dear Sir,

Please find enclosed herewith subject Decision of the Authority (48 Pages) regarding request filed Multan Electric Power Company (MEPCO) for adjustment/indexation of tariff for the FY 2023-24 under the MYT in Case No. NEPRA/TRF-559 & TRF-560 /MEPCO-2021.

2. The Decision is being intimated to the Federal Government for the purpose of notification in the official Gazette pursuant to Section 31(7) of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 within 30 days from the intimation of this Decision. In the event the Federal Government fails to notify the subject tariff Decision or refer the matter to the Authority for reconsideration, within the time period specified in Section 31(7), then the Authority shall notify the same in the official Gazette pursuant to Section 31(7) of NEPRA Act.

Enclosure: As above

(Engr. Mazhar Iqbal Ranjha)

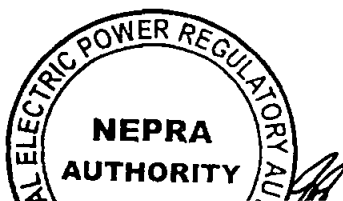
Secretary
Ministry of Energy (Power Division)
'A' Block, Pak Secretariat
Islamabad

CC:

1. Secretary, Cabinet Division, Cabinet Secretariat, Islamabad.
2. Secretary, Ministry of Finance, 'Q' Block, Pak Secretariat, Islamabad.
3. Secretary, Energy Department., Government of the Punjab, 8th Floor, EFU House, Main Gulberg, Jail Road, Lahore,
4. Chief Executive Officer, NTDC, 414 WAPDA House, Shaharah-e-Qauid-e-Azam, Lahore
5. Chief Executive Officer, Central Power Purchasing Agency Guarantee Limited (CPPA-G), Shaheen Plaza, 73-West, Fazl-e-Haq Road, Islamabad
6. Chief Executive Officer, Multan Electric Power Co. Ltd. , MEPCO Headquarter, Khanewal Road, Multan

**DECISION OF THE AUTHORITY REGARDING REQUEST FILED BY MULTAN ELECTRIC POWER
COMPANY (MEPCO) FOR ADJUSTMENT / INDEXATION OF TARIFF FOR THE FY 2023-24 UNDER
THE MYT**

1. **Back Ground**
 - 1.1. The Authority determined separate tariffs of Multan Electric Power Company Limited (MEPCO) (herein referred to as "Petitioner") under Multi Year Tariff (MYT) regime, for a period of five years i.e. from FY 2020-21 to FY 2024-25, for both of its Distribution and supply functions vide tariff determinations dated June 02, 2022. Subsequently, a uniform tariff application u/s 31 (4) of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 was filed by the Federal Government, which was also decided by the Authority on July 22, 2022 and the decision was intimated to the Federal Government for notification in the official gazette. The tariff so determined was notified by the Federal Government vide SRO dated 25.07.2022. MEPCO, also in the mean time being aggrieved from its determinations dated 02.06.2022, filed Motions for Leave for Review (MLR) for Distribution and supply function separately, which were accordingly decided by the Authority on January 12, 2023.
 - 1.2. The Petitioner now in line with the adjustment mechanism provided in its notified MYT determination, has filed its request for adjustment/ indexation of different components of its revenue requirement for the FY 2023-24, along-with break-up of costs in terms of Distribution and Supply functions.
 - 1.3. Here it is pertinent to mention that as per the amendment NEPRA Act, function of sale of electric power, traditionally being performed by the Distribution Licensees, has been removed from the scope of Distribution Licensee and transferred to a Supply Licensee. Section 23E, of the amended Act, provides that holder of a distribution license on the date of coming into effect of the Regulation of Generation, Transmission and Distribution of Electric Power (Amendment) Act, 2018 shall be deemed to hold a license for supply of electric power under this section for a period of five years from such date.
 - 1.4. The Authority noted that the Petitioner was a deemed supplier till 26.04.2023, in light of aforementioned section of NEPRA Act. The Petitioner, however, has submitted its supply of power license application, which is under consideration of the Authority. In view thereof, the Authority has decided to consider the instant adjustment/ indexation request of the Petitioner for both its Distribution and Supply of Power functions. However, the grant of supply tariff under the MYT regime shall in no way be construed as a basis for claiming supply license. The application for grant of Supply license would be processed separately after following the due process of law and in light of applicable documents. The terms & conditions to be given by the Authority, in the supply license would be applicable during the MYT control period and the MYT would be governed by the terms & conditions of the new license.
 - 1.5. A Summary of the adjustments request submitted by the Petitioner is as under;



*Decision of the Authority in the matter of request filed by MEPCO for
Adjustment / Indexation of Tariff for the FY 2023-24 under the MYT*

Description	Unit	Distribution Business	Power Supply Business	Total Revenue Requirement
Energy Charges	Rs. Mln		197,666	197,666
Capacity Charges	Rs. Mln		210,743	210,743
UOSC & MOF	Rs. Mln		19,335	19,335
Power Purchase Price	Rs. Mln		427,744	427,744
Pay & Allowances	Rs. Mln	14,684	3,223	17,907
Post-Retirement Benefits	Rs. Mln	14,036	3,081	17,117
Repair & Maintenance	Rs. Mln	2,073	-	2,073
Travelling Allowance	Rs. Mln	1,060	233	1,293
Vehicle Maintenance	Rs. Mln	930	-	930
Other Expenses	Rs. Mln	2,573	565	3,138
Total O & M Costs	Rs. Mln	35,356	7,102	42,458
Depreciation	Rs. Mln	6,780	-	6,780
RORB	Rs. Mln	15,196	-	15,196
Supply Margin	Rs. Mln	-	7,058	7,058
Other Income	Rs. Mln	-	4,656	-
PYA	Rs. Mln	67,914	16,978	84,892
Revenue Requirement	Rs. Mln	120,590	456,706	577,296

2. Hearing

- 2.1. Since the impact of any such adjustments has to be made part of the consumer end tariff, therefore, the Authority, in order to provide an opportunity of hearing to all the concerned and meet the ends of natural justice, decided to conduct a hearing in the matter.
- 2.2. Hearing in the matter was held on April 17, 2023, for which advertisement was published in newspapers on April 02, 2023. Separate notices were also sent to the stakeholders for inviting comments from the interested/ affected parties. Salient features and details of the proposed adjustments along-with notice of hearing were also uploaded on NEPRA's Website for information of all concerned.
- 2.3. For the purpose of hearing, and based on the pleadings, following issues were framed to be considered during the hearing and for presenting written as well as oral evidence and arguments;
 - i. Whether the requested adjustments/indexation in tariff are in line with the MYT tariff determination and are justified?
 - ii. MEPCO to present its Power Purchases Price (Energy & Cost) for the FY 2023-24, keeping in view the Section 32 of NEPRA Act and NEPRA Power Procurement Regulations?
 - iii. Whether the requested PYA, is justified?
 - iv. Whether the existing Tariff Terms and Conditions needs to be modified (including the request of Cold Storage to charge "B Industrial Supply" Category tariff instead of "A-2 Commercial" category tariff), and keeping in view the amendments in Consumer Service Manual or otherwise?
 - v. Whether the existing fixed charges applicable to different consumer categories needs to be revised and requires any changes in mechanism for charging of such charges based on Actual MDI or Sanction Load or otherwise? Whether there should any Fixed Charges on

consumer's categories who are currently not paying any fixed charges?

- vi. Whether the peak and off-peak rate design needs to be revised?
- vii. Any other issue that may come up during or after the hearing?

3. Filing of objections/ comments:

3.1. Comments/replies and filing of Intervention Request (IR), if any, were desired from the interested person/ party within 7 days of the publication of notice of admission in terms of Rule 6, 7 & 8 of the Tariff Rules. In response thereof, various commentators have filed their comments on the issue of mechanism of application of fixed charges and tariff to be applicable for cold storage. The same have been discussed under the relevant issue.

3.2. During the hearing, the Petitioner was represented by its CEO along-with its technical and financial teams. On the basis of pleadings, evidence/record produced and arguments raised during the hearing, issue-wise findings are given as under;

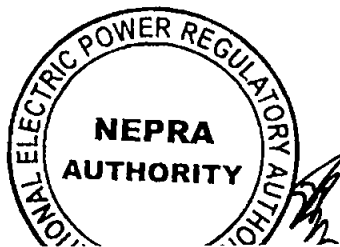
4. MEPCO to present its Power Purchases Price (Energy & Cost) for the FY 2023-24, keeping in view the Section 32 of NEPRA Act and NEPRA Power Procurement Regulations?

4.1. The Authority noted that Power Purchase Price (PPP) forecast of the Petitioner as well for all XWDISCOs for the FY 2023-24 has since been determined by the Authority through a separate decision, detailing the assumptions of the forecast and relevant share of the Petitioner. In view thereof, the Authority does not see any rationale to discuss this issue again herein in the instant decision. However, for the purpose of calculation of overall revenue requirement of the Petitioner, the PPP forecast for the FY 2023-24 as determined by the Authority, has been made part of the overall Revenue Requirement of the Petitioner. Further, Annex-I of the PPP decision, to the extent of the Petitioner, has been attached as Annex-IV with the instant decision. The PPP forecast of the Petitioner for the FY 2023-24 shall be used as reference for future adjustments of PPP including the monthly and quarterly adjustments.

5. Whether the requested adjustments/indexation in tariff are in line with the MYT tariff determination and are justified?

5.1. The Petitioner submitted during the hearing that the requested adjustments are in line with the mechanism determined vide Tariff redetermination and NEPRA guidelines for determination of consumer end tariff (Methodology & Process).

5.2. The Petitioner has requested the following adjustments on account of its O&M costs, Other Income, RoRB, Prior Period Adjustments for the FY 2023-24;



*Decision of the Authority in the matter of request filed by MEPCO for
Adjustment / Indexation of Tariff for the FY 2023-24 under the MYT*

Description	Determined FY 2022-23	Actual/ Projected FY 2022-23	Indexation/ Adjustment Factor FY 2023-24	Indexation/ Adjustment Cost FY 2023-24
Pay & Allowances	13,454	14,326	1.25	17,907
Post Retirement Benefits	10,604	17,117	1.00	17,117
Other O&M Costs	5,469	5,971	1.25	7,434
Depreciation	6,214	6,241	1.09	6,780
RORB	5,198	13,345	1.14	15,196
Supply Margin	-	6,416	1.10	7,058
Other Income	- 5,438	- 8,832	0.77	- 6,832
Total - Rs. Min	35,501	54,584	-	64,660
Units Sold (Projected)- MkWh	19,195	17,467		18,722
DM-Rs/kWh (Actual Units Sold)	2.11	3.12		3.45
DM-Rs/kWh (Determined Units)	1.85	2.84		-

5.3. The Petitioner submitted that projected Salaries, Wages and Benefits have been indexed / adjusted for FY 2023-24 as follows:

- Pay & Allowances for FY 2023-24 have been projected with increase @ 25% considering the impact of current CPI, annual increment, Scale Revision or Adhoc Relief Allowance. However, actual cost will be trued-up in accordance with GoP decision in the forthcoming Finance Act.

5.4. The Petitioner during hearing stated that Pay & Allowances for FY 2023-24 have been projected with increase of 25% i.e. annual increment @5% and gross 50% with annual increment.

5.5. Regarding GENCO Employees, the Petitioner submitted that ECC of the cabinet approved adjustment of employees of GENCOs Power Plants under closure with following stipulations:

"It is proposed that 2,368 Pensioners of GENCOs may be adjusted in their pension disbursing DISCOs or WAPDA. Similarly, 1,753 employees of these plants would be adjusted in DISCOs. Pensions of these employees will be paid by the relevant DISCOs on their retirement according to rules of the relevant DISCOs. In turn the respective DISCOs and WAPDA would c/aim adjustment of the same from NEPRA in their tariffs."

5.6. In pursuance of above, 331 employees (out of 1,753 Employees) have been adjusted in MEPCO. This adjustment of GENCOs employees in MEPCO is subject to determination of NEPRA to allow this cost or otherwise. Further, opening actuarial liability of these employees is assessed as Rs.2,700 million tentatively with annual impact of approx. Rs.450 million (Total Rs.3,150 million). The Authority is requested to provisionally consider the same, however actuarial report of these employees will be furnished subsequently on completion of actuarial studies.

5.7. Regarding Post-retirement benefits, it has been stated that projection is as per the Actuarial Valuation Report (Based on FY 2022-23). The Petitioner requested to consider & allow Rs.22,133 Million on account of Post-Retirement Benefits charged through Other Comprehensive Income (OCI) in line with decision of the Authority dated 12.01.2023 in the matter of MLR filed by MEPCO.

5.8. Regarding GENCO Pensioners, the Petitioner submitted that ECC of the cabinet approved adjustment of pensioners of GENCOs Power Plants under closure with following stipulations:

"It is proposed that 2,368 Pensioners of GENCOs may be adjusted in their pension disbursing DISCOs or WAPDA. Similarly, 1,753 employees of these plants would be adjusted in DISCOs. Pensions of these employees will be paid by the relevant DISCOs on their retirement according

to rules of the relevant DISCOs. In turn the respective DISCOs and WAPDA would claim adjustment of the same from NEPRA in their tariffs."

5.9. In pursuance of above, 563 pensioners (out of 2,368 Pensioners) have been adjusted in MEPCO. This adjustment of GENCOs Pensioners in MEPCO is subject to Determination of NEPRA to allow this cost or otherwise. Further, opening actuarial liability of these Pensioners is assessed as Rs.4,700 Million tentatively with annual impact of approx. Rs.750 million (Total Rs.5,450 million). The Authority is requested to provisionally consider the same, however actuarial report of these Pensioners will be furnished subsequently on completion of actuarial studies.

5.10. Regarding Other OPEX it has submitted that Indexation / Adjustment of Other O&M Cost adjusted as per formula/mechanism provided in MYT determination except Vehicle Expenses for FY 2022-23, which have been projected with 50% increase & for FY 2023-24, as per CPI for December 2022. Other O&M Cost adjusted as per the following formula:

$$O\&M(Rev) = O\&M(Ref) \times [1 + (\Delta CPI - X \text{ factor})]$$

Where

- CPI Dec-22 i.e. 24.5%
- X-factor may please be taken as 0% of CPI due to the reason that practically FY 2023-24 is the first year for indexation/adjustment under MYT and taking X-factor @ 30% is detrimental to the interest of petitioner.

Other O & M	Determined	Adjusted/	Adjusted/
	In MYT	Indexed	Indexed
	FY 2022-23	FY 2022-23	FY 2023-24
Repair & Maintenance	1,537	1,665.00	2,073
Travelling Allowance	1,222	1,038.00	1,293
Vehicle Expense	513	747.00	930
Other Expenses	2,197	2,521	3,138
Total - Rs. Mln	5,469	5,971	7,434

5.11. On the issue of RoRB, the Petitioner submitted that the Authority has kept the Cost of Equity frozen in its MYT Determination, however Cost of equity has been rehashed based on revised calculation of Risk free Rate and Market Premium using same benchmarks as used by the Authority in MYT Determination. Further apprise that as regards cost of debt, spread has been taken @ 2.75% on the same analogy of LESCO & FESCO and KIBOR bi-annually as per MYT benchmark.

5.12. The Petitioner regarding Weighted Average Cost of Debt has provided following details:

Description	3 Months KIBOR (Offer Rate)	Spread	Total
KIBOR Dated 4th July, 2022	15.32%	2.75%	18.07%
KIBOR Dated 3rd Jan, 2023	17.76%	2.75%	20.51%
Weighted Average Cost of Debt			19.29%



5.13. Regarding Cost of equity the submissions of the Petitioner are as under;

a note @

$$\begin{aligned}\text{Cost of Equity} &= R_f + (R_m - R_f)\beta \\ &= 13.34\% + (19.03\% - 13.34\%)1.1 \\ &= 19.60\%\end{aligned}$$

- 5.14. Based on above submission the Petitioner has requested following Weighted Average Cost of Capital:

Description	Cost	Ratio	Rate
Cost of Equity	19.60%	30%	5.88%
Weighted Average Cost of Debt	19.29%	70%	13.50%
Weighted Average Cost of Capital (WACC)			19.38%

- 5.15. In light above discussion the petitioner has requested following RORB for FY 2023-24.

Description	FY 2021-22	FY 2022-23	FY2023-24
	Actual	Actual/Proj	Adjusted/Indexe
Gross Fixed Assets (Opening Balance)	163,152	172,294	188,574
Addition	9,142	16,280	16,280
Gross Fixed Assets (Closing Balance)	172,294	188,574	204,854
Accumulated Depreciation	-62,635	-68,876	-75,656
Net Fixed Assets	109,659	119,698	129,198
Capital WIP	19,754	23,824	27,894
Net Fixed Assets Inc CWIP	129,413	143,522	157,092
Less Deferred Credit	-65,582	-69,656	-74,156
Total	63,831	73,866	82,936
Avg Regulatory Rate Base (RAB)		68,849	78,401
Rate of Return/WACC		19.38%	19.38%
Return on Rate Base		13,345	15,196

- 5.16. The Petitioner regarding depreciation expense for the FY 2023-24, submitted that in line with Adjustment Mechanism given in the MYT, Depreciation Expense will be assessed in accordance with following formula/Mechanism;

$$\text{DEP(Rev)} = \text{DEP(Ref)} \times \text{GFAIO(Rev)} / \text{GFAIO(Ref)}$$

- 5.17. The petitioner has provided following calculations for Depreciation for the FY 2022-23 & FY 2023-24;

Rs. Mln

Description	FY 2021-22	FY 2022-23	FY2023-24
	Audited	Actual/Proj	Adjusted/Indexe
Gross Fixed Assets (Opening Balance)	163,152	172,294	188,574
Addition(80% of Investment)	9,142	16,280	16,280
Gross Fixed Assets (Closing Balance)	172,294	188,574	204,854
Depreciation Expense	5,702	6,241	6,780

- 5.18. On the issue of Other income, the petitioner submitted that for the FY 2023-24, projection for other income has been assessed as Rs.6,832 million on the premise that due to unprecedented circumstances in FY 2022-23, the policy rate of SBP went extraordinary on higher side. The same is expected to be decreased in FY 2023-24 once the economic indicators get stable.



2 Mark. Q

6. The Authority noted that MEPCO has been allowed a Multiyear tariff for a control period of 5 years starting from July 2020 till June 2025, wherein a mechanism for adjustment/ indexation of different components of the revenue requirement has been prescribed. The Authority also noted that adjustments/ indexations till FY 2022-23 have already been Petitioner. Accordingly, in line with the prescribed mechanism and as per the amended NEPRA Act, the Petitioner filed its adjustment/ indexation request with break-up of costs in terms of Distribution and Supply functions for the FY 2023-24 along-with its PYA workings.

6.1. A summary of the allowed adjustment/ indexation, as per the mechanism provided in the MYT determination of the Petitioner is as under;

O&M EXPENSE

6.2. The O&M part of Distribution Margin shall be indexed with CPI subject to adjustment for efficiency gains (X factor). Accordingly the O&M will be indexed every year according to the following formula:

$$O \& M_{(Rev)} = O \& M_{(Ref)} \times [1 + (\Delta CPI - X)]$$

Where:

O&M_(Rev) = Revised O&M Expense for the Current Year

O&M_(Ref) = Reference O&M Expense for the Reference Year

ΔCPI = Change in Consumer Price Index published by Pakistan Bureau of

X = Efficiency factor

6.3. Regarding Efficiency Factor, the Authority decided that;

"...The Authority in line with its decisions in the matter of XWDISCOs which have been allowed MYTs, has decided to keep the efficiency factor 'X', as 30% of increase in CPI for the relevant year of the MYT control period. The Authority has further decided to implement the efficiency factor from the 3rd year of the control period..."

RORB

6.4. RORB assessment will be made in accordance with the following formula/mechanism:

$$RORB_{(Rev)} = RORB_{(Ref)} \times \frac{RAB_{(Rev)}}{RAB_{(Ref)}}$$

Where:

RORB_(Rev) = Revised Return on Rate Base for the Current Year

RORB_(Ref) = Reference Return on Rate Base for the Reference Year

RAB_(Rev) = Revised Rate Base for the Current Year

RAB_(Ref) = Reference Rate Base for the Reference Year

"In addition the allowed RAB for previous year will be trued up downward only, keeping in view the amount of investment allowed for the respective year. In case, the Petitioner ends up making higher investments than the allowed, the same would be the Petitioner's



own commercial decision and would not be considered while truing up the RAB, unless due to any regulatory decisions/interventions/approved plans for which the Petitioner obtains prior approval of the Authority. In such case the Authority may also revise the efficiency targets in terms of T&D losses etc.

The Authority also understands that interest payment is an obligatory cash flow liability unlike discretionary dividend payment and considering the fact that any default may hamper the financial position of the Petitioner, hence the Authority has decided to cover the risk of floating KIBOR. Accordingly, fluctuation in the reference KIBOR would be adjusted biannually. In addition, the Authority has also decided to allow sharing of benefit by introducing a claw back mechanism for any savings resulting from cheaper financing by the Petitioner to the extent of 2.00% spread. If the Petitioner manages to negotiate a loan below 2.00% spread, the savings would be shared equally between the consumers and the Petitioner through PYA mechanism annually. In case of more than one loan, the saving with respect to the spread would be worked out by a weighted average cost of debt. The sharing would be only to the extent of savings only i.e. if the spread is greater than 2.00%, the additional cost would be borne by the Petitioner."

DEPRECIATION EXPENSE

- 6.5. Depreciation expense for future years will be assessed in accordance with the following formula/mechanism:

$$DEP_{(Rev)} = DEP_{(Ref)} \times \frac{GFAIO_{(Rev)}}{GFAIO_{(Ref)}}$$

Where:

$DEP_{(Rev)}$ = Revised Depreciation Expense for the Current Year

$DEP_{(Ref)}$ = Reference Depreciation Expense for the Reference Year

$GFAIO_{(Rev)}$ = Revised Gross Fixed Assets in Operation for the Current Year

$GFAIO_{(Ref)}$ = Reference Gross Fixed Assets in Operation for Reference Year

"In addition the allowed Depreciation for previous year will be trued up downward only, keeping in view the amount of investment allowed for the respective year. In case, the Petitioner ends up making higher investments than the allowed, the same would be the Petitioner's own commercial decision and would not be considered while truing up the depreciation expenses, unless due to any regulatory decisions/interventions/approved plans for which the Petitioner obtains prior approval of the Authority. In such case the Authority may also revise the efficiency targets in terms of T&D losses etc."

OTHER INCOME

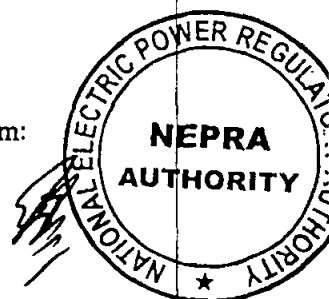
- 6.6. Other income will be assessed in accordance with the following formula/mechanism:

$$OI_{(Rev)} = OI_{(1)} + (OI_{(1)} - OI_{(0)})$$

Where:

$OI_{(Rev)}$ = Revised Other Income for the Current Year

$OI_{(1)}$ = Actual Other Income as per latest Financial Statements.



OI₍₀₎ = Actual/Assessed Other Income used in the previous year.

"...the other income would be tried up every year ..."

Salaries & Wages

"The reference costs shall be adjusted every year with the increase announced by the GoP, being beyond the Petitioner's control, for the respective year till the time the Petitioner remains in the public sector. In addition a 5% increase as requested by the Petitioner would be allowed on the amount of Basic pay to account for the impact of annual increment..."

Post-Retirement Benefits

"Post-retirement benefits would be allowed based on the actuarial valuation report for the year for which assessment is being made or as per the latest available audited financial statements. It would be mandatory for the Petitioner to deposit the whole amount of allowed Post retirement benefits into the separate Fund and route all its pension payments through the Fund. If the Petitioner fails to transfer the whole amount of postretirement benefits into the Fund, the Authority would adjust the deficit payments in the next year's provision and from thereon, only actual amounts paid and amount transferred into the fund would be allowed."

- 6.7. Regarding adjustment of Salaries, Wages & Other Benefits, the Authority observed that the Petitioner was allowed upfront Indexation/adjustment for FY 2021-22 and FY 2022-23, considering the fact by the time the given MYT's were to be notified by the Federal Government, the FY 2022-23, would have started. The relevant extract of the Authority's decision dated 02.06.2022, is as under;

Upfront Indexation/adjustment for the FY 2021-22 and FY 2022-23

The Authority also understands that by the time the instant decision is notified, the FY 2021-22 would have elapsed and the FY 2022-23 would have started. Meaning thereby that tariff indexation/adjustment for the FY 2021-22, which ideally should have been allowed in in July 2021 would have become overdue, and the indexation/adjustment for the FY 2022-23 would also have become due. In view thereof, and in order to ensure timely recovery of the allowed cost to the Petitioner, the Authority has decided to allow the indexation/adjustment for the FY 2021-22 and the FY 2022-23, upfront in the instant decision as per the adjustment /indexation mechanism provided in this determination. However, the impact of under/ over recovery due to indexation/ adjustment for the FY 2021-22 would be allowed / adjusted subsequently as part of future PYA.

- 6.8. With above upfront indexation, the Salaries, wages & Other Benefits determined for the FY 2022-23, have now become reference for indexation to be allowed for the FY 2023-24. However, it is also a fact that all these decisions were issued on 02.06.2022, when increases in Salaries, wages & Other Benefits announced in the Federal Budget for the FY 2022-23, were not available. Therefore, while allowing the salaries, wages & other benefits for the FY 2022-23, a projected increase in salaries, wages & other benefits was allowed. The Federal Government subsequently

allowed various increases in salaries, wages & other Benefits for the FY 2022-23, vide notification dated 01.07.2022.

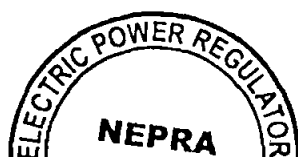
- 6.9. In view thereof, revised detail of salaries, wages & other benefits, after including therein the allowed increase as per the Federal Government notification dated 01.07.2022, were obtained from the Petitioner for the FY 2022-23. The same has been reported as Rs.13,972 million against the allowed amount of Rs.13,454 million. Accordingly, while assessing salaries, wages & other benefits for the FY 2023-24, the revised cost of Rs.13,972 million for the FY 2022-23, as provided by the Petitioner, has been used as reference. Further, the impact of differential due to revision of Salaries, wages & Other Benefits for the FY 2022-23, based on data provided by the Petitioner, has been allowed as part of PYA, which works out as Rs.518 million.
- 6.10. Here it is also pertinent to mention that the Petitioner has also claimed cost for employees allocated to it from GENCOs. The Authority understands that such employees have been allocated to the Petitioner in light of decision of ECC dated 23.09.2021, and are currently drawing their salaries from DISCOs. The impact of such payments has also been included by the Petitioner in its Pay and Allowance cost for the FY 2022-23. Since the revised salaries, wages & other benefits cost as provide by the Petitioner for the FY 2022-23 includes impact of all working employees including MIRAD employees hired till date & GENCO employees allocated to the Petitioner. Since the same have been used as reference for projection of salaries, wages & other benefits cost for the FY 2023-24, therefore, no further adjustment on account of MIRAD hiring and GENCO employees transferred to the Petitioner would be allowed.
- 6.11. It is further clarified that of Salaries, wages & Other benefits cost of GENCOs employees have been provisionally included in the Pay & Allowance cost of the Petitioner, with the direction to provide proper details of employees allocated to it by providing proper employee wise details, their pay scales, terms of adoption, approvals of competent authority for such adoption and placement details along-with their financial impact.
- 6.12. Here it is also clarified that the revised amount being allowed under salaries, wages & other benefits for the FY 2022-23 shall be considered as upper cap, subject to downward adjustment only, once the Audited accounts of the Petitioner for FY 2022-23, are available.
- 6.13. Based on the above discussion & by taking into account the revised numbers for the FY 2022-23, the following increases as announced by the Federal Government in Budget 2024, have been incorporated to project Salaries, Wages & Other Benefits for the FY 2023-24;
- Adhoc relief allowance @ 32.5% on avg. - 30% (BPS-17-22) & 35% (BPS 1-16)
 - Annual increment @ 5% of basic pay for 7 months
 - Adhoc relief allowance FY 2021-22 revised based on revised basic pay scale
- 6.14. Accordingly, for the FY 2023-24, the total Salaries, Wages & Other Benefits (excluding post-retirement benefits) of the Petitioner have been worked out as Rs.16,899 million for both the distribution and supply of power functions. In case any subsequent revision is announced by the

Federal Government in the Pay & Allowances for the FY 2023-24, the same would be considered in the next adjustment/ indexation request.

- 6.15. In order to bifurcate the allowed cost of Salaries, Wages and other benefits costs in terms of Distribution and Supply Functions, the criteria adopted by the Authority in the MYT determination has been used.
- 6.16. Regarding Post-retirement Benefits, the Authority allowed provision for post-retirement benefits to the Petitioner in the MYT tariff determination, with the direction to deposit the whole amount of allowed Post retirement benefits into the separate Fund and route all its pension payments through the Fund. If the Petitioner fails to transfer the whole amount of postretirement benefits into the Fund, the Authority would adjust the deficit payments in next year's provision and from thereon, only actual amounts paid and amount transferred into the fund would be allowed.
- 6.17. The Authority noted that the Petitioner was allowed a total amount of Rs.29.246 billion under the head of post-retirement benefits including Rs.8.8 billion, Rs.9.7 billion and Rs.10.6 billion for the FY 2020-21, FY 2021-22 and FY 2022-23 respectively in its MYT determination dated 02.06.2022. However, the PYA, allowed in the MYT dated 02.06.2022, was only calculated till the FY 2020-21, therefore, differential of the amount allowed for the FY 2021-22 and the amount recovered during the FY 2021-22, was not included in the PYA.
- 6.18. Since the said tariff was notified w.e.f. 25.07.2022, therefore, the Petitioner is supposed to recover around Rs.24 billion till 24.07.2023, assuming recovery of post-retirement benefits in the FY 2021-22, based on the tariff that remained notified in the FY 2021-22. Further, the Petitioner has also paid actual post-retirement benefits of around Rs.17 billion during the FY 2020-21, FY 2021-22 and FY 2022-23 (till April 2023). Moreover, the amount available in the Pension Fund as of April 2023, is around Rs.7.4 billion, as per the information provided by the Petitioner.
- 6.19. As per the above workings, the Petitioner has deposited sufficient amount in the Fund, however, the FY 2022-23 has not yet lapsed, therefore, the Authority may review the amount deposited in the fund once the recovery period of the allowed amount is completed.
- 6.20. Regarding assessment of post-retirement benefits for the FY 2023-24, the determination provides that it would be allowed based on the actuarial valuation report for the year for which assessment is being made or as per the latest available audited financial statements. As per the latest audited financial statements of the Petitioner i.e. for the FY 2021-22, the provision for post-retirement benefits is Rs.10,106 million. The same is being allowed to the Petitioner for the FY 2023-24, for both the distribution and supply of power functions.
- 6.21. In order to bifurcate the allowed cost of Post-retirement benefits in terms of Distribution and Supply Functions, the criteria adopted by the Authority in the MYT determination has been used.
- 6.22. Regarding impact of GENCO Pensioners, the Authority observed that the Petitioner in the MYT determination has been allowed provision for post-retirement benefits based on the actuarial valuation report for the year for which assessment is being made or as per the latest available

audited financial statements. Since the Petitioner for the FY 2023-24, has already been allowed provision of post-retirement benefits as per latest available accounts of the FY 2021-22, therefore, the Authority considers that no additional amount is to be allowed for the GENCO Pensioners in the instant adjustment/ indexation request for the FY 2023-24. The Petitioner is, however, directed to ensure payments to these pensioners provisionally and submit proper case by providing complete details of allocated pensioners, their pension amounts along-with approvals of competent authorities for consideration of the Authority.

- 6.23. Regarding Other O&M expenses, the MYT tariff determination requires the same to be indexed with NCPI of December for the respective year after adjustment for the X factor i.e. 30% of CPI. Accordingly, for indexation of other O&M expenses for the FY 2023-24, the NCPI of December 2022 has been considered. The same as reported by Pakistan bureau of Statistics is 24.47%. With this NCPI, and after accounting for the X-factor, the Other O&M cost of the Petitioner for the FY 2023-24 works out as Rs.6,406 million based reference cost of Rs.5,469 million.
- 6.24. Here it is pertinent to mention that NEPRA has also imposed Supplier License fee on the Petitioner from FY 2021-22 onward, however, the said cost is not part of the reference cost allowed to the Petitioner under Other O&M expenses. Accordingly, while working out the other O&M cost of the Petitioner for the FY 2023-24, the fee billed by NEPRA on account of Supplier license has been included in the reference cost of Other O&M expenses for the FY 2022-23. Further, the fee for the FY 2021-22 and FY 2022-23, not previously allowed to the Petitioner has also been included as part of PYA. The amount on account of supplier license fee for the FY 2021-22 and FY 2022-23, included in the PYA, has been worked out as Rs.46.3 million & 60.8 million respectively.
- 6.25. Based on the above discussion, the total Other O&M cost of the Petitioner for the FY 2023-24, including Supplier License Fee, works out as Rs.6,478 million. The same is being allowed to the Petitioner for both the distribution and supply of power functions.
- 6.26. In order to bifurcate the allowed cost of Other O&M expenses in terms of Distribution and Supply Functions, the criteria adopted by the Authority in the MYT determination has been used.
- 6.27. Regarding Depreciation expenses, the same are required to be worked out based on the Revised Gross Fixed Assets in Operation (GFAIO) for FY 2023-24, to be calculated based on Investment allowed for the FY 2023-24.
- 6.28. The revised Gross Fixed Assets in Operation of the Petitioner for the FY 2023-24 works out as Rs.186,456 million, after including therein the impact of allowed investment for the FY 2023-24 i.e. Rs.14,367 million. Accordingly, as per the allowed mechanism the total depreciation expense of the Petitioner for the FY 2023-24 works out as Rs.6,208 million. The same is being allowed to the Petitioner for both the distribution and supply of power functions.
- 6.29. In order to bifurcate the allowed cost of depreciation expenses in terms of Distribution and Supply Functions, the criteria adopted by the Authority in the MYT determination has been used.



Handwritten signature and initials.

- 6.30. In addition the mechanism given in the MYT, also provides that the allowed Depreciation for previous year will be trued up downward only, keeping in view the amount of investment allowed for the respective year. In view thereof, the depreciation cost allowed for the FY 2020-21 & FY 2021-22, has been made trued up and made part of PYA of the Petitioner for the FY 2023-24 as under;

Description	MEPCO
Allowed Depreciation FY 2021	5,435
Actual Depreciation FY 2021	5,465
Downward True up Adj. as PYA	-
Allowed Depreciation FY 2022	5,799
Actual Depreciation FY 2022	5,736
Downward True up Adj. as PYA	- 63

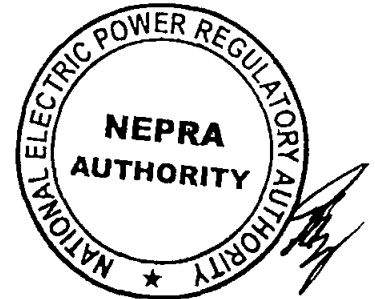
- 6.31. Here it is clarified that the Authority is in the process of evaluating the investments actually carried out by the Petitioner, whether the same in line with the allowed investment plan or otherwise. Therefore, for the purpose of truing up of Depreciation expenses for the FY 2020-21 & FY 2021-22, depreciation expense as reported in Audited/ provisional financial statements of the Petitioner have been considered, keeping in view the mechanism prescribed in the MYT determination. Any adjustment based on the final evaluation of the Authority, if required, would be made in next adjustment/indexation request of the Petitioner.
- 6.32. Regarding RoRB, the reference RoRB is required to be adjusted every year based on the amount of RAB worked out for the respective year after taking into account the amount of investment allowed for that year, as per the mechanism provided in the MYT. Further, the Authority in the MLR decision of the Petitioner dated 12.01.2023, decided to allow WACC by including 100% balance of CWIP in the RAB instead of allowing ROE component only to the extent of 30% of CWIP balance.
- 6.33. Accordingly, the revised RAB of the Petitioner for the FY 2023-24, based on the Investment allowed for the FY 2023-24, and incorporating therein 100% balance of CWIP, works out as Rs.68,336 million. The average RAB of the Petitioner however, for the purpose of calculation of RoRB, works out as Rs.65,313 million for the FY 2023-24.
- 6.34. Here it is pertinent to mention that the Authority vide determination dated 02.06.2022, allowed adjustments on account of variation in KIBOR on biannual basis. Considering the fact that prevailing KIBOR rates are very high and the rates built in the reference are much lower, the Authority has decided to provisionally incorporate the prevailing KIBOR of 22% as of 07.06.2023 in the calculation of WACC for the FY 2023-24. By taking into account the KIBOR of 22%, the WACC for the FY 2023-24 works out as 21.14%, as per the formula given in the MYT determination. The same would be adjusted subsequently once the actual KIBOR and Audited accounts of the Petitioner for the FY 2023-24, are available for true up of RORB.

- 6.35. Based on the above discussion, the total RoRB of the Petitioner for the FY 2023-24 works out as Rs.13,808 million. The same is being allowed to the Petitioner for both the distribution and supply of power functions.
- 6.36. In order to bifurcate the allowed RoRB in terms of Distribution and Supply Functions, the criteria adopted by the Authority in the MYT determination has been used.
- 6.37. In addition the mechanism also provides that the allowed RAB for previous year will be trued up downward only, keeping in view the amount of investment allowed for the respective year. Further, the variations on account of KIBOR are also required to be allowed on biannual basis. In view thereof, the RoRB cost allowed for the FY 2020-21 & FY 2021-22, has been trued up and made part of PYA of the Petitioner for the FY 2023-24, on both these accounts as under;

Description	MEPCO
Allowed RORB FY 2021	4,868
Actual RORB FY 2021 (capped to the extent of allowed Investment)	4,869
True up Adj. as PYA	1

Allowed RORB FY 2022	5,658
Actual RORB FY 2022 (capped to the extent of allowed Investment)	5,990
True up Adj. as PYA	332

Description	MEPCO
Allowed KIBOR FY 2021	7.03%
Actual KIBOR 02.07.2020	7.03%
Actual KIBOR 04.01.2021	7.30%
Allowed KIBOR FY 2022	7.03%
Actual KIBOR 02.07.2021	7.45%
Actual KIBOR 04.01.2022	10.52%



- 6.38. Here it is pertinent to mention, that amount of investments appearing in the financial statements has been restricted to the extent of allowed investment.
- 6.39. The Authority in MLR decision while allowing RORB on 100% balance of CWIP also directed DISCO to disclose the amount of Interest during Construction (IDC) separately in their financial statements. However, while going through the Financial Statements of the Petitioner, it was observed that the Petitioner has not separately disclosed the amount IDC. Therefore, the amount of adjustment being allowed as part of PYA is purely on provisional basis, subject to downward adjustment based on the amount of IDC reflected in the financial statements of the Petitioner. In case the Petitioner fails to reflect the amount of IDC in financial statements, the Authority may consider not to allow RORB on 100% balance of CWIP. The Petitioner is, therefore, again

directed to provide the IDC amount for FY 2020-21 onward and reflect the same in its Audited Financial Statements as well.

6.40. It is also clarified that the Authority is in the process of evaluating the investments actually carried out by the Petitioner, whether the same in line with the allowed investment plan or otherwise. Therefore, for the purpose of truing up of RAB for the FY 2020-21 & FY 2021-22, investments as reported in the Audited/ provisional financial statements of the Petitioner, have been considered. However, the amount of investment appearing in the financial statements has been restricted to the extent of allowed investment. Any adjustment based on the final evaluation of the Authority, if required, would be made in next adjustment/indexation request of the Petitioner

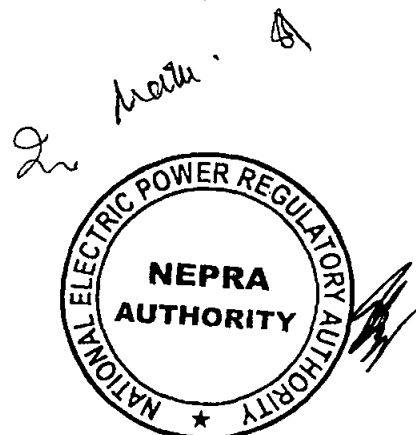
6.41. Regarding Other Income, the same has been adjusted as per the mechanism provided in the MYT determination for the FY 2023-24. The same for the FY 2023-24 works out as Rs.7,108 million for the Petitioner. Further, the MYT determination also provides truing up of Other Income every year. Accordingly, the allowed Other income for the FY 2021 & FY 2022, has also been trued up based on Audited/Provisional Financial statement of the Petitioner for the FY 2021 & FY 2022 resulting in positive adjustment of Rs.3,115 million and Rs.1,670 million respectively. The same has been made part of PYA for the FY 2023-24.

7. Whether the requested the requested PYA, is justified?

7.1. The Prior Year Adjustment includes the impact of variation in the following, based on the Authority's allowed benchmarks of T&D losses and recoveries;

- ✓ Impact of Negative/Positive FCAs not passed on/recovered
- ✓ Under/Over Recovery of allowed Quarterly Adjustments
- ✓ Under/Over Recovery of the assessed DM
- ✓ Under/Over Recovery of the previously assessed PYA
- ✓ Cost allowed in Motion for Leave for Review
- ✓ Sales Mix Variance
- ✓ Adjustment of excess LPS over supplemental charges
- ✓ MYT True ups

7.2. The Petitioner has requested the following PYA for the FY 2023-24;

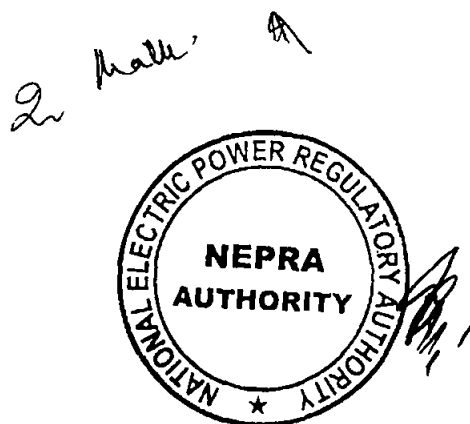


*Decision of the Authority in the matter of request filed by MEPCO for
Adjustment / Indexation of Tariff for the FY 2023-24 under the MYT*

Sr. No	Description	Rs. In Million
1	Adjustment of PYA -21 Previously Allowed in MYT.	8,713
2	Sales Mix Variance FY 2020-21 & FY 2021-22.	11,302
3	Under/Over Recovery of Quarterly Adjustment.	-931
4	Under/Over Recovery of DM FY 2021-22.	3,913
5	Post-Retirement Benefits (PRB) charged to OCI	22,133
6	True-up of RORB FY 2020-21 & DM FY 2021-22	2,202
7	Minimum/Turnover Tax	4,182
8	GENCO Employees	3,150
9	GENCO Pensioners	5,450
10	PPMC Overhead Charges	50
11	Power Supply Margin	14,028
12	Excess Supplemental Charges than LPS FY 2021 & 2022	9,413
13	Cost of Meters (R&M) FY 2020-21 & FY 2021-22	1,287
14	Fuel Cost Adjustment (Nov-19 to June-20) not Recovered	3,262
Total		88,154

7.3. A summary of the Petitioner's submission on PYA is as under;

- In the Multi Year Tariff Determination, the Authority has allowed an amount Rs.1,014 million against Prior Year Adjustment (PYA-2021), however, the Authority has mentioned in the MYT decision that under/over recovery of quarterly adjustment has been worked out based on total units without adjusting life line units and directed to provide its working along with breakup of units sold to each category. In this regard, under/over recovery of each components of determined PYA-2021 in MYT is given hereunder for consideration of the Authority.

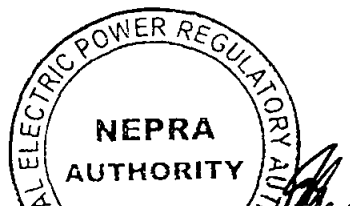


*Decision of the Authority in the matter of request filed by MEPCO for
Adjustment / Indexation of Tariff for the FY 2023-24 under the MYT*

Rs. in Million			
Description	Determination	Actual	Difference
1st & 2nd Qtr FY 2018-19			
Allowed Amount	34,633	34,633	
Qtr. Rs/kWh	1.6156	1.6156	
Recovered	36,581	35,866	
Under/(Over) Recovery	-1,948	-1,233	715
3rd & 4th Qtr FY 2018-19			
Allowed Amount	5,495	5,495	
Qtr. Rs/kWh	0.3204	0.3204	
Recovered	5,265	5,257	
Under/(Over) Recovery	230	238	8
Interim DM FY 2018-19			
Allowed Amount	4,791	4,791	
Rate Rs/kWh	0.2794	0.2794	
Recovered	4,591	4,584	
Under/(Over) Recovery	200	207	7
1st Qtr FY 2019-20			
Allowed Amount	1,429	1,429	
Qtr. Rs/kWh	0.0833	0.0833	
Recovered	1,380	1,374	
Under/(Over) Recovery	49	55	6
Distribution Margin FY 2019-20			
Allowed Amount	26,167	26,167	
Rate Rs./kWh	1.14	1.14	
Recovered	18,808	18,756	
Under/(Over) Recovery	7,359	7,411	52
Other Income FY 2019-20			
Allowed Amount	-4,234	-4,234	
Recovered	-5,246	-5,246	
Under/(Over) Recovery	-1,012	-1,012	-
Sales Mix Variance			
FY 2019-20	-4,773	-3,666	
Under/(Over) Recovery	-4,773	-3,666	1,107
Late Payment Charges Viz-a- Viz Supplementary charges FY 2014-15 to FY 2019-20			
	-3,621	1,286	4,907
Distribution Margin FY 2020-21			
Allowed Amount	27,513	28,411	
Recovered	22,983	21,971	
Under/(Over) Recovery	4,530	6,440	1,910
Total	1,014	9,727	8,713

- CPPA-G has raised invoices on account of Supplemental Charges for the Period FY 2014-15 to FY 2019-20 for Rs.11,393 Million, out of which Rs.6,487 Million have been accounted for during the same period. On the other hand, MEPCO has billed LPS amounting to Rs.10,107 Million during the period FY 2014- 15 to El 2019-20. Authority is requested to allow Rs.3,621 Million on account of unaccounted for Supplemental Charges to the extent of LPS at par with Authority policy in this regard. Evidence of booking the same during current financial year will be furnished once the Authority allowed the requested amount of Rs.3,621 Million.

2 Math. D



- To allow Rs.1,286 Million (Supplemental charges in excess of LPS) for the period FY 2014-15 to FY 2019-20 as CPPA-G has already issued invoices to MEPCO and the amount is outstanding in reconciliation between CPPA-G and MEPCO.
- To allow sales mix variance for FY 2020-21 at the base tariff notified vide SRO 07(1)/2019, dated January 01, 2019 (effective from 01.07.2020 to 11.02.2021) & SRO 188(1)/2021 dated February 12, 2021 (effective from 12.02.2021 to 30.06.2022) and Sales Mix for FY 2021-22 at base Tariff notified vide SRO 188(1)/2021 dated February 12, 2021 effective for complete FY 2021-22 as mentioned below.

Sales Mix Variance		Rs. In Million
Description	Amount	
FY 2020-21		1,226
FY 2021-22		10,076
Under/(Over) Recovery		11,302

- Under/Over recovery against various Quarterly Adjustments allowed by NEPRA up to June, 2022 is given below:

Description	Amount In Million
2nd & 3rd Qtr FY 2019-20	
Allowed Amount	23,507
Qtr. Rs/kWh	1.3707
Recovered	23,444
Under/(Over) Recovery	63

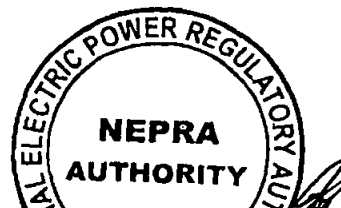
4th Qtr FY 2019-20, 1st, 2nd & 3rd Qtr 2020-21	
Allowed Amount	26,647
Qtr. Rs/kWh	1.5765
Recovered	26,710
Under/(Over) Recovery	(63)

4th Qtr FY 2020-21	
Allowed Amount	(2,872)
Qtr. Rs/kWh	(0.8089)
Recovered	(2,852)
Under/(Over) Recovery	(10)

1st Qtr FY 2021-22	
Allowed Amount	3,762
Qtr. Rs/kWh	0.9084
Recovered	4,683
Under/(Over) Recovery	(921)

Total Under/(Over) Recovery	(931)
------------------------------------	--------------

- Over recovery of Rs.931 Million against aforementioned Quarterly Adjustments may be adjusted in Prior Year Adjustment (PYA).
- The Authority has allowed Distribution Margin (DM) of Rs. 33,027 Million for FY 2021-22 against which actual recovery remained Rs. 29,114 Million, which resulted in under recovery of Rs.3,913 million as tabulated below:



*Decision of the Authority in the matter of request filed by MEPCO for
Adjustment / Indexation of Tariff for the FY 2023-24 under the MYT*

Description	Amount in Million
DM Allowed	33,027
DM Recovered	
Unit Sold (kWh)	19,202
ISP-2 Incremental Unit (kWh)	(673)
Net Unit Sold (kWh)	18,530
DM Rate RS/kWh	1.57
DM Recovered	29,114
Under Recovery	3,913

- The Company provides Pension Scheme, Free Electricity Scheme and Free Medical Facility Scheme for all its employees. Further, the Company employees are also entitled for accumulated compensated absences which are encashed at the time of retirement up to maximum limit of 365 days. The Company's obligations under these schemes are determined annually by a qualified actuary using projected Unit Credit Actuarial Cost Method. Latest actuarial valuations have been carried on 30 June 2021 & 30 June 2022. The Company's net obligation in respect of defined benefits plans is calculated by estimating the amount of future benefits that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. Past service cost is recognized immediately in "the statement of profit or loss.
- Re-measurement of the net defined benefit liability (except for compensated absences), which comprises actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Company determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefits payments. Net interest expense and other expenses related to defined benefit plan is recognized in profit or loss. Re-measurement related to the compensated absences is recognized in the year of occurrence in the statement of profit or loss.
- In the light of Actuarial Valuation carried out on 30th June, 2021 & 30th June, 2022, MEPCO has charged Rs.5,363million & Rs.16,770 million through OCI for FY 2020-21 & FY 2021-22 respectively. Therefore, requested to allow Rs.22,133 million charged to the Other Comprehensive Income for both years.

Sr No	Year	Amount in Million
1	FY 2020-21	5,363
2	FY 2021-22	16,770
Total		22,133

- In line with MYT Adjustment Mechanism, revised RORB for FY 2020-21 & component wise breakup of Distribution Margin (DM) indexation/ True-Up for FY 2021-22 is elaborated below:



- FY 2020-21: Cost of Equity has been kept frozen as per MYT Determination. However as regards cost of debt, spread has been taken @ 2.75% on the same analogy of LESCO & FESCO and KIBOR bi-annually as per MY benchmark.

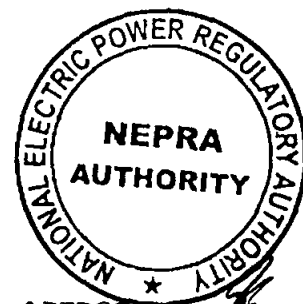
Description	FY 2020-21		
	Actual	Determined	Difference
RORB	6,684	4,868	1,816

- In terms of Para 53.2 & 54.2 of MEPCO MYT Determination (Distribution Business), the Authority has decided that the allowed amount of RAB and depreciation will be true up downward only keeping in view the amount of investment allowed for the respective year. This mechanism tantamount discouragement and penalizing the petitioner regarding investment over and above the investment allowed. The mechanism is also contrary to the earlier MYT Determinations in respect of LESCO, relevant portion is reproduced hereunder:

"Considering the fact that RAB for the FY 2015-16 & onwards has been allowed based on estimated level of investment and in case the actual/ investments carried out turn out to be different from the estimated level i.e. the petitioner ends up in making higher investments than the allowed, the benefit of the incremental benefit must be passed on to the petitioner and vice versa."

- To allow RAB and depreciation on the same analogy of LESCO i.e. True-up downward as well as upward based on the actual investments carried out.
- Minimum tax of Rs.4,182 million paid during FY 2021-22 & FY 2022-23 as given hereunder may be allowed;

CPR No	Date	Tax Paid
IT-20220330-0101-1601611	30-Mar-22	840,578,322
IT-20220628-0101-1641755	28-Jun-22	900,771,333
IT-20220929-0101-2988430	29-Sep-22	1,782,050,399
IT-20221229-0101-2366286	29-Dec-22	658,604,548
Total		4,182,004,602



- The Authority has not allowed any cost to DISCOs (MEPCO) on the pretext of PEPCO management fee with the remarks that each DISCO is an independent entity having its own Board of Directors. However, the Federal Government in its notification issued in Oct 2021, has transformed PEPCO as Power Planning and Monitoring Company (PPMC) with incorporation as a firm limited by shares with SECP having defined scope of activities. PPMC issued debit notes of Rs. 50 Million for FY 2021-22 against PPMC overhead charges. Therefore, it is requested to please allow the same in PYA.
- According to para 16(2) of the NEPRA Guidelines for determination of consumer end tariff (Methodology and process) issued vide SRO # 34 (1)/2015, dated 16 January, 2015, tariff should allow the licensee, a rate of return, which promotes continued reasonable investment in equipment and facilities for improved and efficient service. It is important that returns provided to the Company commensurate with the risks associated with the sector. The rate

a water

of return should provide for a return which is proportionate with the prevailing cost of funds being incurred by the Company and with the risk involved in delivering the utility services. The Regulator allows Return on Rate Base (RORB) as a return on Assets which are kept by a distribution company which does not cover the return to a separate entity carrying out a separate business of Power Supply.

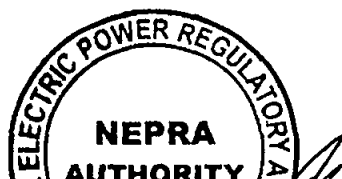
- The Authority will definitely allow Power Supply margin to the other participants which will enter into the market only to carry out Power Supply business to the regulated consumer. Therefore, to provide incentive and level playing field, the Authority is requested to allow Power Supply Margin to MEPCO.
- The Regulator has not provided any guidelines regarding Return to the Power Supply Business, therefore, MEPCO requests Power Supply Margin @ 1.5% of the Power Purchase Price invoiced to Power Supply Business of MEPCO.

Description	2020-21	2021-22	2022-23	Total
PPP Determined	253,741	253,741	427,744	935,226
PSM @ 1.5%	3,806	3,806	6,416	14,028

- During FY 2020-21 & FY 2021-22, CPPA-G has raised Invoices for of Rs. 15,665 Million on account of supplemental charges whereas MEPCO has collected Rs. 6,252 Million on account of Late Payment Surcharge (LPS) from consumers during FY 2020-21 & FY 2021-22. In this way, CPPA-G has invoiced Rs. 9,413 Million in excess of LPS. However, MEPCO has booked Supplemental Charges in books of Accounts to extent of LPS. Excess invoiced Supplemental Charges or Rs. 9,413 Million are yet to be accounted for subject to approval of Authority. In view of above, it is evident that MEPCO could not recover its legitimate cost owing to delayed determination of petitions/quarterly adjustments leading to incremental impact on power generators payables (circular debt) ultimately higher quantum of supplemental charges i.e. delayed payment penalty. Hence, Authority is requested to allow the excess amount of Rs.9,413 million as Supplemental Charges in the PYA.
- As per the MYT Determination for Distribution Business, the Authority has excluded the cost of Meters from R&M expense and directed MEPCO to capitalize the cost of meters instead of expensing out. In compliance of Authority's direction, it has started capitalizing Meters w.e.f. FY 2022-23 instead of expensing out. However, Annual Accounts of FY 2020-21 & FY 2021-22 have already been finalized, accordingly it is requested to allow cost of Meters under R&M amounting to Rs.1,287 Million for FY 2020-21 & FY 2021-22;

Sr No	Description	Amount
1	R&M Meter (FY 2020-21)	867,938,942
2	R&M Meter (FY 2021-22)	419,327,677
Total		1,287,266,619

- 7.4. The Authority has considered the submissions of the Petitioner regarding PYA and point wise discussion is as under.

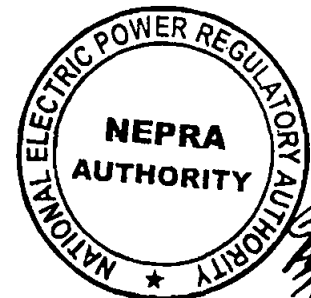


Handwritten signature

- 7.5. The impact of life line units on Quarterly adjustment and Interim Distribution Margin has been accounted for while working out PYA of FY 2023-24, in line with the decision of the Authority and based on the information provided by the Petitioner.
- 7.6. Regarding excess supplemental charges, the Authority has already decided to allow DISCOs to retain LPS to the extent of supplemental charges billed by CPPA-G. In case supplemental charges billed by CPPA-G are lower than the LPS, than any amount of supplemental charges over and above the supplemental charges are adjusted back as part of PYA on yearly basis. Any supplemental charges over and above the LPS are not allowed by the Authority. Hence the request of the Petitioner to allow supplemental charges over & above the LPS recovered is not in line with the decision of the Authority, hence not considered. Further, the adjustment of LPS over and above the supplemental charges for the previous periods was made based on the data provide by Petitioner itself at that time. Therefore, the issue is now a past and closed transaction, hence, no further adjustment is allowed.
- 7.7. Regarding Sales Mix variance of FY 2019-20, and adjustment of D.M for the FY 2020-21, the matter has already been deliberated and decided by the Authority in the MYT determination of the Petitioner dated 02.06.2022. The Petitioner, in case had any grievances on these issues, should have contested the same in its MLRs, however, no such issues were raised by the Petitioner in the MLRS. Therefore, the issue is now a past and closed transaction, thus no further adjustment is required on these account.
- 7.8. Regarding Sales mix, the Authority noted that although DISCOs have submitted their workings for sales mix for the FY 2020-21 and FY 2021-22, however, scrutiny of the data shows different anomalies in the provided data. The Authority has therefore, carried out its own working in the matter and the amount so worked out is being allowed to the Petitioner on provisional basis, with the direction to the Petitioner to provide the reconciled date of sales mix with its reported revenue as per audited financial statement of the respective year. In case any variation is observed at a later stage in the submitted data, the same would be adjusted as part of PYA subsequently.
- 7.9. On the issue of Post-Retirement Benefits (PRB) for the FY 2020-21, the Authority through its earlier determinations, decided as under;

".... the Authority has decided to allow provision for Post-retirement benefit for the first year of the MYT control period as per the amount requested by the Petitioner i.e. Rs.8.877 million for the FY 2020-21. However, the Petitioner is directed to deposit the amount of provision, over and above their actual post-retirement benefit payments, in the Fund and in case of failure to deposit the excess amount in the Fund, the same shall be adjusted/deducted in the subsequent tariff determination and from thereon, only actual amounts paid and amount transferred into the fund would be allowed

As mentioned above, the Authority has allowed the post-retirement benefits for the FY 2020-21, as per the request of the Petitioner, thus, the current request of the Petitioner to allow the additional amount of Rs.5,363 million does not come under purview of Review motion. The Authority also decided that going forward keeping in view the pension obligation of the Petitioner, amount deposited in the Fund and quantum of future tariff increases, it may allow some additional amounts in this regard for depositing in the fund, in order to protect the financial liabilities of the Pensioners. Accordingly, for the purpose of instant MLR the Authority has decided not to accept the request of the Petitioner to allow any additional amount under the head of Post-Retirement Benefits of the Petitioner for the FY 2020-21.



- 7.10. Similarly, for FY 2021-22, the amount of PRB was again allowed to the Petitioner as per its request, therefore, the Authority has decided not to accept the request of the petitioner to allow any additional amount under the head of Post-Retirement benefits for the FY 2020-21 & FY 2021-22.
- 7.11. Regarding request of the Petitioner to allow true-up of the RAB, RoRB and Depreciation on the same analogy adopted in the MYT of LESCO & FESCO, the Authority has already decided the mechanism for true-up of RoRB and Depreciation of the Petitioner in its MYT determination, therefore, the instant request of the Petitioner to change the mechanism of true-up is not understandable and is out of the scope of the instant adjustment/ indexation request for the FY 2023-24, therefore, the request of the Petitioner is declined.
- 7.12. Regarding minimum tax/ turnover tax, the Authority in the MYT determination dated 02.06.2022, directed the Petitioner as under;
- Regarding Turnover Tax, the Authority while going through the financial statements of the DISCOs including the Petitioner, has observed that significant amount of tax refund is appearing from FBR. In view thereof, the Authority has decided to allow actual tax paid by the Petitioner net off of the amount of Tax Refund outstanding from FBR, if any, once the Petitioner provides detail of actual tax assessments vis a vis tax paid for the last five years. Accordingly, the Petitioner is directed to provide details of actual tax assessments, tax allowed and the amount of tax paid for the last five years.
- 7.13. Since the Petitioner has not provided the required information as per the directions of the Authority, therefore, the Authority has decide not to allow any adjustment in this regard, till the time the Petitioner complies with the directions of the Authority. Here it is pertinent to mention that GEPCO is contesting the issue of minimum tax with FBR. In view thereof, the Petitioner is also directed to take up the matter with FBR on the same grounds as being contested by GEPCO.
- 7.14. The Authority in the MYT determination of MEPCO dated 02.06.2022, regarding PEPCO fee (now PPMC) decided as under;
- and travelling, transportation etc. However, Management Fees of PEPCO, has not been considered as each DISCO is an independent entity having its own board of Directors, thus, allowing any cost on the pretext of PEPCO Management fee is not logical. Further, the Ministry of Energy (MoE), itself in the Peshawar High Court submitted that PEPCO shall be dissolved after June 2011. Accordingly, the cost of PEPCO fee, if any, has not been allowed to the Petitioner.
- 7.15. As the matter has already been decided by the Authority, whereby no PEPCO (now PPMC) fee has been allowed in the MYT of the Petitioner, therefore, the request of the Petitioner to again allow PPMC fee is out of scope of Annual adjustment/indexation for the FY 2023-24, hence declined.
- 7.16. Regarding Power Supply Margin, the Authority in the MYT determination of the Petitioner dated 02.06.2022, decided as under;



The Authority observed that the Petitioner has been allowed return on its Rate Base as per the Authority's approved WACC and the same has been included as part of the Petitioner's Distribution function revenue requirement. Although, the function of sale of electric power traditionally being performed by the Distribution Licensees has been amended under Section 21(2)(a) of the Amended Act, however, the amended Act, also under proviso to Section 23E(1), provides that holder of a Distribution license on the date of coming into effect of the Amendment Act, shall be deemed to hold a license for supply of electric power for a period of five years from such date. Thus, all existing Distribution Licensees have been deemed to have Power Supplier Licenses, to ensure distribution licensees earlier performing both the sale and wire functions, would continue to do so. Hence, practically there is no change in the overall nature of operations or functions being performed by the existing DISCOs, therefore, allowing any separate margin to the Petitioner for its Supply function, considering the fact that it has been allowed return on its overall rate base, does not merit consideration.

7.17. As the matter has already been decided by the Authority, whereby no supply margin has been allowed in the MYT, therefore, bringing up the same issue again and again is neither understandable nor does it fall under the scope of instant MYT adjustment/ indexation request. Hence, the request of the Petitioner is declined.

7.18. Regarding supplemental charges for the FY 2020-21 and FY 2021-22, the Authority earlier in the matter has decided to allow DISCOs to retain LPS to the extent of Supplemental charges billed by CPPA-G. In case supplemental charges billed by CPPA-G are lower than the LPS, than any amount of LPS over and above the supplemental charges are adjusted back as part of PYA on yearly basis. Any supplemental charges over and above the LPS are not allowed by the Authority. Therefore, for the FY 2020-21 and FY 2021-22, the treatment of LPS vis a vis supplemental charges has been carried out in line with the aforementioned decision of the Authority.

7.19. Regarding allowing cost of meters as CAPEX, the Authority in MYT determination of the Petitioner dated 02.06.2022 decided as under;

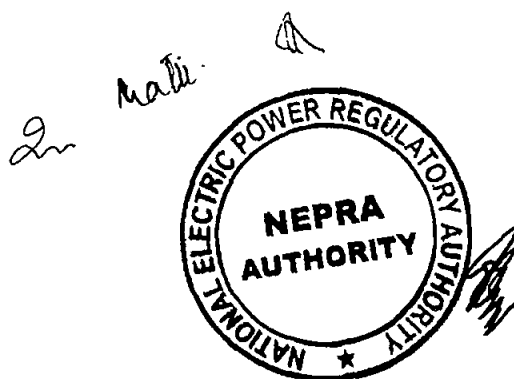
"The Authority has been directing the Petitioner to capitalize the cost of meters instead of expensing out, however, despite Authority's repeated directions, the Petitioner has again recorded the cost of meters under the head of R&M. Therefore, while assessing the R&M costs of the Petitioner for the FY 2020-21, the Authority has excluded the cost of Meters from the actual cost of R&M of the Petitioner for the FY 2019-20."

7.20. The Authority noted that the Petitioner has not complied with the direction of the Authority in terms of classification of cost of meters as part of CAPEX in its audited accounts for the FY 2021-22, despite the fact that MYT decision was issued on 02.06.2022. In view thereof, the Authority would consider the request of the Petitioner once the Petitioner complies with the direction of the Authority and ensure proper classification of cost of meters as part of CAPEX in its audited accounts for the FY 2022-23 and restating its Audited accounts for the previous years.

7.21. For the FY 2020-21, FY 2021-22 and FY 2022-23 (till Dec. 22), the Authority has accounted for the impact of positive FCA on life line consumers based on the information provided by the Petitioner.

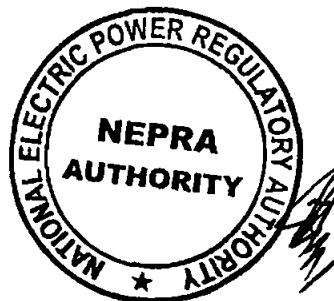


- 7.22. The Authority in line with its earlier decision in the matter of negative FCA, has calculated the impact of negative FCA pertaining to the FY 2020-21, FY 2021-22 and FY 2022-23 (till Dec. 22) in the matter of lifeline consumers, domestic consumers (consuming up-to 300 units) and Agriculture Consumers which has been retained by the Petitioner. The Authority has also worked out the impact of positive FCAs not recovered by the Petitioner from life line consumers during the same period. The workings have been carried out based on the information provided by the Petitioner. The Authority also considered the relevant clauses of the S.R.O. 189 (1)/2015 dated March 05,2015 issued by GoP and the amount of subsidy claims filed by the Petitioner for these periods.
- 7.23. After considering all the aforementioned factors, the Authority observed that the Petitioner has retained a net amount of Rs.2,380 million on account of negative FCA for these periods, pertaining to the lifeline consumers, domestic consumers (consuming up-to 300 Units) and Agriculture Consumers, which is still lying with the Petitioner. The Authority also considered the amount of subsidy claims filed by the Petitioner for these periods, which shows a net subsidy claim filed by the Petitioner.
- 7.24. The Authority in view of the above and in line with its earlier decisions, has decided not to adjust the impact of negative FCA across different consumer categories. Thus, the net negative FCA amount pertaining to the lifeline consumers, domestic consumers (consuming up-to 300 units) and Agriculture Consumers for these periods i.e. Rs.2,380 million, which is still lying with the Petitioner, must be adjusted by the Federal Government, against the overall Tariff Differential Subsidy claim in the matter of the Petitioner eventually reducing GOP's overall Tariff Differential Subsidy burden. The above working has been carried out based on the data/information provided by the Petitioner. This decision of the Authority is only applicable under a subsidy regime, whereby aforementioned classes of consumers are receiving subsidy directly in their base tariff.
- 7.25. Based on the above discussion, decisions of the Authority under various head of accounts in the earlier paras and in line with the scope of MYT, the PYA of the Petitioner for the FY 2023-24 has been worked out as under;



*Decision of the Authority in the matter of request filed by MEPCO for
Adjustment / Indexation of Tariff for the FY 2023-24 under the MYT*

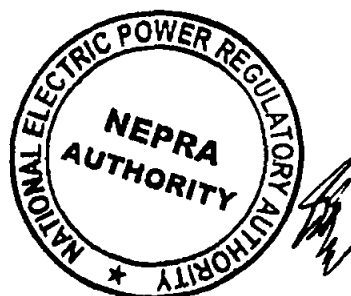
Description	MEPCO
July 2020 to December 2022	
Impact of Negative FCA- retained	- 2,933
Impact of Positive FCA- Lifeline	552
Net	- 2,380
July 2020 to December 2022	
Tariff Diff. Subsidy	190,058
Surcharge	- 30,654
Net - Jul.20 to Mar. 23	159,404
Excess Negative FCA -Adjusted as subsidy	- 2,380
Excess Negative FCA -Adjusted as PYA	-
1st & 2nd Qtr. FY 2018-19	
Life Line units	60
Qtr. Rate	1.6156
Impact	96.49
3rd & 4th Qtr. FY 2018-19	
Life Line units	52
Qtr. Rate	0.32
Impact	8.00
1st Qtr. FY 2019-20	
Life Line units	52.05
Qtr. Rate	0.08
Impact	4.34
Interim D.M FY 2018-19	
Life Line units	52.05
Qtr. Rate	0.28
Impact	7.00
2nd & 3rd Qtr. FY 2019-20 (Oct.20 to Sep.21)	
Allowed Amount	23,507
Qtr. Rs./kWh	1.3707
Recovered	23,220
Under/(Over) Recovery	287
4th Qtr. FY 2019-20	
Allowed Amount	15,147
Qtr. Rs./kWh	0.8830
Recovered	15,829
Under/(Over) Recovery	- 682
1st & 2nd Qtr. FY 2020-21 (Oct. 21-Sept.22)	
Allowed Amount	13,653
Qtr. Rs./kWh	0.82
Recovered	14,756
Under/(Over) Recovery	- 1,102
3rd Qtr. FY 2020-21 (Oct.21-Sept.22)	
Allowed Amount	- 2,153
Qtr. Rs./kWh	- 0.1298
Recovered	- 2,327
Under/(Over) Recovery	174
4th Qtr. FY 2020-21 (Feb. Apr. 22)	
Allowed Amount	- 2,872
Qtr. Rs./kWh	- 0.8089
Recovered	- 3,168
Under/(Over) Recovery	296
1st Qtr. FY 2021-22 (Jun. Aug. 22)	
Allowed Amount	3,762
Qtr. Rs./kWh	0.9084
Recovered	4,903
Under/(Over) Recovery	- 1,141
2nd Qtr. FY 2021-22 (Jul. Sep. 22)	
Allowed Amount	7,074
Qtr. Rs./kWh	1.7083
Recovered	9,279
Under/(Over) Recovery	- 2,204



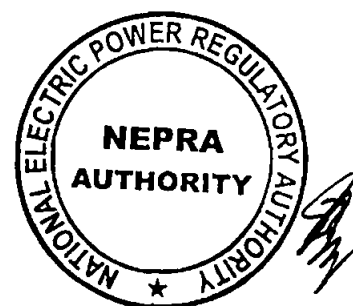
2- Maku

*Decision of the Authority in the matter of request filed by MEPCO for
Adjustment / Indexation of Tariff for the FY 2023-24 under the MYT*

Description	MEPCO
3rd Qtr. FY 2021-22 (Sep. Nov. 22)	
Allowed Amount	2,170
Qtr. Rs./kWh	0.5239
Recovered	2,179
Under/(Over) Recovery	9
4th Qtr. FY 2021-22 (Oct. 22 Jan. 23)	
Allowed Amount	19,491
Qtr. Rs./kWh	4.6464
Recovered	19,469
Under/(Over) Recovery	23
1st Qtr. FY 2022-23 (Feb. Mar. 23)	
Allowed Amount	10,604
Qtr. Rs./kWh	4.8001
Recovered	9,224
Under/(Over) Recovery	1,380
2nd Qtr. FY 2022-23 (Apr. Jun. 23)	
Allowed Amount	2,354
Qtr. Rs./kWh	0.40
Recovered	
Under/(Over) Recovery	
D.M FY 2021-22	
Allowed Amount	32,881
Rate. Rs./kWh	1.57
Recovered	28,972
Under/(Over) Recovery	3,909
PYA 2019-20	16654
Allowed Amount	1,248
Rate. Rs./kWh	0.07
Sales till Feb.11 2022	17,916
Recovered	1,343
Under/(Over) Recovery	95
MLR Allowed Cost	
RORB - FY 2020-21	898
RORB - FY 2021-22	1,116
RORB - FY 2022-23	1,268
Post-Retirement Benefit	
Other Exp.	
	3,282
Sales Mix Var.	
FY 2020-21	768
FY 2021-22	10,076
	10,844
Excess LPS to be adjusted - FY 2020-21	
LPS Recovered from Consumers	3,148
Supplemental charges billed by CPPA	7,108
Net	3,960
Excess LPS to be adjusted - FY 2021-22	
LPS Recovered from Consumers	3,104
Supplemental charges billed by CPPA	8,557
Net	5,453
Adjustment in PYA	-
Other Costs - FY 2020-21 to FY 2022-23	
Pay & Allowance FY 2023 Adjustment	518
Turn over/Min. Tax	-
Supplier NEPRA Fee- FY 2021-22	46
Supplier NEPRA Fee- FY 2022-23	61
Genco Pensioners FY 2022 & FY 2023	-
NTDC Pensioners	-
Total	625
Total	15,701



MYT True Ups		MEPCO
FY 2020-21		
Depreciation		
Allowed		5,435
Actual		5,465
Under/(Over) Recovery		-
RoRB (Investment + KIBOR)		
Allowed		4,868
Actual		4,869
Under/(Over) Recovery		1
Other Income		
Allowed	-	5,248
Actual	-	2,133
Under/(Over) Recovery		3,115
FY 2021-22		
Depreciation		
Allowed		5,799
Actual		5,736
Under/(Over) Recovery		- 63
RoRB (Investment + KIBOR)		
Allowed		5,658
Actual		5,990
Under/(Over) Recovery		332
Other Income		
Allowed	-	5,438
Actual	-	3,768
Under/(Over) Recovery		1,670
Total MYT True Ups		5,055
G. Total PYA FY 2021-22 & FY 2022-23		20,756



8. Whether the peak and off-peak rate design needs to be revised?
- 8.1. The Authority observed that all DISCOs including the Petitioner during the hearing of their MYT adjustment/indexation request, submitted to continue with the existing mechanism of peak / off-peak hours and prevailing rate design.
- 8.2. Some commentators submitted that tariff be designed in such a way so as to encourage consumption during low load periods. Mr. Arif Bilwani, a consumer of K-Electric submitted that for industrial consumers, peak tariff rates may be abolished to encourage consumption and generate economic activity.
- 8.3. The Authority keeping in view the submissions of DISCOs and points raised by the commentators, considers that the matter requires further deliberations. Further, the authority

note, a

also understands that the existing infrastructure of DISCOs also needs to be evaluated in terms of its capability to cater for multiple peak /off peak rates and times during a billing cycle.

- 8.4. In view thereof, the Authority has decided to continue with the existing mechanism of peak / off-peak hours and prevailing rate design. At the same time, the Petitioner is directed to evaluate the different proposals of tariff design so as to make it more efficient and cost reflective with the objective to maximize the utilization of available capacity.

9. Whether the existing Tariff Terms and Conditions needs to be modified (including the request of Cold Storage to charge "B Industrial Supply" Category tariff instead of "A-2 Commercial" category tariff), and keeping in view the amendments in Consumer Service Manual or otherwise?

- 9.1. The Authority observed that certain amendments have been approved in the NEPRA CSM, regarding extension of load for B-3 from 5MW up-to 7.5MW, after following due process of law. The same amendments are also required to be incorporated in the Tariff determination of DISCOs. Accordingly, the following changes are being made in the Terms & Conditions of Tariff

"Considering the fact that the Authority, through CSM has already allowed extension in load beyond 5MW upto 7.5MW, therefore, for such consumers the applicable tariff shall remain as B-3. However, while allowing extension in load, the DISCOs shall ensure that no additional line losses are incurred and additional loss, if any, shall be borne by the respective consumers."

- 9.2. Regarding change in tariff category of Cold Storage to charge "B Industrial Supply" Category tariff instead of "A-2 Commercial", the Authority noted that a large number of stakeholders raised their concerns in the matter. The Authority considering such large representations of the stakeholders decided to initiate separate proceedings in this regard. Accordingly, a separate hearing in the matter was held on 06.06.2023. Therefore, any amendments/modification in the terms & conditions for cold storage would be made based on the final outcome of the separate proceedings being carried out by the Authority.

10. Whether the existing fixed charges applicable to different consumer categories need to be revised and require any changes in mechanism for charging of such charges based on Actual MDI or Sanction Load or otherwise?

11. Whether there should any Fixed Charges on consumer's categories who are currently not paying any fixed charges?

- 11.1. Regarding revision in applicable fixed charges on different consumer categories and change in mechanism of application of fixed charges based on actual MDI or sanction load or otherwise, the Authority noted that large number of stakeholders raised their concerns in the matter. The Authority considering such large representations of the stakeholders decided to initiate separate proceedings in this regard. Accordingly, a separate hearing in the matter was held on 06.06.2023. Therefore, any amendments/modification in the terms & conditions for application of fixed charges would be made based on the final outcome of the separate proceedings being carried out by the Authority.

2m
Watt A



12. **Revenue Requirement**

- 12.1. In view of the discussion made in preceding paragraphs and accounting for the adjustments discussed above, the adjusted revenue requirement of the Petitioner, for the FY 2023-24 is as under;

Description	Unit	Allowed FY 2023-24	
		DOP	SOP
Units Received	[MkWh]	21,969	21,969
Units Sold	[MkWh]	19,370	19,370
Units Lost	[MkWh]	2,599	2,599
Units Lost	[%]	11.83%	11.83%
Energy Charge			148,909
Capacity Charge			334,552
Transmission Charge & Market Operation Fee			26,971
Power Purchase Price	[Mln. Rs.]	-	510,433
Wire Business Margin			41,669
Power Purchase Price with Wire Business	[Mln. Rs.]	-	552,102
Pay & Allowances		13,805	3,095
Post Retirement Benefits		8,256	1,850
Repair & Maintenance		1,801	-
Traveling allowance		1,167	264
Vehicle maintenance		601	-
Other expenses		868	1,777
O&M Cost	[Mln. Rs.]	26,497	6,986
Depreciation		6,208	-
RORB		13,808	-
O.Income		(4,844)	(2,264)
Margin	[Mln. Rs.]	41,669	4,722
Prior Year Adjustment			20,756
Revenue Requirement	[Mln. Rs.]	41,669	577,580
PPP with Wire Business Cost-Unadj.		-	25.13
PPP with Wire Business Cost-adj.		-	28.50
Distribution/Supply Margin		2.15	0.24
Distribution/Supply PYA		-	1.07
Average Tariff	[Rs./kWh]	2.15	29.82


- 12.2. The above determined revenue shall be recovered from the consumers through the projected sales of 19,370 GWhs, as per Annex – II.

- 12.3. The above assessment has been carried out based on the data/information provided by the Petitioner, which the Authority believes is correct and based on facts. In case of any deviation / misrepresentation observed at a later stage, the Petitioner shall be held responsible for the consequences arising out, under NEPRA Act, Rules and Regulations made thereunder. Any consequential adjustment, if required will be made accordingly.

13. **ORDER**

- 13.1. From what has been discussed above, the Authority hereby approves the following adjustments in the MYT of the Petitioner Company for the Financial Year 2023-24:-

2. *hath* - 7


 30

*Decision of the Authority in the matter of request filed by MEPCO for
Adjustment / Indexation of Tariff for the FY 2023-24 under the MYT*

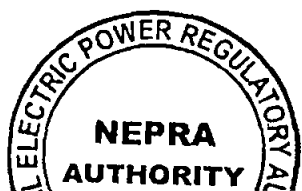
- I. Multan Electric Power Company Limited (MEPCO), being a supplier, is allowed to charge its consumers such tariff as set out in the schedule of tariff for MEPCO annexed to the decision.
- II. In addition to compensation of losses as discussed above, MEPCO, being a distribution licensee, is allowed to charge the users of its system a "Use of system charge" (UOSC) as under:

Description	For 132 kV only	For 11 kV only	For both 132kV & 11 kV
Asset Allocation	26.40%	43.70%	70.10%
Level of Losses	1.30%	7.89%	9.08%
UoSC Rs./kWh	0.60	1.11	1.77

- III. The Petitioner shall comply with, all the existing or future applicable Rules, Regulations, orders of the Authority and other applicable documents as issued from time to time.
- IV. To file future monthly & quarterly adjustments on account of Power Purchase Price (PPP) based on the Annex-IV attached with the instant decision.
- V. The Petitioner shall comply with the Tariff terms & Conditions for supply of electricity as annexed with decision as Annex-V.

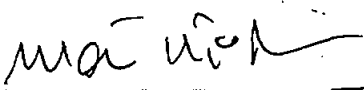
14. Summary of Direction

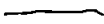
- 14.1. The summary of all the directions passed in this decision by the Authority are reproduced hereunder. The Authority hereby directs the Petitioner to;
- To provide detail of its actual tax assessments and the amount paid to FBR along-with the amount allowed by the Authority on account of tax payments since FY 2014-15 with its subsequent adjustment request.
 - To provide the reconciled date of sales mix with its reported revenue as per audited financial statement of the respective year.
 - To provide proper details of GENCO employees allocated to it by providing proper employee wise details, their pay scales, terms of adoption, approvals of competent authority for such adoption and placement details along-with their financial impact.
 - To provide year wise detail of amounts deposited in the Fund, amount withdrawn along-with profit/interest earned thereon since creation of Fund.
 - To provide the IDC amount for FY 2020-21 onward with subsequent adjustment request and reflect the same in its Audited Financial Statements as well.
15. Decision of the Authority, is hereby intimated to the Federal Government for filling of uniform tariff application in terms of section 31 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997.

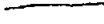


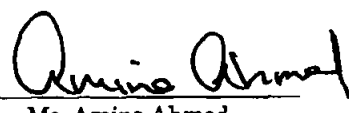
16. The instant decision of the Authority and the Order part along with revised Annex-I, I-A, II, III, IV and V, be also notified in terms of section 31 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997, while notifying the uniform tariff application decision of the Authority.

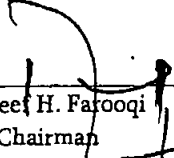
AUTHORITY

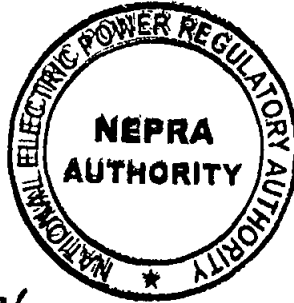

Mathar Niaz Rana (sec)
Member



Rafique Ahmed Shaikh
Member


Engr. Maqsood Anwar Khan
Member


Ms. Amina Ahmed
Member


Tauseef H. Farooqi
Chairman




14/07/23



National Electric Power Regulatory Authority
(NEPRA)
(Coordination & Implementation Department)

F/E

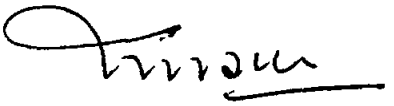
No. NEPRA/Dir (C & I)/2023/1434

September 01, 2023

Subject: **APPROVED MINUTES/DECISION OF THE AUTHORITY REGULATORY MEETING RM 23-389 REGARDING PETITION FOR DETERMINATION OF USE OF SYSTEM CHARGES/ WHEELING CHARGES.**

Enclosed please find herewith the Minutes/Decision of the Authority Regulatory Meeting RM 23-389 held on August 15, 2023 (signed minutes received on 01.09.2023).

2. The sponsor and all concerned professionals are requested to submit progress/status report to take immediate necessary action in compliance of timeline prescribed by the Authority in the subject Minutes/Decision.


Director (C&I)

Distribution:

1. Registrar
2. DG (M&E)
3. DG (Tariff)
4. DG (Lic)
5. DG (CAD)
6. ADG (Legal)
7. SA (M&E)
8. Director (M & E)
9. Director (Technical)
10. Consultant (CTBCM)
11. Director (Tariff-II) /Sponsor
12. DD (Tariff)
13. AD Legal-Tariff

Copy to:

1. PS to Chairman
2. PS to M (Technical)
3. PS to M (Lic)
4. PS to M (Tariff and Finance)
5. PS to M (Law)

**National Electric Power Regulatory Authority
(NEPRA)**

Subject:- **MINUTES/DECISIONS OF THE AUTHORITY REGULATORY MEETING
RM 23-389 REGARDING PETITION FOR DETERMINATION OF USE OF SYSTEM
CHARGES/ WHEELING CHARGES.**

A meeting of the Authority on the subject was held on August 15, 2023. Following Members of the Authority, professionals and officers participated in the meeting:

<u>Authority</u>	
Mr. Waseem Mukhtar	Chairman
Mr. Rafique Ahmed Shaikh	Member (Technical)
Engr. Maqsood Anwar Khan	Member (Lic)
Mr. Mathar Niaz Rana (nsc)	Member (Tariff/Finance)
Miss Amina Ahmed	Member (Law)
<u>Participants</u>	
Mr. Imtiaz Hussain Baloch	DG (Licensing)
Mr. Sajid Akram	DG (Tariff)
Mr. Imran Kazi	SA (M&E)
Mr. Muhammad Ramzan	Director C&I
Mr. Mubashir Jalal Bhatti	Director (Tariff-II) / Sponsor
Mr. Salman Rehman	Director (Tariff-Hydro)
Mr. Shahzad Anwar	Dir (Technical)
Mr. Khawar Hanif	Director (M&E)
Mr. Irfan ul Haq	ALA (Licensing)
Mr. Abdullah Quershi	DD (Tariff)
Mr. M. Imran	DD (Tariff)
Ms. Sundas Khaqan	DD (C)

2. The Authority considered the working paper submitted by Director (Tariff-II) and DD (Tariff).
3. The Sponsor informed that NEPRA issued Open Access (Interconnection and Wheeling of Electric Power) Regulations, 2022, which was notified on November 02, 2022. Clause 7 of the notified regulations states as under;

Filing of petition and determination of use of system charges.— Within ninety days following the date of notification of these regulations, each distribution licensee, in consultation with the respective supplier of last resort, shall prepare and submit a separate petition to the Authority for determination of its use of system charges. Such petition shall be accompanied with a statement which will set out the basis upon which the use of system charges shall be calculated in such manner and with such details as shall be necessary.

In compliance to the Regulations, XWDISCOs filed their petitions for determination of Use of System charges/ wheeling charges, which were accordingly admitted by the Authority. To proceed further in the matter, the Authority decided to hold hearing in the matter, which was initially scheduled on May 22, 2023, however, DISCOs vide letter, dated May 16, 2023, requested for a consultative session prior to scheduling of hearing to review critical items like

Mr

/

PAP, Final Dry Run report, proposed amendment to Commercial Code, Use of System agreements and UoSC etc.

4. The Authority accepted the request for XWDISCOs and hearing in the matter was postponed accordingly. In light of request of XWDISCOs, consultative session was held and subsequently hearing in the matter was scheduled on July 11, 2023. However, Ministry of Energy (power division) requested to postpone the hearing owing to the reason that the Authority is in process of finalization of rebasing of consumer-end tariff for FY 2023-24 and the petitions for Use of System Charges under consideration of the Authority are based on NPRA determination/GoP applicable tariff for the FY 2022-23. The Authority in light of request of the MOE postponed the hearing accordingly.

5. The Sponsor mentioned that all the Petitions were admitted by the Authority vide RMs 23-151 to 23-161 (excluding RM 23-158). The minutes of admission of Petitions were issued by C&I department on 06.04.2023. Further NEPA Act section 31(6) provides following time line for processing of petitions;

The time frame for determination by the Authority on tariff petition shall not exceed four months after the date of admission of the tariff petition:

Provided that this time frame shall commence after the applicant has complied with all requirements of rules and regulations and the Authority has admitted the tariff petition.

6. The Sponsor highlighted that the Authority issued determinations of consumer-end tariff for FY 2023-24, of all XWDISCOs on July 14, 2023, which were intimated to the Federal Government for filling of uniform Tariff application. Pursuant thereto, the Federal Government filed Motion with respect to uniform tariff and the same has been decided by the Authority on July 25, 2023. The Federal Government on July 26, 2023, has notified the consumer-end tariff of XWDISCOs for the FY 2023-24 w.e.f. July 01, 2023.

7. It was also informed that since the earlier petitions filed by XWDISCOs regarding determination of use of system charges/ wheeling charges are based on determinations of the Authority for FY 2022-23, which is no more applicable, thus requires to be either updated by incorporating the revised revenue requirement of FY 2023-24.

8. In view of the above, the Sponsor requested the Authority to decide on the following:

- a. Whether to return/dispose of the earlier petitions for use of system charges with direction to file new petition after incorporating the revised Revenue Requirement for FY 2023-24 and GOP applicable tariff in this regard or otherwise?

OR

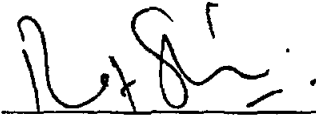
- b. Whether to direct DISCOs to file addendum after incorporating the revised Revenue Requirement for FY 2023-24 and GOP applicable tariff in this regard or otherwise? If the Authority decide to direct DISCOs for filing of addendum than approval is requested for draft DFA attached with working paper. The Authority in this case is also requested to extend the timelines for processing of Use of System Charges Petition by allowing to start Four month period for processing of such petitions from the date of provision of final information by XWDISCOs.

DECISION OF AUTHORITY REGULATORY MEETING RM 23-389 HELD ON AUGUST 15, 2023 REGARDING PETITION FOR DETERMINATION OF USE OF SYSTEM CHARGES/ WHEELING CHARGES.

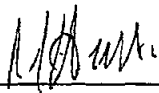
9. The Authority after detailed deliberations upon the working paper decided to return the earlier petitions filed by XWDISCOs for use of system charges/ wheeling charges, with the directions to file new tariff petitions after incorporating the revised tariff numbers as determined by NEPRA for the FY 2023-24 and subsequently notified by the Federal Government.



Mathar Niaz Rana (nsc)
Member



Rafique Ahmed Shaikh
Member



Engr. Maqsood Anwar Khan
Member



Amina Ahmed
Member



Waseem Mukhtar
Chairman

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
(REGISTRAR OFFICE)

No: NEPRA/R/TRF-100/ 33709

October 06, 2023

ION

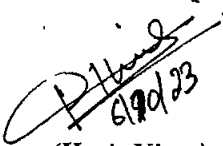
Subject: **PETITION FOR DETERMINATION OF USE OF SYSTEM CHARGES (UoSC) / WHEELING CHARGES - MEPCO**

Please find enclosed herewith subject petition filed by Multan Electric Power Company Limited (MEPCO) vide letter No. CE/MEPCO/DG(MIRAD)/1647-53 dated 02.10.2023 (received on 05.10.2023) for determination of Use of System Charges (UoSC)/Wheeling Charges under Regulation 7 of NEPRA Open Access (Interconnection and Wheeling of Electric Power) Regulations, 2022.

2. DG (Lic), ADG (Tariff), Director (Tech), Consultant (CTBCM) and ALA (Lic) are requested to go through the enclosed petition and offer their comments for submission of case before Authority regarding further processing of the subject petition.

3. Being time bound case, the comments may please be provided by 10.10.2023.

Encl: **As above**


(Haris Khan)
Deputy Director

1. DG (Licensing)
2. ADG (Tariff)
3. Director (Technical)
4. Consultant (CTBCM)
5. ALA (Lic)

CC:

1. Registrar
2. Master File

