



**National Electric Power Regulatory Authority**  
**Islamic Republic of Pakistan**

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**Registrar**

No. NEPRA/DG(M&E)/LAD-35/ 4837

April 03, 2024

Chief Executive Officer,  
Sukkur Electric Power Company Limited (SEPCO),  
Administration Block, Thermal Power Station,  
Old Sukkur

Subject: **ORDER OF THE AUTHORITY IN THE MATTER OF SHOW CAUSE NOTICE  
ISSUED TO SEPCO 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 09 pages) in the subject matter for information and compliance.

**Enclosure: Order of the Authority (total 09 Pages)**

  
(Engr. Mazhar Iqbal Ranjha)  

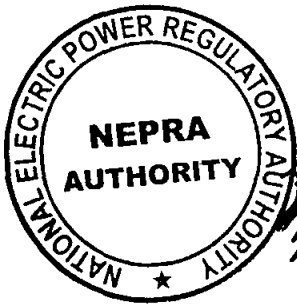



## National Electric Power Regulatory Authority

### ORDER

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

1. Sukkur Electric Power Company Limited (SEPCO) (the "Licensee") was granted a Distribution License (No. 21/DL/2011) by the National Electric Power Regulatory Authority (the "Authority") on 18.08.2011, 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.*



*Signature*

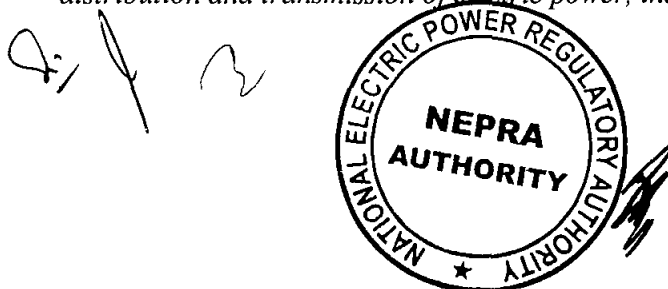
- (c) Supply to agriculture consumers where there is a dedicated power supply.
- (d) Supply to industrial consumers.
- (e) Supply to schools and hospitals.
- (f) Supply to defense and strategic installations.

(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. The response of the Licensee was not received within stipulated timelines despite the issuance of reminders by NEPRA. The Authority showed serious displeasure, however, in order to fulfill the requirement of law, decided to provide an opportunity of hearing to the Licensee under NEPRA (Fine) Regulations, 2021. Accordingly, the said hearing was held on May 15, 2023. Meanwhile, the Licensee vide its letter dated May 12, 2023, also submitted its response, against the Explanation served.
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***

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***



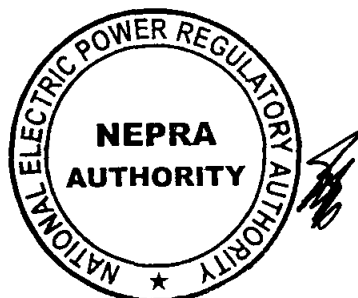
5. **WHEREAS**, Rule 4(f) of NEPRA Performance Standards (Distribution) Rules, 2005, states below:

- (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:

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:

*[Handwritten signature]*



Category	I	II	III	IV	V	VI	VII	Total
% AT&C Losses	0 – 10 (%)	10.1 – 20 (%)	20.1 – 30 (%)	30.1 – 40 (%)	40.1 – 60 (%)	60.1 – 80 (%)	80.1% and above	Number of Feeders
Load Shedding Hours	0 Hours	0 Hours	2 Hours	4 Hours	8 Hours	12 Hours	16 Hours	
No. of Feeders	102	0	4	66	27	81	281	561

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 decreased marginally, 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	K.N.SHAH CITY I	68.50	80.40	11.90
2	K.N.SHAH CITY II	69.10	78.30	9.20
3	SHIKARPUR CITY II	76.10	84.20	8.10
4	JINAH CHOWK	52.10	52.20	0.10

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:

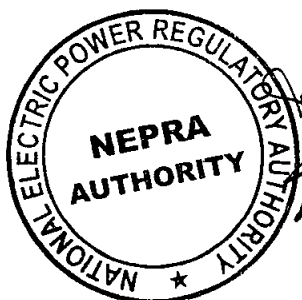
Year	Thermal Power Plants in CPPA-G System		
	Installed Capacity (MW)	Energy Generated (GWh)	Utilization (%)
2018-19	24,253	85025.53	40.02
2019-20	23,827	78504.04	37.61
2020-21	24,972	86599.28	39.59
2021-22	27,304	91404.82	38.22



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*
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. 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 May 12, 2023, and hearing in the matter was also held on May 15, 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 11, 2023, is attached herewith, mentioning the reasons of rejection; and*
10. In response, the Licensee vide its letter dated October 04, 2023, submitted its reply. The salient points of the submitted response are as follows:

**"Para-wise reply of the Show-Cause Notice:**

Paras 1 to 5 of the "show cause notice" are factual in nature and contain reproduction of some legal provisions, therefore, no response is required as such. It is, however, to be added that SEPCO as a Distribution Company is providing distribution service and sales of electric power within its territory on a non-



discriminatory basis to all the consumers in accordance with the applicable documents. It is also to be re-iterated that in accordance with the NEPRA Performance Standards Rules, as referred in these paras, SEPCO's plan to shed up 30% of its connected load any time upon instructions from NPCC stood already submitted to NPCC and both RCC Jamshoro and NPCC Islamabad used to give instructions on daily basis to SEPCO for scheduled load shedding and for load shedding to maintain system voltage and/or frequency in accordance with the Grid Code. Further to that; NPCC, Islamabad/RCC, Jamshoro used to maintain, overview, and instruct Power Dispatch Centre (PDC) SEPCO about the quantum of load to be disconnected.

**Paras 6** It is submitted that SEPCO duly filed its reply to the referred "explanation" with details; however, the same was not considered by the Honorable Authority. There is one of the allegations that SEPCO was supposed to follow the instructions from NTDC for load shedding. In this regard, it is again explained that SEPCO does follow the instructions from NPCC which is a part of NTDC thus prima facie there is no violation on the part of SEPCO as it is already following the instructions from NTDC. Further to that it is submitted that instead of the standards referred in the show cause notice for conducting "load-shedding" the licensees used to follow the policy of the Government of Pakistan. 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. 790-0 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"*

11. Moreover, in order to follow the due process of law, a hearing in the matter was held on January 03, 2024, wherein, the CEO SEPCO along with its team participated and made the following submissions:

- i. All the DISCOs including SEPCO is carrying out commercial base load shedding upon the directions of MOE.
- ii. In 2013, the Supreme Court of Pakistan overruled NEPRA Performance Standards (Distribution) Rules by inter-alia, deciding below:

*"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”*

- iii. The aforementioned judgment is still alive, as APTMA has filed a review petition against the judgment. Therefore, the same has not been set aside by the Apex Court. Therefore, the rules highlighted by NEPRA in the SCN have been declared redundant by the Court.
- iv. As per Section 46 of the NEPRA Act, Rules are to be made to deal with violations, including punishment procedures, etc. However, the same is not present, therefore, there is no legal mandate of NEPRA to proceed against the licensees.

12. **FINDINGS/ANALYSIS:**

- i. The Licensee has submitted that as a Distribution Company, it is providing distribution service and sales of electric power within its territory on a non-discriminatory basis to all consumers in accordance with the applicable documents. The Licensee has further submitted that in accordance with the NEPRA Performance Standards Rules, the Licensee's plan to shed up 30% of its connected load at any time upon instructions from NPCC stood already submitted both RCC Jamshoro and NPCC Islamabad used to give instructions on daily basis to the Licensee for scheduled load shedding and for load shedding to maintain system voltage and/or frequency in accordance with the Grid Code. Further to that; NPCC, Islamabad/RCC, Jamshoro used to maintain, overview, and instruct the Power Dispatch Centre (PDC) of the Licensee about the quantum of load to be disconnected.

The Authority has considered the submissions of the Licensee and observes that the claims of the Licensee regarding the provision of electric power within its territory on a non-discriminatory basis to all the consumers in accordance with the applicable documents are not based on facts. In addition to the load shed upon instructions from NPCC, the Licensee is carrying out load shedding based on AT&C-losses criteria which is a clear violation of NEPRA laws. Moreover, as per weekly monitoring of load shedding on random feeders, it has been observed that the Licensee is not even following its so-called load shedding criteria and the consumers are facing extended hours of load shedding even more than their scheduled load shedding hours i.e., ranging from 2.5 to 10 hours. Further, it appears that the Licensee is trying to hide its inefficiencies and showing a reduction in line losses by implementing AT&C load shedding for the majority of consumers instead of implementing corrective measures to improve feeder losses. The Licensee should focus on efficiently utilizing its O&M and Investment funds allowed under STG, DOP, and ELR heads of its MYT in order to address this issue.

- ii. The Licensee has also submitted that that instead of the standards referred in the Show Cause Notice for conducting "load-shedding" the licensees used to follow the policy of the Government of Pakistan.

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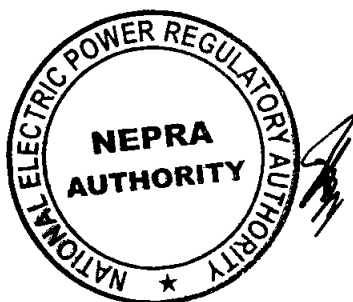
The Authority has gone through the submissions of the Licensee and observes that the Licensee has admitted the allegation leveled in the Show Cause Notice. Moreover, the policy referred by the Licensee has never been recognized by NEPRA. It was introduced back in 2014-15 with the purpose to gradually reduce losses and improve recoveries. Contrary to that, there is no significant improvement in losses and recoveries and the Licensee is using this policy as a tool to manage both parameters. It is a matter of record that when this type of load shedding was started, there was a generation shortfall. At present, there is no generation shortfall in the country and capacity payments of available "Take or Pay" power plants are being paid. Further, it needs to understand that due to AT&C-based load shedding, the amounts of capacity payments are being increased which ultimately balloon the circular debt and burdens the national exchequer.

- v. The Licensee has referred the Supreme Court of Pakistan's judgment 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. The Licensee has further claimed that the said judgment is still alive, therefore, the rules highlighted by NEPRA in the SCN have been declared redundant by the Court.

The Authority has considered the submissions of the Licensee and 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, including SEPCO & that the law is impractical & ultra vires NEPRA laws. As the admission of guilt is so abundantly clear there is hardly any aspect that requires 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. 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.

The Authority further 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 the distribution of electricity on equitable basis.

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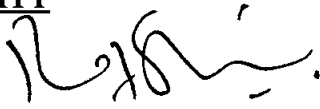


12. **Decision**


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**

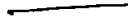
Rafique Ahmed Shaikh  
Member (Technical)

  
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Engr. Maqsood Anwar Khan  
Member (Licensing)

  
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Mathar Niaz Rana (nsc)  
Member (Tariff)

  
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Amina Ahmed  
Member (Law)

  
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Waseem Mukhtar  
Chairman

  
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Dated 03/04/2024

