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No. NEPRA/SA(M&E)/LAD-35/ 12520

August 08, 2025

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) and 4(9) of NEPRA (Fine) Regulations, 2021, on account of decline in performance with respect to Transmission and Distribution (T&D) Losses and recovery

Please find enclosed herewith, the Order of the Authority (total 08 page) in the subject matter for information and compliance.

Enclosure: As above

Wasim Anwar Bhinder
(Wasim Anwar Bhinder)



National Electric Power Regulatory Authority

ORDER

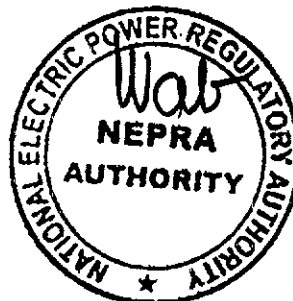
IN THE MATTER OF SHOW CAUSE NOTICE ISSUED TO SEPCO UNDER REGULATION 4(8) AND 4(9) OF NEPRA (FINE) REGULATIONS, 2021, ON ACCOUNT OF DECLINE IN PERFORMANCE WITH RESPECT TO TRANSMISSION AND DISTRIBUTION (T&D) LOSSES AND RECOVERY.

1. Sukkur Electric Power Company Limited (SEPCO) (the "Licensee") was granted a Distribution License (No. DL/21/2011) 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 Distribution License, pursuant to section 21 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 ("NEPRA Act").

Background:

2. NEPRA received a Circular Debt Report for the month of June, 2024 from CPPA-G through an email dated 30.07.2024. The report reveals that DISCOs electricity purchases for the FY 2023-24 have been reduced to 115,142 GWh i.e., 1% as compared to 116,696 GWh for the FY 2022-23. Further, DISCO's losses during FY 2023-24 have increased to 18.31% as compared to 16.84% during FY 2022-23 i.e., increase of 1.47%. NEPRA's allowed average target of T&D Losses for the FY 2023-24 was 11.77%. Thus, DISCOs have breached the target by 6.54%. This breach of target contributed around Rs. 276 billion in Circular Debt for the FY 2023-24 despite the fact that DISCOs have been allowed an investment amount of Rs. 163.1 billion for the FY 2023-24 to improve their network.
3. While reviewing the losses of each & individual DISCO as given in CD report, it is noted that the Licensee has also contributed in such increase of overall losses and subsequent financial impact. It is a matter of fact that the T&D losses of the Licensee have been increased to 34.91% in FY 2023-24 as compared to 34.43% in FY 2022-23. Due to this increase, the financial loss has also been increased to Rs. 29.1 billion in FY 2023-24 as compared to Rs. 20.4 billion.
4. With respect to recovery point of view, the CD report highlights that the overall recovery percentage remained the same i.e., 92% for the FY 2023-24 as compared to FY 2022-23. However, the financial impact of unrecovered amount has increased to Rs. 315 billion in FY 2023-24 as compared to Rs. 236 billion for the FY 2022-23. Similarly, the Licensee's figures indicate that the Licensee's performance has been declined as its recovery percentage has been down to 65% in FY 2023-24 as compared to 67% in FY 2022-23. Due to this increase, the Licensee's unrecovered amount has been increased to Rs. 38 billion in FY 2023-24 as compared to Rs. 27 billion in FY 2022-23.

2.



5. Therefore, the Authority decided to initiate legal proceedings against the Licensee under NEPRA Fine Regulations, 2021. In view thereof, an Explanation was served to the Licensee under Regulation 4(1) and 4(2) of NEPRA (Fine) Regulation, 2021, vide NEPRA's letter dated Nov 05, 2024, on account of violation of NEPRA Act, terms & conditions of License, tariff determination and other applicable documents.
6. However, the Licensee failed to submit its response within the given time frame. Therefore, it was assumed that the Licensee has nothing to say in its defense and it appears that the Licensee has admitted the allegations levelled against it in the aforementioned Explanation.

Show Cause Notice:

7. In view thereof, a Show Cause Notice was served to the Licensee under Regulation 4(8) and 4(9) of NEPRA (Fine) Regulation, 2021, vide NEPRA's letter dated Jan 15, 2024, on account of violation of NEPRA Act, terms & conditions of License, tariff determination and other applicable documents. The salient points of the Show Cause are as under:

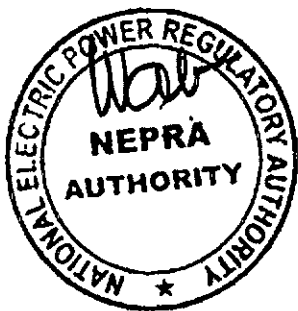
"3. WHEREAS, The Authority issued an Explanation to the Licensee under Rule 4 (1) and 4 (2) of NEPRA Fine Regulation, 2021 on 05.11.2024. The basis of Explanation to the Licensee included the following;

3. WHEREAS, NEPRA received a Circular Debt Report for the month of June, 2024 from CPPA-G through an email dated 30.07.2024. The report reveals that DISCOs electricity purchases for the FY 2023-24 have been reduced to 115,142 GWh i.e., 1% as compared to 116,696 GWh for the FY 2022-23. Further, DISCO's losses during FY 2023-24 have increased to 18.31% as compared to 16.84% during FY 2022-23 i.e., increase of 1.47%; and

4. WHEREAS, NEPRA's allowed average target of T&D Losses for the FY 2023-24 was 11.77%. Thus, DISCOs have breached the target by 6.54%. This breach of target contributed around Rs. 276 billion in Circular Debt for the FY 2023-24 despite the fact that DISCOs have been allowed an investment amount of Rs. 163.1 billion for the FY 2023-24 to improve their network; and

5. WHEREAS, while reviewing the losses of each & individual DISCOs as given in CD report, it is noted that the Licensee has also contributed in such increase of overall losses and subsequent financial impact. It is a matter of fact that the T&D losses of the Licensee have been increased to 34.91% in FY 2023-24 as compared to 34.43% in FY 2022-23. Due to this increase, the financial loss has also been increased to Rs. 29.1 billion in FY 2023-24 as compared to Rs. 20.4 billion; and

6. WHEREAS, with respect to recovery point of view, the CD report highlights that the overall recovery percentage remained the same i.e., 92% for the FY 2023-24 as compared to FY 2022-23. However, the financial impact of unrecovered amount has increased to Rs. 315 billion in FY 2023-24 as compared to Rs. 236 billion for the FY 2022-23. Similarly, the Licensee's figures indicate that the Licensee's performance has been declined as its recovery percentage has been down to 65% in FY 2023-24 as compared to 67%



in FY 2022-23. Due to this decrease, the Licensee's unrecovered amount has been increased to Rs. 38 billion in FY 2023-24 as compared to Rs. 27 billion in FY 2022-23; and

7. **WHEREAS**, pursuant to Section 7 (2) (ac) of the NEPRA Act, the Authority shall ensure efficient tariff structures and market design for sufficient liquidity in power markets; and

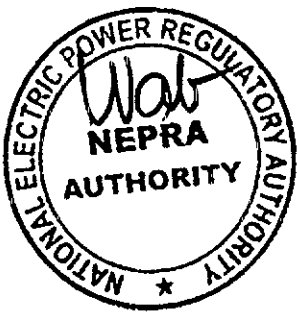
8. **WHEREAS**, pursuant to Section 7 (3) (a) of the NEPRA Act, the Authority shall determine tariff, rates, charges and other terms and conditions for supply of electric power services by generation, transmission and distribution companies and recommend to the Federal Government for notification; and

9. **WHEREAS**, pursuant to Section 31 (2) (c) of the NEPRA Act, the Authority, in the determination, modification, or revision of rates, charges and terms and conditions for the provision of electric power services shall keep in view the encouragement of efficiency in licensees, operations and quality of service; and

10. **WHEREAS**, pursuant to the decision of the Authority dated 01.07.2017, in the matter of reconsideration request filed by the Federal Government, on the issue of allowing 100% recovery to DISCOs, decided that the inefficiencies of DISCOs cannot be passed on to the consumers and maintain its earlier decision that the DISCOs tariffs be determined on the basis of 100% recovery. This means that all the distribution companies are obligated to achieve the 100% target of recovery in order to make better financial health and to avoid the unnecessary burden on national exchequer in terms of circular debt. However, the Licensee has failed to achieve the 100% target and even the recovery of the Licensee has been decreased in FY 2023-24 as compared to FY 2022-23; and

11. **WHEREAS**, pursuant to clause 56.11 of the Authority's Tariff Determination dated June 02, 2022 in the matter of petition filed by the Licensee for determination of distribution tariff under MYT regime for the FY 2020-21 to 2024-25, the Authority observed that the MYT petition filed by the Licensee has been for the multiyear tariff i.e., for a period of five (05) years, keeping the responsibilities and functions including but not limited to rehabilitation, augmentation and expansion in system through ELR projects for reduction in T&D losses and improving quality parameters including performance indices as laid down in NEPRA Performance Standards (Distribution) Rules, 2005. However, the Licensee has failed to prudently utilize the investments as the T&D losses have been increased in FY 2023-24 as compared to FY 2022-23; and

12. **WHEREAS**, pursuant to clause 79 (vii) of the Authority's Tariff Determination dated June 02, 2022 in the matter of petition filed by the Licensee for determination of distribution tariff under MYT regime for the FY 2020-21 to 2024-25, the Authority directs the Licensee to prioritize its investments claimed under STG, DOP, and ELR etc. In this respect, removal of system constraints for transferring power from NTDC system must be first priority, followed by reduction in T&D losses and improvement in metering system through ELR and overloaded grids and 11kV feeders. However, the



Licensee failed to do the same, which has resulted in an increase in losses in FY 2023-24 as compared to FY 2022-23; and

4. *WHEREAS, The Licensee has not submitted any response in this regard. Hence, it is assumed that the licensee has nothing to say in its defense and the violation stands admitted; and*

5. *WHEREAS, therefore, the licensee is in violation of NEPRA Act, Rules, Regulations, Codes, and other applicable documents; and...*"

8. However, the Licensee did not submit its response within the specified time frame and therefore, in order to proceed further as per law, a hearing in the matter of Show Cause Notice was scheduled for May 14, 2025. During hearing, following submissions were made by the Licensee's representatives;

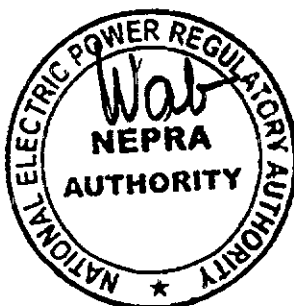
- i. CEO SEPCO submitted that the actual losses are increased by 0.5% than the targeted losses; however, AT&C losses have been reduced by 3.5%.
- ii. CEO SEPCO further requested to provide relaxation in T&D losses as per the study conducted by PPI in FY 2013-14. SEPCO's losses are 19.4% whereas NEPRA allowed target was 17%. SEPCO's network have been damaged due to flood in 2022 as compared to 2013. The target given to SEPCO is unreliable and is not as per actual conditions.
- iii. Now SEPCO has hired BARQAB as new consultant to do the losses study.
- iv. CEO SEPCO further stated that 4 out of 10 districts are unreachable.
- v. SEPCO is installing 90,000 AMI meters out of which 10,000 have been installed till date.
- vi. In the month of April 2025, SEPCO achieved 97% recovery whereas, in corresponding with of last years the recovery was almost 50%.

11. Meanwhile, the Licensee vide its letter dated 13.05.2025 also submitted its reply against the subject Show Cause Notice. A summary of the same is as under:

a. SEPCO received units during 07/2022 to 06/2023 are 3,868 (MKWH) whereas in 07/2023 to 06/2024 units received are 4,023 (MKHW) increased 155 (MKHW), so point no. 03 is not applicable for SEPCO.

b. SEPCO losses increased during FY 2023-24 as compared to FY 2022-23 i.e. 0.37%. The cause of increase was that in Sep-2023 due to heavy rain, though received grid decreased because in all the rain effected areas drainage/ pumping stations with extra heavy motors were fully operated.

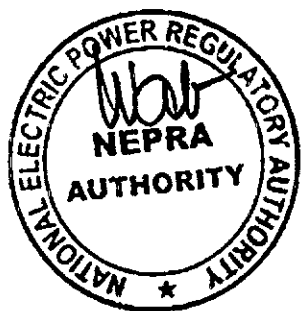
c. NEPRA allowed average target of T&D losses for FY 2023-24 as 17.05% for SEPCO, whereas SEPCO has taken efforts and the T&D losses for the FY 2023-24 has been increased only 0.3% with comparison to last year. In this regard it is stated that NEPRA target of T&D loss for FY 2023-24 was not feasible keeping in view the geographic locations of SEPCO, wherein hottest summer season prevails ranging temperature from 48 Degree to 50 degree. The study report carried out by 3rd party i.e PPI (Power Planner International) in which it evaluated T&D losses of SEPCO as 19.3%. However, SEPCO has installed 7000 AMR meters approximately and purchasing of 19,000 AMR meters is in process for reducing the losses and further



50,000 smart meters have been arranged through ADB funding, which will come from July-2025.

d. Factors causing increase in losses and decrease in recovery: -

- The jurisdiction of SEPCO is spread over the area of upper Sindh province covering 10 districts with poor socio-economic condition.
- The area has no any Industrial zone. SEPCO is supplying electricity to 80% (plus) domestic consumers.
- Last recruitment of staff was made during 2012, a large number of technical staff retired and died during last 10 years. But not any replacement/ addition made due to ban on recruitment which has created acute shortage of skilled labor.
- Worst law and order situation under the jurisdiction of SEPCO, especially in the rural / kacha areas of District Ghotki, Shikarpur, Jacobabad, Kandhkot, Dadu, Kamber are also no-go areas where the officers/ officials cannot move safely.
- Non-cooperation of local administration and police regarding difficulties faced by SEPCO for loading/ registering FIRs against stealers of electricity.
- The theft of electricity where FIR lodged against the culprits, they get bail easily from honorable courts, hence no fear in public.
- Non establishment of dedicated police station / magistrate for legal proceedings/ cases of SEPCO.
- Stealers of electricity do not get afraid of police due to their strong political affiliations. SEPCO time to time approached and request for deployment of Rangers, however, no further action taken by concerned authorities.
- Besides, the rural and kacha in the vicinity of SEPCO jurisdiction, its certain District i.e., Kashmore-Kandhkot, Jacobabad, Shikarpur and Ghotki have become "No Go Areas" due to worst law & order situation. Recovery from these Districts/ Divisions/ areas is very low and beyond the desired goals. The Ministry of Energy (Power Division) has constituted DSU (DISCO Support Unit) for SEPCO, with the supports/ help of DSU, the recovery position is improving. Even the Ministry target is 80% but we are having the recovery %age of 85% from last 05 months, even in the April-2025 recovery was increased 47%.



e. SEPCO has taken efforts to achieve the 100% recovery and in this regard the SEPCO has achieved 68.7% recovery during FY 2023-24 i.e. increased up to 6.2% as compared to FY 2022-23. However, the reasons of the non-achieving 100% recovery are already mentioned above.

FINDING:

12. Keeping in view the above submissions of the Licensee given in its reply against Show Cause Notice and during the hearing, following are the findings:

- i. The Licensee has submitted that NEPRA allowed average target of T&D losses for FY 2023-24 as 17.05% for SEPCO, whereas SEPCO has taken efforts and the T&D losses for the FY 2023-24 has been increased by only 0.3% with

comparison to last year. The Licensee has further submitted that NEPRA target of T&D loss for FY 2023-24 was not feasible keeping in view the geographic locations of SEPCO, wherein hottest summer season prevails ranging temperature from 48 Degree to 50 degrees. The study report carried out by 3rd party i.e., PPI (Power Planner International) in which it evaluated T&D losses of SEPCO as 19.3%.

The Authority has considered the submissions of the Licensee and observes that the Licensee's statement is not based on facts as the increase in losses is 0.5% rather 0.3%. According to the Circular Debt Report for the month of June, 2024, the reported losses in FY 2023-24 are 34.91% in comparison to 34.43 in FY 2022-23. The Authority has further observed that the Licensee's claim regarding its efforts seems baseless as there is no loss improvement. If it had taken serious efforts, then there should have been reduction rather increase. As far as NEPRA target is concerned, it is clarified that the allegation is confined upon the decline in performance with respect to T&D losses in 2023-24 as compared to 2022-23 instead of NEPRA target. Hence, the arguments of the Licensee seems invalid.

- ii. The Licensee has also submitted that it has installed 7000 AMR meters approximately and purchasing of 19,000 AMR meters is in process for reducing the losses. Further 50,000 smart meters have been arranged through ADB funding, which will come from July-2025.

The Authority while going through the submission of the Licensee observes that the Licensee has tried to convince the Authority that efforts are being taken by it to reduce the losses. However, these efforts will be considered and acknowledged for future improvement and the Licensee could not absolve from current liability on account of such future efforts. Overall, the Licensee is required to accelerate the implementation of its loss reduction initiatives and align its operational performance with regulatory expectations to ensure sectoral sustainability and service reliability.

- iii. The Licensee has further submitted that, the jurisdiction of SEPCO extends over 10 districts in the upper Sindh province, an area characterized by poor socio-economic conditions and lacking any industrial zones, with over 80% of electricity being supplied to domestic consumers. Since the last recruitment was done in 2012, a significant portion of technical staff has either retired or passed away, and due to a ban on new hiring, no replacements have been made, resulting in a severe shortage of skilled labor. The law-and-order situation in the region, particularly in rural and "kacha" areas, is dire, making it unsafe for SEPCO officials to operate. The local administration and police often do not cooperate in lodging or pursuing FIRs against electricity theft, and even when FIRs are lodged, the accused are easily granted bail by the courts, diminishing any deterrent effect.

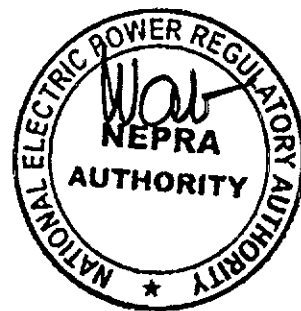


The Authority has examined the arguments put forward by the Licensee and observes that certain technical & administrative measures could have been taken by the Licensee in order to improve its losses and recovery. The losses are mainly comprising of two types i.e., technical and non-technical. Technical losses can be reduced by taking steps like periodical preventive & corrective

maintenance, proper utilization of investment funds under Energy Loss Reduction program, reconductoring, bifurcation & rehabilitation of 11kV feeders and proper metering & billing etc. Such measures do not require any support from any law & enforcement agency rather could be done by the Licensee itself, which it failed to do. As far as theft is concerned, the Licensee has tried to mention that certain factors are beyond its control due to which losses are increased. However, the Licensee has not mentioned about any effort made by it to control theft of electricity such as to get help from local government and other law enforcement agencies. Neither SEPCO produced any documentary evidence in this regard nor shown any effort taken by it. It is important to underscore that such challenges do not absolve the utility of its regulatory obligations. The Licensee is expected to adopt innovative and robust mitigation strategies, including improved internal controls, community engagement, technological interventions, and sustained follow-up with relevant government authorities, to manage losses and improve service delivery.

- iv. The Licensee has submitted that it has taken efforts to achieve the 100% recovery and, in this regard, SEPCO has achieved 68.7% recovery during FY 2023-24 i.e., increase up to 6.2% as compared to FY 2022-23. The Authority has noted with concern that the Licensee's submissions are not based on facts. The Circular Debt Report for the month of June, 2024 clearly states that the Licensee's recovery has been decline from 67% in FY 2022-23 to 65% in FY 2023-24 i.e., by 2%. The same is the actual allegation levelled in the Explanation & Show Cause Notice and was shared with the Licensee. Hence the argument and figures put forward by the Licensee are unjustified.

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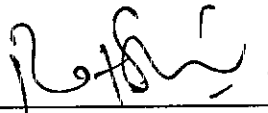


Decision

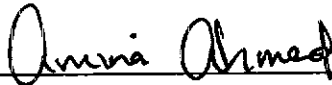
13. After due deliberations and taking into account the facts, submissions/arguments made by the Licensee, and in light of the NEPRA Act, NEPRA (Fine) Regulations, 2021, and other applicable documents, the Authority is of the considered opinion that the Licensee has failed to provide any satisfactory reply to the Show Cause Notice served to it. Therefore, the Authority hereby decides to impose a fine amounting to PKR 50,000,000/- (Fifty Million) on the Licensee due to its failure pertaining to improvement in T&D losses and Recovery in FY 2023-24 as compared to FY 2022-23.
14. The Licensee is directed to pay the fine amount of PKR 50,000,000/- (Fifty Million) in designated bank of the Authority within a period of 15 days from the date of issuance of this order and forward a copy of the paid instrument to the Registrar Office for information, failing which the Authority may recover the amount due under section 41 of the NEPRA Act as arrears of the land revenue or through any other appropriate legal means in addition to taking any other appropriate legal action against the Licensee for non-compliance.

AUTHORITY


Rafique Ahmed Shaikh
Member (Technical)




Amina Ahmed
Member (Law)



Engr. Maqsood Anwar Khan
Member (Development)



Waseem Mukhtar
Chairman


Dated 8th Aug 2025

