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No. NEPRA/SA(M&E)/LAD-08/ 14586

September 15, 2025

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(15) NEPRA FINE REGULATIONS
2021, READ WITH SECTION 27B OF THE NEPRA ACT, ON ACCOUNT OF
CONTINUED VIOLATION REGARDING AT&C-BASED LOAD SHEDDING

Please find enclosed herewith, the Order of the Authority (total 06 pages) in the subject matter for information and compliance.

Enclosure: As above

15/9/25
(Iftikhar Ali Khan)

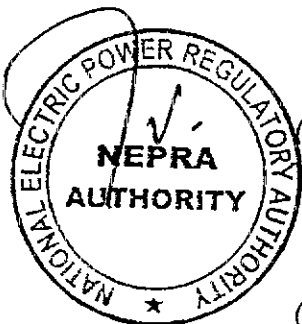


National Electric Power Regulatory Authority

ORDER

**IN THE MATTER OF SHOW CAUSE NOTICE ISSUED TO HESCO UNDER
REGULATIONS 4(15) NEPRA FINE REGULATIONS 2021, READ WITH SECTION
27B OF THE NEPRA ACT, ON ACCOUNT OF CONTINUED VIOLATION
REGARDING AT&C-BASED LOAD SHEDDING.**

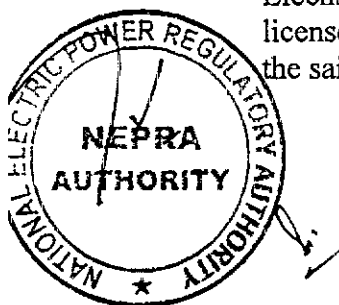
1. Hyderabad Electric Supply Company Limited (HESCO) (the "Licensee") was granted a Distribution License (No. DL/05/2023) by the National Electric Power Regulatory Authority (the "Authority") on 09.05.2023, for providing Distribution Services in its Service Territory as stipulated in its said Distribution 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 (Distribution) Rules, 2005 :
 - (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. Consequently, the Authority initiated legal proceedings against the Licensee. Upon conclusion of the proceedings, the Authority, through its Order dated April 03, 2024, imposed a fine of Rs. 50 million on the Licensee under the NEPRA Act and the NEPRA (Fine) Regulations, 2021, for violating Rule 4(f) of the Performance Standards (Distribution) Rules, 2005, read with Section 21(2)(b) & (f) of the NEPRA Act and Article 11 of the terms and conditions of its Distribution License.
6. It is a matter of grave concern that the Licensee has failed to comply with the aforementioned order of the Authority and continues to implement load shedding based on the AT&C criterion. This constitutes a persistent violation of applicable NEPRA laws and directives. Such practice adversely impacts consumers by subjecting them to unwarranted and prolonged outages, undermines service reliability, and reflects blatant disregard for the Authority's decisions. Additionally, NEPRA continues to receive a large volume of consumer complaints regarding excessive and unannounced load shedding within the Licensee's service area.
7. In view of the foregoing, the Licensee has failed to comply with the Order of the Authority and is in continued default of Rule 4(f) of the Performance Standards (Distribution) Rules, 2005, in conjunction with Section 21(2)(b) & (f) of the NEPRA Act and Article 11 of the terms and conditions of its License. Therefore, the Authority again initiated proceedings and decided to issue a Show Cause Notice (SCN) to the Licensee vide letter dated March 12, 2025, on account of the continued default of the licensee to carry out load shedding in violation of NEPRA law. The salient points of the said SCN are as follows:



“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

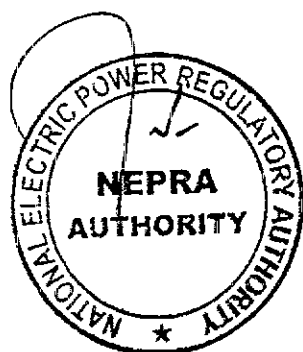
within its territory on a non-discriminatory basis to all the consumers who meet the eligibility criteria laid down by the Authority; and

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:—
 - (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 agricultural 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.

6. **WHEREAS**, the Authority initiated legal proceedings against the Licensee and after concluding the same, vide order dated April 03, 2024 ("Order"), 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. Accordingly, notice of demand has also been issued to the Licensee vide letter dated June 05, 2024; and



7. **WHEREAS**, it is a matter of serious concern that the Licensee has failed to implement the aforesaid order of the Authority and continues to follow load shedding based on AT&C criteria, which constitutes an ongoing violation of the aforementioned NEPRA laws. This practice by the Licensee adversely affects consumers by imposing undue power outages, disregarding Authority directives, and undermining service reliability. Furthermore, NEPRA is still receiving numerous complaints from consumers regarding excessive and unannounced load shedding within the Licensee's service territory; and

8. **WHEREAS**, the Licensee has failed to comply with the Order of the Authority and is in continued default of Rule 4(f) of the Performance Standards (Distribution) Rules, 2005, in conjunction with Section 21(2)(b) & (f) of the NEPRA Act and Article 11 of the terms and conditions of its License; and

9. **NOW, THEREFORE**, in view of the above, the Licensee is hereby served with a Show Cause Notice and directed to submit reply within fifteen (15) days of receipt of this Show Cause Notice as to why an additional fine of one hundred thousand rupees for every day during which the contravention has continued from the date of the Order should not be imposed upon the Licensee under Section 27B of the NEPRA Act."

8. In response, the Licensee vide its letter dated April 16, 2025, submitted its reply. The response of the Licensee is narrated as below:

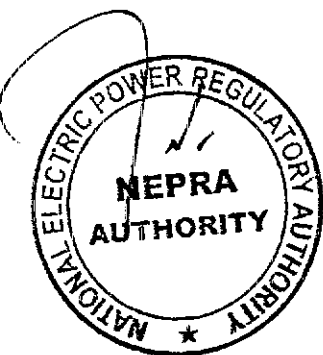
"That neither any contravention of law has been alleged against HESCO in the Show Cause Notice for which penal action is proposed to be taken and nor there available any "Rules" providing for the "Procedure" In case of any such contravention as per the requirement of section 46(2) (d) of the NEPRA Act, 1997.

Para-wise reply of Show Cause:

Para 06 In reply to this para is submitted that HESCO has filed an appeal against the order dated 03.04.2024. issued by NEPRA vide which fine of Rs. 50 Million was imposed on Licensee under the NEPRA Act and NEPRA (Fine) Regulations, 2021 for violation of Rule 4(f) of Performance Standard (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. The said appeal is still pending for adjudication before NEPRA Appellate Tribunal Islamabad. As the matter is sub judice before the competent judicial forum, therefore, no comment can be made.

Paras 07 & 08. In reply to these Paras, it is submitted that there are certain standards provided in the NEPRA Performance Standards Rules, however, 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. Copy of Minutes of Review Meeting held by Federal Minister of Power Division regarding implementation of Directives."

9. Moreover, in order to follow the due process of law, a hearing in the matter was held on May 21, 2025, wherein, the CEO HESCO along with its team participated and made the following submissions:



- i. It is very clear that the load shedding could only be done if there is a generation shortfall or system constraints.
- ii. HESCO is carrying out load-shedding upon the directions of the Ministry of Energy (Power Division)
- iii. HESCO is fully committed to reducing load shedding and recently three of its feeders have been made load shedding-free by HESCO.

Findings:

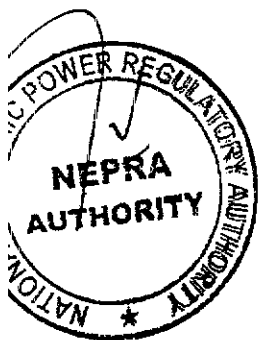
10. The Licensee has submitted that it has filed an appeal against the order dated 03.04.2024, issued by NEPRA, vide which fine of Rs. 50 Million was imposed on Licensee under the NEPRA Act and NEPRA (Fine) Regulations, 2021 for violation of Rule 4(f) of Performance Standard (Distribution) Rules, 2005 read with section 21 (2) (b) & (f) of the NEPRA Act and Article 11 of the terms & conditions of its Distribution License. The said appeal is still pending for adjudication before NEPRA Appellate Tribunal Islamabad. As the matter is sub judice before the competent judicial forum, therefore, no comment can be made.

The Authority has considered the submissions of the Licensee and is of the considered opinion that mere filing of an appeal before the NEPRA Appellate Tribunal does not, in itself, operate as a stay or suspension of the enforcement of the Authority's order. Unless and until a formal stay is granted by the competent forum, the original order of the Authority remains valid, binding, and enforceable in its entirety. Therefore, the pendency of the Licensee's appeal before NEPRA Appellate Tribunal does not preclude NEPRA from taking action in accordance with the applicable legal framework, including the proceedings against the Licensee for continued default under the NEPRA (Fine) Regulations, 2021.

11. The Licensee has also submitted that there are certain standards provided in the NEPRA Performance Standards Rules, however, 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.

The Authority, after considering the submissions of the Licensee, observes that the Licensee has admitted that it is carrying out load shedding in its territory contrary to NEPRA laws. Moreover, it is pertinent to highlight here that most Distribution Companies like IESCO, FESCO, and GEPCO, 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% of its feeders are exempted from AT&C-based load shedding.

The Authority also observes that the Licensee is 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 of its MYT in order to address this issue. However,



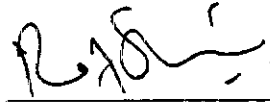
no concrete measures have been taken by the Licensee to avoid such undue load shedding or to reduce feeder losses. Resultantly, the Licensee is in continued violation of the NEPRA Act, and Performance Standards despite imposing a fine of Rs. 50 million.

12. **Decision of the Authority:**

In light of the submissions made by the Licensee, the evidence available on record, and the applicable provisions of NEPRA laws as well as the terms and conditions of the Distribution License issued to the Licensee, the Authority hereby rejects the response submitted by the Licensee against the Show Cause Notice dated March 20, 2025. Accordingly, the Authority hereby directs the Licensee to immediately cease and refrain from continuing AT&C-based load shedding in contravention of the Authority's directives and the applicable legal framework. Further, the Authority imposes a fine of Rs. 100,000 (Rupees One Hundred Thousand) per day on the Licensee for each day of persistent contravention with effect from the date of the Authority's original Order dated April 04, 2024, until the violation is rectified to the satisfaction of the Authority. The fine is imposed under the provisions of the NEPRA Act and the NEPRA (Fine) Regulations, 2021, on account of violation of Rule 4(f) of the Performance Standards (Distribution) Rules, 2005, read with Section 21(2)(b) & (f) of the NEPRA Act, and Article 11 of the terms and conditions of the Distribution License.

AUTHORITY

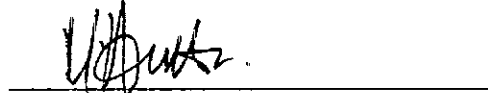
Rafique Ahmed Shaikh
Member (Technical)



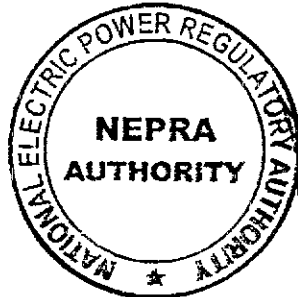
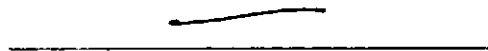
Amina Ahmed
Member (Law)



Engr. Maqsood Anwar Khan
Member (Development)



Waseem Mukhtar
Chairman



Dated 15-9-2025

