



Registrar

National Electric Power Regulatory Authority

Islamic Republic of Pakistan

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No. NEPRA/DG(M&E))/LAD-07/ 4831

April 03, 2024

Chief Executive Officer,
Peshawar Electric Supply Company (PESCO),
WAPDA House, Shamsi Road,
Sakhi Chashma, Peshawar.

Subject: **ORDER OF THE AUTHORITY IN THE MATTER OF SHOW CAUSE NOTICE
ISSUED TO PESCO UNDER REGULATIONS 4(8) & 4(9) OF NEPRA (FINE)
REGULATIONS, 2021 ON ACCOUNT OF AT&C-BASED LOAD SHEDDING**

Please find enclosed herewith, the Order of the Authority (total 13 pages) in the subject matter for information and compliance.

Enclosure: Order of the Authority (total 13 Pages)


(Engr. Mazhar Iqbal Ranjha)
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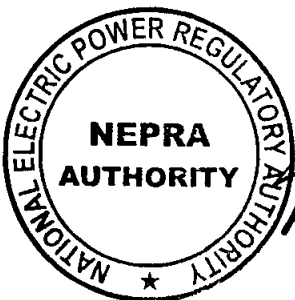


National Electric Power Regulatory Authority

ORDER

IN THE MATTER OF SHOW CAUSE NOTICE ISSUED TO PESCO UNDER REGULATIONS 4(8) AND 4(9) OF NEPRA (FINE) REGULATIONS, 2021 ON ACCOUNT OF AT&C-BASED LOAD SHEDDING.

1. Peshawar Electric Supply Company Limited (PESCO) (the "Licensee") was granted a Distribution License (No. DL/07/2023) by the National Electric Power Regulatory Authority (the "Authority") on 09.05.2023, for providing Distribution Services in its Service Territory as stipulated in its said Distribution License, pursuant to section 20 read with 21 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 ("NEPRA Act").
2. During hearings in the matter of Monthly Fuel Price Adjustments (FPAs) for DISCOs and K-Electric being held on monthly basis, number of complaints regarding unscheduled load shedding by general public had been and are being received by the Authority. Upon inquiry, it was revealed that load shedding is being carried out on the basis of AT&C losses policy which is not in line with the provisions of the NEPRA Act, 1997, and Performance Standards (Distribution) Rules, 2005, and has never been recognized by NEPRA.
3. According to Rule 4 (f) of NEPRA Performance Standards Rules:
 - (i) *A distribution company shall have plans and schedules available to shed up to 30% of its connected load at any time upon instruction from NTDC. This 30% load must be made up from separate blocks of switchable load, which can be disconnected in turn at the instruction from NTDC. A distribution company shall provide copies of these plans to NTDC.*
 - (ii) *Wherever possible NTDC shall give distribution companies advance warning of impending need for load shedding to maintain system voltage and/or frequency in accordance with the Grid Code.*
 - (iii) *As per the provisions of the Grid Code, NTDC shall maintain an overview and as required instruct each distribution company the quantum of load to be disconnected and the time of such disconnection. This instruction shall be given in clear, unambiguous terms and related to prepared plans.*
 - (iv) *When instructed by NTDC, the distribution companies shall shed the load in the following order, namely: —*
 - (a) *Supply to consumers in rural areas; and residential consumers in urban areas where separate feeders exist.*
 - (b) *Supply to consumers, other than industrial, in urban areas.*



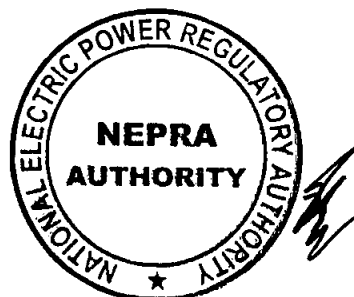
- (c) Supply to agriculture consumers where there is a dedicated power supply.
- (d) Supply to industrial consumers.
- (e) Supply to schools and hospitals.
- (f) Supply to defense and strategic installations.

(v) A distribution company shall prepare schedules of load disconnection, which demonstrate this priority order and which rotate load disconnections within the above groups in a non-discriminatory manner. The principle of proportionality shall be kept in mind so as not to excessively burden a particular consumer class.

4. The Authority further observed that the Licensee is even violating its own so-called AT&C policy and carrying out excessive load shedding as compared to the scheduled one. Moreover, few feeders were randomly selected, and observed that the Licensee has been failed to make improvements in technical and financial health of those feeders since last four years despite allowing colossal amounts under O&M head by NEPRA and continuing their operations in status quo, due to which, even good paying consumers are being suffered a lot.
5. Therefore, the Authority decided to initiate legal proceedings against the Licensee under NEPRA Fine Regulations, 2021.
6. In view thereof, an Explanation was served to the Licensee under Regulation 4(1) and 4(2) of NEPRA (Fine) Regulation, 2021 on January 03, 2023, on account of providing electricity on a non-discriminatory basis by carrying out AT&C-based load shedding and failure to comply with Performance Standards (Distribution) Rules. In response, the Licensee vide its letter dated February 22, 2023, submitted its reply, and a hearing in this regard was held on April 18, 2023.
7. The Authority considered the submissions of the Licensee and found the same as unsatisfactory. Therefore, the Authority decided to issue a Show Cause Notice (SCN) to the Licensee under Regulation 4(8) & (9) of the NEPRA (Fine) Regulations, 2021.
8. Accordingly, a Show Cause Notice (SCN) along with the Order recording reasons for the rejection of Explanation was issued to the Licensee on September 11, 2023. The salient features of the said SCN are narrated as under:

3. ***“WHEREAS, pursuant to section 21 (2) (b) of the NEPRA Act, the Licensee is responsible to provide distribution service and make sales of electric power within its territory on a non-discriminatory basis to all the consumers who meet the eligibility criteria laid down by the Authority; and***
4. ***WHEREAS, pursuant to section 21 (2) (f) of the NEPRA Act, the Licensee is required to follow the performance standards laid down by the Authority for distribution and transmission of electric power, including safety; and***
5. ***WHEREAS, Rule 4(f) of NEPRA Performance Standards (Distribution) Rules, 2005, states below:***

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(i) A distribution company shall have plans and schedules available to shed up to 30% of its connected load at any time upon instruction from NTDC. This 30% load must be made up from separate blocks of switchable load, which can be disconnected in turn at the instruction from NTDC. A distribution company shall provide copies of these plans to NTDC.

(ii) Wherever possible NTDC shall give distribution companies advance warning of impending need for load shedding to maintain system voltage and/or frequency in accordance with the Grid Code.

(iii) As per the provisions of the Grid Code, NTDC shall maintain an overview and as required instruct each distribution company the quantum of load to be disconnected and the time of such disconnection. This instruction shall be given in clear, unambiguous terms and related to prepared plans.

(iv) When instructed by NTDC, the distribution companies shall shed the load in the following order, namely: —

(g) Supply to consumers in rural areas; and residential consumers in urban areas where separate feeders exist.

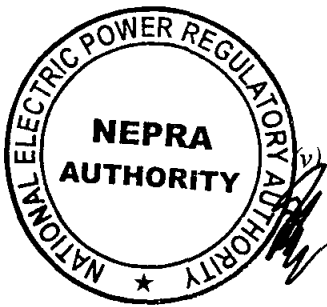
(h) Supply to consumers, other than industrial, in urban areas.

(i) Supply to agriculture consumers where there is a dedicated power supply.

(j) Supply to industrial consumers.

(k) Supply to schools and hospitals.

(l) Supply to defense and strategic installations.



(v) A distribution company shall prepare schedules of load disconnection, which demonstrate this priority order and which rotate load disconnections within the above groups in a non-discriminatory manner. The principle of proportionality shall be kept in mind so as not to excessively burden a particular consumer class.

6. **WHEREAS**, the Authority issued an Explanation to the Licensee under Regulation 4(1) and 4(2) of NEPRA (Fine) Regulation, 2021 on January 03, 2023, on account of AT&C-based load shedding and failure to comply with Performance Standards (Distribution) Rules. The salient points of the said Explanation are reproduced below:

6. **WHEREAS**, contrary to above, the Licensee is carrying out load shedding in their service territories on the basis of the Aggregate Technical and Commercial (AT&C) losses policy following the criteria hereunder:

Category	I	II	III	IV	V	VI	VII	Total Number of Feeders
% AT&C Losses	0 – 10 (%)	10.1 – 20 (%)	20.1 – 30 (%)	30.1 – 40 (%)	40.1 – 60 (%)	60.1 – 80 (%)	80.1% and above	
Load Shedding Hours	0 Hours	0 Hours	2 Hours	4 Hours	8 Hours	12 Hours	16 Hours	
No. of Feeders	461	117	126	95	154	152	97	1202

7. **WHEREAS**, the load shedding carrying out by the Licensee following the above said criteria is not in line with the provisions of the NEPRA Act, 1997, and Performance Standards (Distribution) Rules, 2005 and has never been recognized by NEPRA. According to NEPRA Performance Standards Rules, the Licensee can never do load shedding on its own until & unless instructed by NTDC. Hence, the Licensee is prima facie in violation of Rule 4(f) of Performance Standards (Distribution) Rules, 2005 read with Section 21(2)(b) & (f) of the NEPRA Act and Article 11 of the terms & conditions of Licensee's License; and
8. **WHEREAS**, from the data of few randomly selected feeders for the period of four years (FY 2018-19 to FY 2021-22), it is noted that their AT&C losses have increased, the details of which are given in the table below:

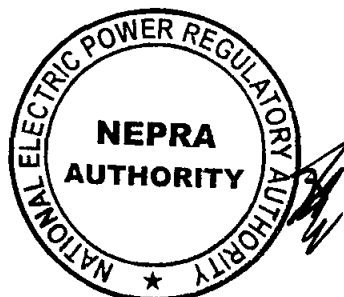
Sr. #	Name of Feeder	%AT&C losses in July 2018	%AT&C losses in June 2022	Increase/Decrease
1	SHAH DAND	2.28	36.05	33.78
2	CANAL TOWN	19.87	40.43	20.56
3	KEHAL	29.13	47.46	18.33
4	MINGORA-1	23.49	41.22	17.72
5	B/KOT-2	22.37	38.01	15.64
6	TOWN	25.62	39.07	13.45
7	MURSHID ABAD	36.11	48.94	12.83
8	WAZIR BAGH	32.19	44.20	12.02
9	DABGARI	34.04	43.63	9.59

9. **WHEREAS**, from the above data it is evident that despite spending colossal amount of billions of rupees under the investment head, the Licensee has failed to take measures to improve the technical & financial health of 11 kV feeders, rather they have found an easy way to carry out load shedding on such feeders based on AT&C policy; and
10. **WHEREAS**, the power Generation capacity, that too on Take or Pay basis is underutilized; the underutilization factor of thermal power generation plan during last four years is given in following table:

Year	Thermal Power Plants in CPPA-G System		
	Installed Capacity (MW)	Energy Generated (GWh)	Utilization (%)
2018-19	24,253	85025.53	40.02
2019-20	23,827	78504.04	37.61
2020-21	24,972	86599.28	39.59
2021-22	27,304	91404.82	38.22

11. **WHEREAS**, the consumers of electricity on one hand are paying capacity charges for idle power generation capacity while facing load shedding on other hand; and

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12. WHEREAS, the Licensee was repeatedly directed to submit concrete plan containing specific measures and timelines to avoid such undue load shedding in their service territories. However, no such specific plan has been submitted by the Licensee instead they submitted generic responses. Therefore, the Licensee has prima facie non-complied with the Authority's directions; and..."

7. **WHEREAS,** the Licensee was given fifteen (15) days to either admit or deny the occurrence of the said violations and submit a reply against the aforementioned Explanation, failing which it shall be presumed that the Licensee has nothing to say in its defense and the Authority shall proceed based on available record in accordance with NEPRA Act, Rules, and Regulations; and

8. **WHEREAS,** the Licensee submitted its response vide its letters dated February 22, 2023, and March 09, 2023, against the Explanations served and hearing in the matter was also held on April 18, 2023. Consequently, the Authority after detailed deliberations concluded that the Licensee has failed to provide any satisfactory reply to the Explanation served to it; and

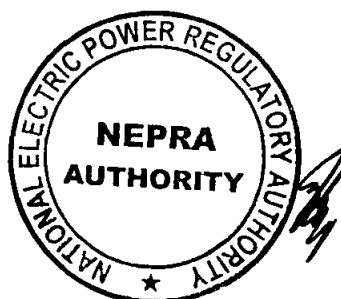
9. **WHEREAS,** the Licensee has failed to satisfy the Authority with its replies and prima facia, has committed the violations of Rule 4(f) of Performance Standards (Distribution) Rules, 2005, read with Section 21(2)(b) & (f) of the NEPRA Act and Article 11 of the terms & conditions of Licensee's License, and is in non-compliance with the directions of the Authority. Therefore, the Authority hereby rejects the response of the Licensee against the Explanation served, and an Order dated September 11, 2023, is attached herewith, mentioning the reasons of rejection; and"

9. The response of the Licensee was not received within stipulated timelines and the Authority showed serious displeasure. However, in order to proceed further as per law, the Authority decided to provide an opportunity of hearing to the Licensee which was held on December 21, 2023. During the hearing, the CEO PESCO along with its team participated and made the following submissions:

- i. The total number of feeders in PESCO's territory is 1292. The Category-wise details of the same are as below:

Category	AT&C Losses	Number of Feeders
CAT-I	0-10%	475
CAT-II	10-20%	144
CAT-III	20-30%	128
CAT-IV	30-40%	99
CAT-V	40-60%	139
CAT-VI	60-80%	145
CAT-VII	Above 80%	156
Total		1292

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- ii. In PESCO's service territory, out of 1292 feeders, 619 feeders came under CAT-I and II, upon which there is no load shedding except due to generation or system constraints.
- iii. However, in CAT-III and IV, we carry out load shedding only, if load management is required.
- iv. The Recovery percentage in PESCO on domestic feeders is approximately 80%. There are 20% losses on domestic feeders.
- v. In industrial, commercial, and other category feeders, there is almost 100% recovery. The main problem exists with domestic feeders.
- vi. The AT&C losses on the mentioned feeders in the SCN have been reduced in FY 2022-23 as compared to FY 2021-22. The details are below:

Feeder Name	AT&C Losses in June 2022	AT&C Losses in June 2023	Increase/Decrease
Shah Dand	36.05	33.79	-2.26
Canal Town	40.43	44.33	3.9
Kehal	47.46	37.7	-9.76
Mingora-I	41.22	24.83	-16.39
B/Kot-2	38.07		Trifurcated
Town	39.07	31.03	-8.04
Murshid Abad	48.94	37.59	-11.35
Wazir Bagh	44.2	34.68	-9.52
Dabgari	43.63	19.97	-23.66

- vii. PESCO has made 17 feeders of Mardan, the load shedding free. At the start of our campaign, there were 42.74% losses, 89.27% recovery, and 51.19% AT&C losses. However, the same has been improved to 13.12% losses and 101% recovery.
 - viii. Now PESCO has taken 83 feeders of Peshawar to reduce their losses to make them load-shedding free by the end of January.
 - ix. There are severe law & order challenges in certain areas where there is no government writ.
 - x. PESCO is also facing difficulty in lodging FIRs against the culprits who are involved in the theft of electricity.
10. Meanwhile, the Licensee vide its letter dated December 18, 2023, submitted its reply against the served SCN. The salient points of the same are reproduced below:

"5. In this context, it is stated that scheduled load shedding is being implemented on all the PESCO's 11kV Feeders according to the Aggregate Technical & Commercial (AT&C) Losses of the Feeders.

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Moreover, PESCO utilized the power quota that allocated by NPCC/RCC Islamabad and PESCO with its utmost efforts to be remained within quota limit that allocated by NPCC.

However, during severe power crises in the country, forced load management is also being carried out in various grid/sub-stations under the instructions of RCC/NTDC Islamabad to keep the Power System Network within the allocated quota and save it from complete collapse/blackout.

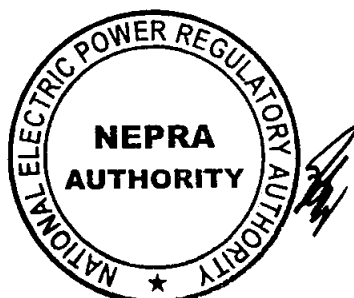
6. The current load management schedule is now enhanced on the directions of Ministry of Energy (Power) Division, depicted as under:

AT&C Loss	Category	Interruptions (Hours)	Domestic	Independent	Industrial	Total
Below 10%	I	0	10	101	186	297
		2	152	30	0	182
10.1% - 20%	II	2	144			144
20.1% - 30%	III	6	130			130
30.1% - 40%	IV	7	98			98
40.1% - 60%	V	8	139			139
60.1% - 80%	VI	12	145			145
Above 80.1%	VII	16	157			157
Total						1292

7. In addition to above, PESCO carry out the load management due to system constraints, PTWs for developmental works, shut down for preventive maintenance as well as emergency PTW for rectification of faults, hence; 100% utilization of the allocation couldn't be ensured.
8. Due to utmost efforts by PESCO, it is again analyzed from the data of above 08 no feeders that prominent decrease in AT&C Loss reflected at the end of June 2023: -

Sr #	Name of Feeder	% AT&C Losses in July 2018	% AT&C Losses in June 2022	% AT&C Losses in June 2023	Increase/ Decrease
1	SHAH DAND	2.28	36.05	33.78	-2.26
2	CANAL TOWN	19.87	40.43	20.56	3.9
3	KEHAL	29.13	47.46	18.33	-9.76
4	MINGORA-1	23.49	41.22	17.72	-16.39
5	B/KOT-2	22.37	38.01	15.64	Trifurcated
6	TOWN	25.62	39.07	13.45	-8.04
7	MURSHID ABAD	36.11	48.94	12.83	-11.35
8	WAZIR BAGH	32.19	44.20	12.02	-9.52
9	DABGARI	34.04	43.63	9.59	-23.66

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9. *PESCO is not purely relying on AT&C loss-based load shedding rather it is following a comprehensive plan to reduce its losses having short-, medium- and long-term strategies already conveyed in the MYT Plan submitted to NEPRA. The scope of the plan is as under: -*

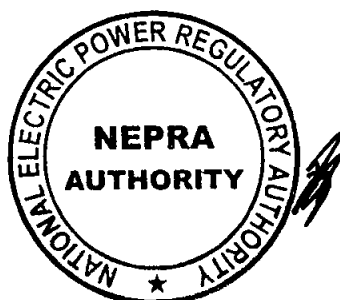
SHORT PLAN

- Continuity of power supply on category I,II,III & IV feeders following the NEPRA distribution standards 2005.
- Installation of capacitor banks in Distribution Network to improve the technical loss.
- Night raids/ Anti-theft campaign
- Combing on 11 KV Feeders
- Preventive maintenance Campaigns
- Replacement of sluggish energy meters
- Shifting of distribution transformers to load centers.
- Utilization of TASK FORCE against the direct hooks.
- Rectification of faults promptly especially on dedicated/independent and good paying feeders to reduce the loss of unit billed and building trust of the consumers.
- Monitoring of Online New Connections.
- Installation of industrial and commercial connection without delay will definitely increase the unit billed /prompt billing of new connections within 02 month (Building trust of the consumers).
- Under combing after installation of 1000 meters on high loss feeders 02 hours load management is being reduced to encourage the other unregistered consumers to install the meters and to bring them into billing cycle to pay for what they use. (Building consumer's trust)
- Timely billing • Anti-theft campaign
- Tehsildar is being assigned for recovery
- Area planning / Bifurcation of feeders / introduction of Commercial feeders

MEDIUM TERM PLAN

- Re-conductoring of old and deteriorated conductors in Distribution and Transmission network.
- Installation of capacitor banks in Transmission Network to improve the technical loss
- Augmentation/Extension and upgradation of Grid system.
- Installation of APMS system to protect the distribution transformers
- Recruitment of staff for sustainability of watchdog on combed feeders
- Out sourcing of different functions of PESCO
- Installation of ABC Cable on medium & high loss feeders.
- Incorporation of advance GIS Mapping in the Power Network System of PESCO
- Installation of AMR Meters on 11kV Panels as well as consumers side. Similarly, on 132kV Circuits.
- Augmentation of over loaded distribution transformers
- Addition of new T/Fs
- Hiring of Consultants for recovery and anti-theft drive
- Starting of new pilot projects to bring technological improvement and reducing Technical/administrative losses.
- Procurement of Vehicles for keeping PESCO's writ.

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LONG TERM PLAN

- Introduction of new 'Transmission Line and Grid Stations

With adoption of the above plans, the overall losses of the Company have gradually reduced.

Detail of the Company's Losses for the last 03 years is tabulated as below: -

Year	Units (Million)			% Age Losses
	Received	Sold	Lost	
2019-20	14791.9	9043.1	5748.8	38.9
2020-21	15540.9	9607.7	5933.3	38.2
2021-22	16560.2	10394.1	6166.0	37.2
2022-23	15243.61	9583.92	5659.68	37.1
2023-24 (Upto 11/2023)	6819.10	4456.20	2362.90	34.65

11. Besides system constraints, and due to the high number of defaulters in the hard areas especially on tribal-merged districts belt and tough resistance from the inhabitants, PESCO has adopted an alternate strategy under the instructions of Ministry of Energy (Power Division) Islamabad which is based on targeting areas with high AT&C losses as per the action plan that load shedding is being carried out on the basis of AT&C losses of the 11kV O/G Feeders under duly approved from BoD PESCO and PITC Lahore.
- ...
14. The allocated power couldn't be drawn fully especially in peak summer/winter season due to the following cognent reasons: -

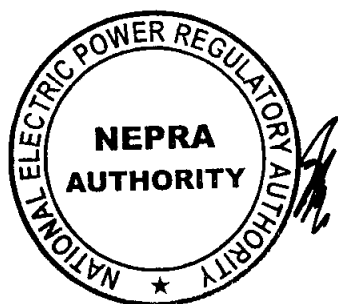
1. System Constraints:

One reason for less load drawl is PESCO's System Constraints due to which full load couldn't be drawn. Detail of the system constraints is given as below: -

Description	Total Installed	Overloaded
11 kV O/G Feeders	1292	399
Power Transformers	265	102
Transformer Lines	183	29

Instead, PESCO utilize the maximum allocation in shape of drawl after scrutinizing the 06 Months data depicted as below

Dated	Power Quota Allocated	Power Quota Utilized	Difference (4=3-2)
1	2	3	4
Aug-22	1820	1974	154
Sep-22	1672	1865	193
Oct-22	1362	1397	34
Nov-22	1286	1310	24
Dec-22	1397	1430	33
Jan-23	1398	1458	59



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2. Other Factors: -

In addition to System Constraints, there are also certain other serious factors, which have a vital role in non utilization of the allocated power. These factors includes but not limited to the following: -

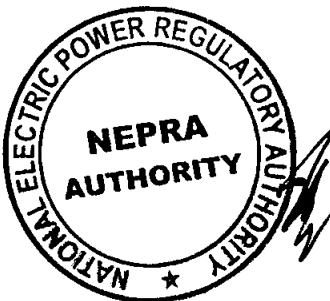
- *That the area under the jurisdiction of PESCO comprises of soft areas including Five Circles namely Hazara-I, Hazara-II, Mardan, Swabi & Swat while hard areas including Peshawar, Khyber and Bannu having boundaries with FATA merged Districts. It is necessary to mention that "PESCO is a domestic oriented company with scattered geographical location and transmission/distribution system stretched in far-flung areas over thousand of Kilometers, which results not only increase in technical loss / no go areas being inaccessible after sunset. In high loss areas, PESCO sustains loss of Billions of rupees due to tribal mindset of the people, nonpayment culture & such high-loss areas are termed as non-compliant & contributing the major part in theft of electricity as well as increase in receivables of the company...*
- *That in the hard area the writ of the government is not established and PESCO faces tough resistance in carrying out its operational activities.*
- *F.I.R lodging procedure against the culprits was simple but after the imposition of Rule 462(0), the procedure has been complicated as the F.I.R could be lodged after written report of the concerned XEN (Operation) PESCO being received to the Police Station via District Session Judge.*
- *That due to the high number of defaulters in these areas and tough resistance from the Inhabitants, PESCO has adopted an alternate strategy which is based on targeting areas with high AT&C losses as per the action plan that load shedding is being carried out on the basis of AT&C losses of the 11kV O/G Feeders under the instructions of Ministry of Water & Power Islamabad and approval of BoD PESCO as well as PITC Lahore.*

b. Cost/benefit analysis/financial impact in case of the AT&C-based load shedding is to be completely eliminated from Licensee's service territory. (The said information is attached herewith.)..."

11. FINDINGS/ANALYSIS:

- i) The Licensee has submitted that scheduled load shedding is being implemented on all the Licensee's 11kV Feeders according to the Aggregate Technical and Commercial (AT&C) Losses on the Feeders. Normally, the Licensee is utilizing the power quota allocated by NPCC/RCC Islamabad, and the Licensee with its utmost efforts to remain within the quota limit that is allocated by NPCC. However, during severe power crises in the country, forced load management is also being carried out in various grid/sub-stations under the instructions of RCC NTDC Islamabad to keep the Power System Network within the allocated quota and save it from complete collapse/blackout.

The Authority has considered the submissions of the Licensee and noted that the Licensee has admitted the primary allegation leveled in the Show Cause that it is carrying out load shedding in its service territory based on AT&C losses criteria which is in violation of Rule 4 (f) of Performance Standards (Distribution) Rules. Regarding the claim of the Licensee that it is utilizing



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complete power quota that is being allocated by NPCC/RCC, Islamabad, the Authority further observes that the submissions of the Licensee are not based on facts. According to daily log reports, the Licensee is drawing less power (average 100-200 MW) and carrying out load shedding even more than its so-called AT&C-based load shedding on almost all of its feeders. Secondly, the Licensee has also admitted that it is carrying out load management on account of system constraints which is being reflected on daily basis in log reports being submitted by the Licensee. Overall, it is noted with serious concern that consumers are facing multiple sheddings of power such as scheduled load shedding, excessive load shedding other than scheduled, and shedding on account of constraints, etc. which is highly unjustifiable. The Licensee being a distribution licensee is responsible for providing uninterrupted and reliable power supply to its consumers which it has failed to do.

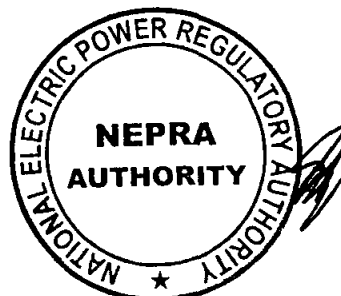
- ii) The Licensee has submitted a revised schedule of load shedding, according to which, two hours of load shedding is also carrying out on CAT-I and II feeders. The Authority has gone through the revised schedule and observes that previously these categories were exempted from load shedding as the %age of losses are within the targets allowed to the Licensee. However, carrying out load shedding on these categories is highly injustice with the consumers, although NEPRA is neither recognizing such categories nor such policy. Hence, it can be said that the Licensee's almost 100% of domestic feeders come under load shedding ranging from 2-16 hours which is a matter of serious concern.

The Authority further observes that, as per weekly monitoring of load shedding on random feeders, it has been noted that the Licensee is not even following its own load shedding criteria and the consumers are facing extended hours of load shedding even more than their scheduled load shedding hours. It appears that the Licensee is attempting to hide its inability to reduce line losses by implementing load shedding for all consumers instead of implementing corrective measures to improve feeder losses. The Authority is of the view that the Licensee should focus on efficiently utilizing its O&M funds and Investments allowed under DOP and ELR heads in its MYT in order to address this issue. This means that no concrete measures have been taken by the Licensee to avoid such undue load shedding.

- iii) The Licensee has submitted that it is carrying out the load management due to system constraints, PTWs for developmental works, shut down for preventive maintenance as well as emergency PTW for rectification of faults, hence; 100% utilization of the allocation couldn't be ensured.

The Authority has considered the submissions of the licensee and is of the considered opinion that it is a prime responsibility of the Licensee to do effective load management of its feeders in case of shutdown for maintenance, however, the Licensee is unable to do so. Moreover, it is the sole responsibility of the Licensee to remove its system constraints for which NEPRA has allocated a colossal amount of investments to the Licensee in its MYT determination. In addition to the allocated investment, O&M funds are being separately allowed to the Licensee. However, it seems that the Licensee has failed to utilize its funds properly due to which system constraints are still existing in its system.

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- iv) The Licensee has submitted the details of feeders whose AT&C losses decreased in June 2023 as compared to June 2022, which were highlighted by NEPRA in the served explanation.

The Authority while considering the submissions of the Licensee noted that despite the reduction in AT&C losses, the difference in AT&C losses on those feeders is still insignificant as compared to June 2018. None of those feeders has been improved reasonably that its load shedding category got changed as compared to June 2018 and the consumers have been provided relief. Therefore, it can be obviously said that there is no impact in terms of decrease in load shedding on grounds and people are still being suffered. The very purpose of AT&C load shedding was to reduce feeder-wise AT&C losses every year and ultimately eliminate load shedding, however, DISCOs have adopted this policy as a tool to cover its inefficiencies and show improvement in losses and recovery.

- v) The Licensee has mentioned several short-term, medium-term, and long-term plans in order to reduce the overall losses (T&D) of the company. the Licensee has further submitted that its T&D losses have been reduced from 38.9% to 37.1% from 2019-20 to 2022-23.

The Authority has considered the submissions of the Licensee and is of the view that the Licensee has been allowed approximately 10B, and 16B investments under different heads for FY 2020-21 and 2021-22, in its MYT with the allowed T&D losses of 21.33% and 20.73% for FY 2020-21 and 2021-22 respectively. However, it appears that the submitted plans of the Licensee against investments are still on paper and on ground, issues are still existing and realities are different. Further, despite spending billions of rupees, the Licensee is still far behind in achieving its targets.

- vi) The Licensee has submitted that, besides system constraints, and due to the high number of defaulters in the hard areas especially in tribal-merged districts belt and tough resistance from the inhabitants, it has adopted an alternate strategy under the instructions of the Ministry of Energy (Power Division) Islamabad which is based on targeting areas with high AT&C losses as per the action plan that load shedding is being carried out on the basis of AT&C losses of the 11kV O/G Feeders under duly approved from BoD PESCO and PITC Lahore.

The Authority has considered the submissions of the Licensee and observes that the Licensee has developed a strategy to target a significant number of defaulters in challenging areas, particularly in the tribal-merged districts belt, as per the instructions from the Ministry of Energy. However, this strategy or plan has not been shared with NEPRA for consideration. Furthermore, in order to enhance recovery efforts and enforce writ in these areas, the Licensee should collaborate with the provincial government and law enforcement agencies. Contrary to the above, the Licensee has failed to do so. It is reiterated that the policy which the Licensee has adopted upon instruction of the Ministry of Energy is totally in contradiction with NEPRA Laws. Rather than individually disconnecting the defaulters, the Licensee is switching off the whole feeder which is against prudent utility practices and NEPRA Standards. Therefore, the submissions made by the Licensee lack a factual basis.

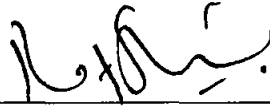


12. **Decision**

Keeping in view the submissions of the Licensee, the evidence available on record, and provisions of relevant NEPRA laws and terms and conditions of distribution license issued to the Licensee, the Authority hereby rejects the response of the Licensee against the served Show Cause Notice dated September 11, 2023, and imposed a fine of Rs 50 Million on the Licensee under NEPRA Act, and NEPRA (Fine) Regulations, 2021 for violation of Rule 4(f) of Performance Standards (Distribution) Rules, 2005, read with Section 21 (2)(b) & (f) of the NEPRA Act, and Article 11 of the terms & conditions of its Distribution License. Additionally, the Licensee is non-compliant to the directions of the Authority.

AUTHORITY


Rafique Ahmed Shaikh
Member (Technical)



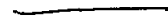
Engr. Maqsood Anwar Khan
Member (Licensing)



Mathar Niaz Rana (nsc)
Member (Tariff)



Amina Ahmed
Member (Law)



Waseem Mukhtar
Chairman



Dated 03/04/24, 2024

