



National Electric Power Regulatory Authority
Islamic Republic of Pakistan

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No. NEPRA/DG(M&E)/LAD-08/4839

April 03, 2024

Chief Executive Officer,
Hyderabad Electric Supply Company Limited (HESCO),
WAPDA House, Hussainabad,
Hyderabad

Subject: **ORDER OF THE AUTHORITY IN THE MATTER OF SHOW CAUSE NOTICE
ISSUED TO HESCO 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 12 pages) in the subject matter for information and compliance.

Enclosure: Order of the Authority (total 12 Pages)


(Engr. Mazhar Iqbal Ranjha)



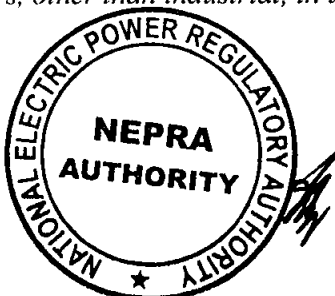
National Electric Power Regulatory Authority

ORDER

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

1. Hyderabad Electric Supply Company Limited (HESCO) (the "Licensee") was granted a Distribution License (No. DL/05/2023) 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.*

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- (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.
7. In response, the Licensee vide its letter dated January 13, 2023, requested NEPRA for extension of three weeks more time to formulate its position with respect to the Explanation served. The Authority considered the request of the Licensee, even though the response was not received as per committed timelines, and a final notice was issued in this regard. Accordingly, the Licensee vide its letter dated March 13, 2023, submitted its reply, and a hearing in the matter was held on May 29, 2023.
8. The Authority considered the submissions of the Licensee as given in reply against Explanation & during the hearing 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.
9. Accordingly, a Show Cause Notice (SCN) along with the Order recording reasons for the rejection of Explanation was issued to the Licensee on September 22, 2023. The salient features of the said SCN are narrated as under:

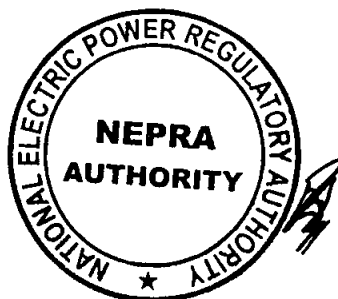
3. ***"WHEREAS, pursuant to section 21 (2) (b) of the NEPRA Act, the Licensee is responsible to provide distribution service and make sales of electric power within its territory on a non-discriminatory basis to all the consumers who meet the eligibility criteria laid down by the Authority; and***

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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:
- (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:
3. **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:

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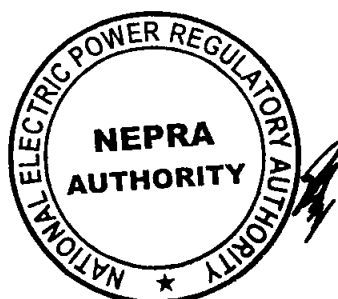
Category	I	II	III	IV	V	VI	VII	Total Number of Feeders
% AT&C Losses	0 – 10 (%)	10.1 – 20 (%)	20.1 – 30 (%)	30.1 – 40 (%)	40.1 – 60 (%)	60.1 – 80 (%)	80.1% and above	
Load Shedding Hours	0 Hours	0 Hours	2 Hours	4 Hours	8 Hours	12 Hours	16 Hours	
No. of Feeders	136	03	03	24	78	305	23	572

4. **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
5. **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	11KV NERUN KOT	-15.17	64.23	79.40
2	MEHMOODABAD	54.07	73.71	19.64
3	P. HEALTH	66.06	80.27	14.21
4	11KV FATEH	54.17	63.38	9.21
5	QASIMABAD	40.15	45.40	5.25
6	SEHRISH NAGAR	61.01	66.25	5.24
7	SYED MASOOM SHAH	-13.48	-9.22	4.25
8	L-8	61.39	65.52	4.14

6. **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
7. **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:

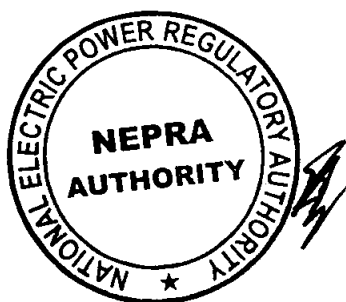
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Year	Thermal Power Plants in CPPA-G System		
	Installed Capacity (MW)	Energy Generated (GWh)	Utilization (%)
2018-19	24,253	85025.53	40.02
2019-20	23,827	78504.04	37.61
2020-21	24,972	86599.28	39.59
2021-22	27,304	91404.82	38.22

8. **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
9. **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. However, despite the lapse of the given time period, no response from the Licensee was received; and
8. **WHEREAS**, in pursuance of the fair administration of justice, the Authority deemed it necessary to provide a fair opportunity to comply before any further action is taken. Therefore, a Reminder dated January 31, 2023, followed by a Final Notice dated March 10, 2023, were also issued to the Licensee to submit its response. However, no response was submitted by the Licensee, despite expiry of the additional time given. This demonstrates an obvious disregard for the repeated directions of the Authority and a clear dereliction of its obligations; and
9. **WHEREAS**, later, the Licensee submitted its reply vide letter dated March 13, 2023 (received in NEPRA on March 21, 2023), and hearing in the matter was also held on May 29, 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
10. **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 22, 2023, is attached herewith, mentioning the reasons of rejection; and"

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10. In response, the Licensee vide its letter dated October 05, 2023, submitted its reply. The salient points of the submitted response are as follows:

"Preliminary Objections and Submission:

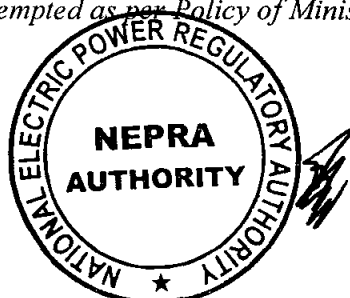
1. *That it is respectfully submitted at the outset that HESCO, being a distribution licensee of NEPRA is fully aware of its responsibilities to provide safe and reliable electric power services to its consumers and has always endeavored to fulfil its obligations in accordance with the applicable laws.*
2. *That no "Rules" providing for the "procedures" in case of any contravention of the provisions of applicable documents as per requirement of section 46(2)(d) of the NEPRA Act, 1997 are in field, therefore, the subject "show cause notice" is illegal and not maintainable in the eyes of law.*
3. *That the "Regulations" under which the "show cause notice" has been issued are ultra vires to the provisions of NEPRA Act, 1997 in so far as section 47 does not provide for formulation of any regulations for the purpose; rather section 46(2)(d) required for prescribing "Rules" for the purpose but no such Rules are in field, therefore, prima fade, the subject "show cause notice" is without any lawful authority.*

Parawise reply of the Show-Cause Notice:

Paras 6 *It is submitted that HESCO duly filed its reply to the referred "explanation", however, HESCO never received any order of the Authority regarding rejection of its response. It may also be worth mentioning here that HESCO had filed its reply in the month of March, 2023 and the same was required to be examined by the Authority within 7 days as per the referred "Regulations" but a hearing into the matter was conducted after two months, i.e., in May 2023, however, unfortunately, the subject show cause notice has been issued after lapse of a period of almost six months from the date of reply filed by HESCO which seems to be very unreasonable. In the reply of "explanation", the allegations were duly replied but the same were not appreciated by the Honorable Authority. It was also explained in the reply to the "explanation" that for carrying out the "load shedding" in the country, though there were certain standards provided in the NEPRA Performance Standards Rules but unfortunately those standards were never followed by any of the licensees; rather the load shedding is carried out in accordance with the policy of the Government of Pakistan conveyed through the Ministry of Energy (Power Division) Islamabad. It is submitted that NEPRA is already in the knowledge of the criteria of load shedding being followed by all the Distribution licensees but it took no action and there involves a principle of "estoppel".*

Para 7-8 *In reply to these paras, it is submitted that HESCO had filed the appropriate reply to the "explanation" which was accepted by the Authority and thereby the opportunity of hearing was also granted which is an admitted fact as per contents of these paras.*

Para 9-10 *It is submitted that the AT&C-based load shedding for 11 kV Feeders of Category-I and II is already exempted as per Policy of Ministry of Energy (Power*



Division) Islamabad and directions of the NEPRA Authority as referred above. Further the allegation of violation of NEPRA Performance Standards Rules is also not correct for the reason that Apex Court of the country, i.e., Honorable Supreme Court of Pakistan in a judgment dated 10.12.2013 in Human Right Case No. 790-G of 2009 has already inter-alia ruled as under:

"Loadshedding of electricity in the country is manageable subject to dedicated and committed efforts to ensure the maximum possible generation of electricity which is sufficient to cater to the requirement of all the categories of the stakeholders/consumers. The competent authority must concentrate its efforts to minimize the sufferings of the consumers by endeavoring to provide uninterrupted supply of electricity. If, however, loadshedding is the only way out, it must be administered without having distinction between rural and the urban areas as well as domestic, commercial and industrial sectors. Moreover, a formula must be put in place to ensure the distribution of electricity on equitable basis"

This it is very much clear that even Supreme Court of Pakistan had directed for carrying out load-shedding, if needed, the same is to be done on equitable basis, therefore, the requirement of observing of Performance Standards Rules is already overruled by the Honorable Supreme Court, therefore, NEPRA cannot make any allegations against HESCO for non-observance of those Standards.

Para 11. For the reasons stated above, the subject show cause notice is not maintainable and is liable to be withdrawn.



It is however added that HESCO has launched the anti-theft campaign, as per the directions of Ministry of Energy (Power Division) GoP, Islamabad with the co-operation and assistance of Law enforcing agencies. In this regard, random checking of the energy meters of sub-divisions under all tariff categories is being carried-out to check the involvement of the consumer using the electricity by illegal means (i.e. direct hooking, tampering of meters or else). The outstanding amount from receivables is also being recovered.

In case of involvement of consumers in pilferage of electricity, detection bills are being served including lodging the FIR's against those consumers to make a deterrent in order to eliminate the theft of electricity. This drive will definitely improve the position of recoveries as well as also reduce/cap the losses of HESCO, resulting increases the performance of HESCO including the reduction of AT&C-based load shedding.

11. Moreover, in order to follow the due process of law, a hearing in the matter was held on December 21, 2023, wherein, the CEO HESCO along with its team participated and made the following submissions:

- i. The Category-wise details of HESCO feeders are as below:

Category	Number of Feeders
CAT-I	158
CAT-II	4

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CAT-III	3
CAT-IV	8
CAT-V	33
CAT-VI	108
CAT-VII	291
Total	605

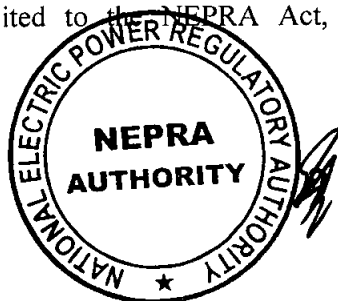
- ii. In HESCO service territory, out of 605 feeders, 162 feeders came under CAT-I and II, upon which there is no load shedding.
- iii. At present, HESCO is on loss of around 60%, and recovery is around 70-73%.
- iv. In the service territory of HESCO, few districts i.e. Thatha, Sajwal, etc. are almost entirely running on direct connections. We have recently removed around 600-700 Transformers.
- v. Similarly, in the vicinity of Hyderabad, we have removed around 16 Transformers. The entire markets are running on direct connections.
- vi. In Mirpurkhas, we have made improvements in AT&C losses with a reduction of around 17%.
- vii. HESCO has disconnected 46 transformers from different villages upon which the massive arrears are accumulated.
- viii. Nobody among the 46 villages is willing to pay bills, so we have disconnected their connections.

12. FINDINGS/ANALYSIS:

- i. The Licensee has submitted that being a distribution licensee of NEPRA is fully aware of its responsibilities to provide safe and reliable electric power services to its consumers and has always endeavored to fulfill its obligations in accordance with the applicable laws. The Licensee has further submitted that no "Rules" providing for the "procedures" in case of any contravention of the provisions of applicable documents as per the requirement of section 46(2)(d) of the NEPRA Act, 1997 are in the field, therefore, the subject "show cause notice" is illegal and not maintainable in the eyes of law. The Licensee also submitted that the "Regulations" under which the "show cause notice" has been issued are ultra vires to the provisions of NEPRA Act, 1997 in so far as section 47 does not provide for formulation of any regulations for the purpose; rather section 46(2)(d) required for prescribing "Rules" for the purpose but no such Rules are in field, therefore, prima facie, the subject "show cause notice" is without any lawful authority.

The Authority after considering the submissions of the Licensee is of the view that the Licensee is a distribution company that has been granted a distribution license by NEPRA under Sections 21 and 23 E of the NEPRA Act, to undertake the distribution of electric power. Moreover, as a distribution licensee, it possesses a number of legal and regulatory obligations under various statutory instruments, including but not limited to the NEPRA Act, Distribution license, NEPRA

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Performance Standards (Distribution) Rules, 2005, Distribution Code, and Consumer Service Manual. Additionally, NEPRA laws explicitly require a distribution company to provide an uninterrupted, reliable, and safe electric power supply to its consumers. Section 21 read with Section 23E of the NEPRA Act imposes a statutory responsibility on the license holder to provide the supply of electric power to all of its consumers on non-discriminatory basis.

The Authority further observes that NEPRA laws permit load shedding solely for technical reasons, without any allowance for load shedding based on commercial considerations, such as a regime that differentiates between higher and lower-paying consumers which is in accordance with NEPRA's laws. Moreover, from the perusal, it becomes abundantly clear that the Licensee is admitting the allegations and is claiming that the load-shedding priorities present in NEPRA (PSDR, 2005) are deliberately not being followed by all concerned the Licensee & that the law is impractical & ultra vires NEPRA laws. As the admission of guilt is so abundantly clear there is hardly any aspect which require further analysis. Further arguments have been raised highlighting the Suo moto proceeding in the Supreme Court against which APTMA has filed review petition, which is presently pending wherein, it is submitted the load shedding is happening on the instruction of the Ministry of Energy. The aforesaid grounds lend no credence nor offer any investigating circumstances. Accordingly, appropriate penalties as deemed appropriate by the Authority may be levied/imposed.

Furthermore, it submitted that the Authority as per Section 47 of the Act, have specified NEPRA Fines Regulations, wherein a procedure of issuance of Show Cause Notice has been laid down. If the Licensee reckons that the NEPRA Laws are ultra vires then NEPRA is not the proper forum rather they should go and agitate before the High Court by filing a Constitutional Petition.

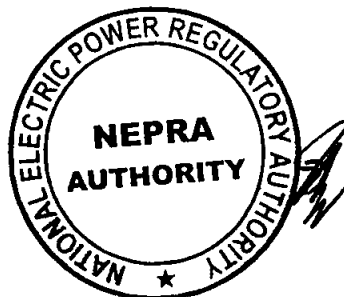
- ii. The Licensee has submitted that it has duly filed its reply to the referred "explanation", however, the Licensee never received any order of the Authority regarding rejection of its response.

The submissions of the Licensee have been examined by the Authority, and it is found that as per NEPRA's record, the Show Cause Notice and the Order of the Authority mentioning the reasons for the rejection of the Explanation were issued on September 22, 2023, and both have also been delivered to the Licensee on September 25, 2023, and received by Mr. Roshan. Therefore, the claim of the Licensee regarding not receiving the Order is vague.

- iii. The Licensee has also submitted that it had filed its reply in the month of March 2023 and the same was required to be examined by the Authority within 7 days as per the referred "Regulations" but a hearing into the matter was conducted after two months, i.e., in May 2023, however, unfortunately, the subject show cause notice has been issued after lapse of a period of almost six months from the date of reply filed by the Licensee which seems to be very unreasonable.

The Authority while considering the submissions of the Licensee is of the considered opinion that it promptly sought an explanation upon discovering the violation within the stipulated time frame. Moreover, the Licensee has taken the ground that

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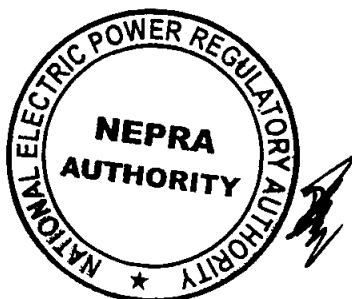


explanations for violations should only be issued within 15 days of the Authority's awareness of such infractions. The Authority further observes that while ensuring the diligent enforcement of regulations and prompt action is paramount, it's essential to underscore that the 15-day period outlined in Regulation 4(1) is not a mandatory period but is directory in nature. This flexibility is vital, particularly in cases where circumstances overwhelmingly demonstrate a breach of law by the Licensee. NEPRA is firm in its belief that proceedings under the Fine Regulations must serve as a deterrent against violations of NEPRA laws. As far as the contention of the Licensee to the extent that explanation is ultra vires in view of the procedure set out in Chapter III of the NEPRA Act is concerned, it is clarified that it is the prerogative of the Authority as per Regulation 4 of the Fine Regulations, 2021 that it may either order an investigation into the matter in terms of 27A of Act OR shall within 15 days of coming to know of violation issue an explanation. Therefore, the Licensee's objection lacks merit in this regard.

- iv. The Licensee has further submitted that in the reply of "explanation", the allegations were duly replied but the same were not appreciated by the Honorable Authority. It was also explained in the reply to the "explanation" that for carrying out the "load shedding" in the country, though there were certain standards provided in the NEPRA Performance Standards Rules but unfortunately those standards were never followed by any of the licensees; rather the load shedding is carried out in accordance with the policy of the Government of Pakistan conveyed through the Ministry of Energy (Power Division) Islamabad. It is submitted that NEPRA is already in the knowledge of the criteria of load shedding being followed by all the Distribution licensees but it took no action and there involves a principle of "estoppel".

In this regard, the Authority has considered the submissions of the licensee and observes that the Licensee has admitted that it is carrying out load shedding in its territory contrary to NEPRA laws. As far as the Licensee's claims regarding AT&C-based load shedding policy being followed by all the Distribution licensees is concerned, it is clarified that in most of the Distribution Companies like IESCO, FESCO, GEPCO, LESCO, and MEPCO, almost 99% of their feeders come under CAT-I and CAT-II, upon which there is no AT&C based load shedding. These DISCOs have improved their feeder losses with time by efficiently and effectively utilization of their investment funds. However, the improvement of feeders in the Licensee's territory is insignificant as only 25% its of feeders are exempted from AT&C-based load shedding. The rest of the DISCOs i.e., KE, SEPCO, QESCO, and PESCO are strictly relying on AT&C-based load shedding upon which the honorable Authority has already taken notice and initiated legal proceedings. These DISCOs are trying to hide their inefficiencies on account of the reduction of line losses by implementing AT&C-based load shedding for consumers instead of taking corrective measures to improve their feeder losses. The Licensee should focus on the efficient utilization of its O&M funds and Investments allowed under DOP and ELR heads in its MYT in order to address this issue. However, no concrete measures have been taken by the Licensee to avoid such undue load shedding or to reduce feeder losses. Moreover, it is purely the matter of governance improvement, which the Licensee has failed to do.

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- v. The Licensee has submitted that it had filed the appropriate reply to the "explanation" which was accepted by the Authority and thereby the opportunity of hearing was also granted which is an admitted fact as per contents of these paras.

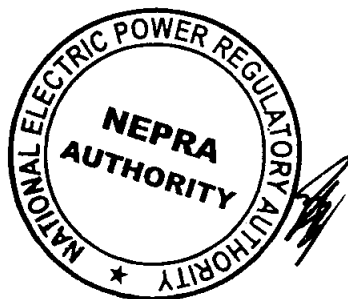
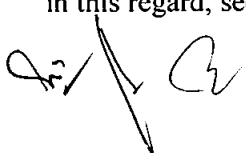
The Authority after considering and reviewing the submissions of the Licensee is of the considered opinion that the response against the Explanation was considered by the Authority, and in order to follow due process of law and to provide a fair chance to the Licensee to present its case, an opportunity for hearing was provided. This aligns with the principles of natural justice, ensuring that all parties involved have a fair chance to be heard before any final decision is made. Further, consideration of reply does not mean that the Authority accepted the same. This shows that the Licensee has serious lack of understanding.

- vi. The Licensee has referred the Supreme Court of Pakistan's decision and concluded that even the Supreme Court of Pakistan had directed to carry out load-shedding if needed, the same is to be done on an equitable basis, therefore, the requirement of observing Performance Standards Rules is already overruled by the Honorable Supreme Court, therefore, NEPRA cannot make any allegations against the Licensee for non-observance of those Standards.

The Authority has considered the submissions of the Licensee and observes that the legal counsel for the Licensee has claimed that the Performance Standard Rules have been rendered obsolete by the Honorable Supreme Court. However, it must be clarified that at no point has the court declared these rules obsolete, nor has there been any order to that effect. Such a claim is misleading and incorrect. The court has directed to devise a mechanism of distribution of electricity on equitable basis. The honorable SC held that efforts must be made to provide interrupted supply of electricity. However, if the load shedding is the only way out, it must be administered without having any distinction between rural and urban areas as well as domestic, commercial, and industrial sectors. The Licensee cannot hide behind the SC judgment based on self-serving interpretations.

- vii. The Licensee has submitted that it has launched the anti-theft campaign, as per the directions of the Ministry of Energy (Power Division) GoP, Islamabad with the cooperation and assistance of Law enforcing agencies. In this regard, random checking of the energy meters of sub-divisions under all tariff categories is being carried out to check the involvement of the consumer using the electricity by illegal means (i.e. direct hooking, tampering of meters or else). This drive will definitely improve the position of recoveries as well as also reduce/cap the losses, resulting in increases the performance, including the reduction of AT&C-based load shedding.

The Authority has gone through the submissions of the Licensee and observes that although the steps are being taken by the Licensee to control theft and to reduce AT&C losses of the feeders, but the results on the ground are not tangible. Neither, the theft element has been reduced, nor the AT&C losses of the feeders are decreasing, as the Licensee has not shared any number. In this regard, an exercise has already been carried out wherein, 20 No. of sample feeders were selected and their AT&C losses for the last four years were analyzed. The analysis revealed that no significant improvement has been made despite spending colossal amounts under the investment and O&M heads. Therefore, the submissions of the Licensee in this regard, seem unsatisfactory.

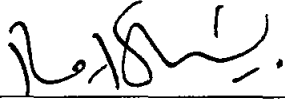


12. **Decision**

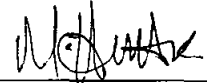
Keeping in view the submissions of the Licensee, the evidence available on record, and provisions of relevant NEPRA laws and terms and conditions of distribution license issued to the Licensee, the Authority hereby rejects the response of the Licensee against the served Show Cause Notice dated September 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

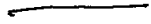
Rafique Ahmed Shaikh
Member (Technical)



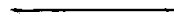
Engr. Maqsood Anwar Khan
Member (Licensing)



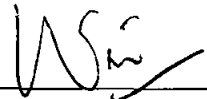
Mathar Niaz Rana (nsc)
Member (Tariff)



Amina Ahmed
Member (Law)



Waseem Mukhtar
Chairman



Dated 03/04/24, 2024

