



Registrar

F/A

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

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No. NEPRA/DG(CAD)/TCD-02/40261-63

November 2, 2021

Chief Executive Officer  
Islamabad Electric Supply Company (IESCO)  
Street No 40, G-7/4,  
Islamabad.

Subject:

**DECISION IN THE MATTER OF COMPLAINT FILED BY M/S. SHELL  
PAKISTAN LIMITED UNDER SECTION 39 OF THE REGULATION OF  
GENERATION, TRANSMISSION AND DISTRIBUTION OF ELECTRIC  
POWER ACT, 1997 AGAINST IESCO REGARDING ISSUANCE OF  
NOTICE FOR CHANGE OF TARIFF (AC # 27 14334 5854100)**

Enclosed find herewith the decision of Member (Consumer Affairs) dated November 1, 2021 (04 Pages) regarding the subject matter for necessary action and compliance within Thirty (30) days, please.

Encl: As above

2/11/21  
(Iftikhar Ali Khan)  
Director

Copy to:

C.E./Customer Services Director,  
Islamabad Electric Supply Company (IESCO),  
Street No 40, G-7/4, Islamabad.

Mr. Nasir Mir,  
Manager Chaklala Terminal,  
Shell Pakistan Limited, Rawalpindi.  
0345-5106260, 051-5951932



**BEFORE THE  
NATIONAL ELECTRIC POWER REGULATORY AUTHORITY  
(NEPRA)**

**Complaint No. IESCO-40/05/2021**

**Shell Pakistan Limited**  
through Mr. Nasir Mir, Manager,  
Chaklala Terminal, Shell Pakistan,  
Rawalpindi.

..... **Complainant**

**Versus**

**Islamabad Electric Supply Company (IESCO)**  
Head Office, Street No. 40,  
Sector G-7/4, Islamabad.

..... **Respondent**

**Date of Hearing:** 8<sup>th</sup> July 2021

**Joint Site Inspection:** 3<sup>rd</sup> August 2021

**On behalf of:**

**Complainant:**

- 1) Mr. Nasir Mir, Manager
- 2) Mr. Osama Yusuf
- 3) Mr. Qazi Zain

**Respondent:**

- 1) Mr. Ezaz Baig, S.E. (Op.)
- 2) Mr. Sajid Ansari, Manager (CS)
- 3) Mr. Muhammad Rasheed, DCM Cantt.

**Subject:** **DECISION IN THE MATTER OF COMPLAINT FILED BY M/S SHELL PAKISTAN LIMITED UNDER SECTION 39 OF THE REGULATION OF GENERATION, TRANSMISSION AND DISTRIBUTION OF ELECTRIC POWER ACT, 1997 AGAINST IESCO REGARDING ISSUANCE OF NOTICE FOR CHANGE OF TARIFF (AC # 27 14334 5854100)**

**DECISION**

1. This Decision shall dispose of complaint filed by M/s Shell Pakistan Limited, Chaklala, Rawalpindi (hereinafter referred to as the "**Complainant**") against Islamabad Electric Supply Company (hereinafter referred to as the "**Respondent**" or "**IESCO**") under Section 39 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (hereinafter referred to as the "**NEPRA Act**")

2. Brief history of case is that NEPRA received the subject compliant on May 4, 2021 wherein the Complainant submitted that IESCO vide letter dated September 08, 2020 issued a notice in pursuance of Audit observation for charging of an amount of Rs.11,740,915/- to the Complainant on account of tariff differential for the period from September 2012 to June 2020 and change of tariff from Industrial to commercial tariff category. Accordingly, the response to the impugned notice was submitted to IESCO on September 10, 2020 informing IESCO that they inject high dose of additives to fuel for enhancing the efficiency as such they fall under Industrial category and requested IESCO for withdrawal of audit observation. In response IESCO's team visited the site on April 24, 2021, however they did not agree with the point of view of the Complainant. The Complainant prayed for withdrawal of the Audit note and restraining IESCO from debiting the said amount in their account till finalization of the case by NEPRA.

3. The matter was taken up with IESCO. In response IESCO submitted that according to the Audit Party, the consumer's connection does not fall under Industrial tariff category, because the consumer is not refining the crude oil into refined oil. In view of the said, IESCO requested NEPRA for clarification regarding applicability of the appropriate tariff category.

4. In order to arrive at an informed decision, a hearing in the matter was held on July 08, 2021 at NEPRA Head office Islamabad, which was attended by both the parties. During the hearing, the parties re-iterated their earlier version. Subsequently a joint site inspection was conducted on August 10, 2021 by NEPRA in presence of both the parties. During the site inspection, it was revealed that two (2) electricity connections are installed at the shell Terminal Rawalpindi, having Reference No.27-14334-5854100 under industrial Tariff category (B2) and Reference No. 28-14334-5724200 under Commercial tariff (A-2C) category. The Commercial connection is being used for office blocks whereas the Industrial connection is being used for injecting high dose of additives to fuel for value addition along with other allied machinery. However all motive load is not used for this purpose, some of the motors are used for pumping of oil, water treatment, etc. The machinery used for value addition has load of 128 kW.

5. The case has been examined in detail in light of documents placed on record by the parties, arguments advanced during the hearing, applicable tariff terms and conditions and observations noted in the joint site inspection. The following has been concluded:

- i. An industrial connection bearing Reference No. 27-14334-5854100 was sanctioned in the year 1990 for the Shell Terminal. The Commercial connection bearing Reference No. 28-14334-5724200 was sanctioned in August 2001 and the same is being used only for the office block at the premises/ terminal.
- ii. Earlier, the Audit Party of IESCO vide Note No.25, dated December 10, 2018 for the period ending June 2018 pointed out that the supply was being used at the premises for commercial purpose whereas billing was being carried out under industrial tariff. Accordingly, the Audit Party raised difference of tariff amounting to Rs.50,95,089/- for the period from September, 2012 to March, 2018. According to the Complainant, they approached IESCO and raised observations on the said

note. The SDO visited the site and he agreed with the point of view of the Complainant; as such, no amount on account of tariff differential was debited.

- iii. IESCO issued another notice on September 08, 2020, whereby the Complainant was informed that the connection bearing Reference No. 27-14334-5854100 was sanctioned under Industrial Tariff, whereas the same is being used for commercial purpose which is required to be changed from Industrial to Commercial category w.e.f. September 2012. The Audit Party vide its note bearing No. 213 dated July, 08 2020 for the period ending 12/2019 worked out tariff differential amounting to Rs 6,645,826/- for the period from April 2018 to June 2020. Earlier the Audit party vide its note bearing No. 25 dated December 10, 2018 for the period ending 06/2018 worked out tariff differential amounting to Rs.5,095,089/- for the period from September 2012 to March 2018.
- iv. Accordingly, IESCO issued the impugned notice to the Complainant wherein the amount earlier pointed out by the Audit Party vide Note No.25 was also reflected in addition to the new Audit observation, dated July 08, 2020. The notice reflected charging of tariff differential for the period from September, 2012 to June, 2020, i.e  $\text{Rs.5,095,089} + \text{Rs.6,645,826} = \text{Rs.11,740,915/-}$ .
- v. The joint site inspection revealed that the consumer was utilizing different capacities of motors for value addition of the oil, water treatment, pumping, etc., as such all the motors/other installations connected are not purely being used for industrial purpose. The joint inspection further revealed that a 630 kVA transformer is installed at site to cater to the load of 471 kW which is being billed under industrial tariff, and a 50 kVA transformer is being utilized for commercial load of the office building. The load of motors used for value addition are 128 kW and the remaining 343 kW load comes under the ambit of commercial category. In view of the said, the motors which are part of value addition are required to remain on the industrial connection, and remaining load shall be converted into commercial tariff.
- vi. As per tariff terms and conditions approved by the Authority; for the purposes of application of industrial supply, an "Industry" means a bonafide undertaking or establishment engaged in the manufacturing, value addition and /or processing of goods. In the instant case, all the motors being fed from industrial connection are not being used for industrial purposes.
- vii. IESCO should have sanctioned the connection of the Complainant after due verification of the load, as per the applicable tariff category, however, IESCO failed to do so. Moreover, the Audit is carried out on regular basis but in the instant case, the Audit Party has raised the differential of amount for the period from September, 2012 to June 2020 amounting to Rs.11,740,915/-, which is not justified.
- viii. As per the provisions of Consumer Service Manual (CSM), application of a correct tariff is the responsibility of IESCO at the time of sanction of connection. The CSM further envisages that in case of application of wrong tariff, which is lower than the applicable tariff, no differential bill will be debited against the consumer account. However, in case where higher tariff has been charged to the consumer than adjustment/credit for six (6) months be allowed retrospectively, from the date of pointing out of such discrepancy.

- ix. The consumers have legitimate expectancy that what was being billed to them was actually the cost of electricity consumed. IESCO cannot be allowed to recover the loss of revenue from any consumer which is sustained due to its own mismanagement. Application of wrong tariff shows inability, incompetence and negligence on part of IESCO.
- x. The Audit report is an internal matter between IESCO and its Audit Party. The consumers cannot be made liable for payment of any amount/arrears which is pointed out by the Audit Party. Furthermore, the consumers cannot be penalized due to negligence of IESCO officials, therefore, arrears raised against the Complainant are illegal, unjustified and unwarranted. Moreover, reliance is also placed on ruling of the Lahore High Court in the case of WAPDA Vs. Umaid Khan (1988 CLC 501), as per which the Honorable High Court ruled that audit report could not make consumer liable for payment of any amount.

6. Foregoing in view, IESCO is directed to charge difference of tariff to the Complainant w.e.f date of initial pointing out by the Audit Party i.e. December 10, 2018 for the load being used for commercial purpose. The differential amount be worked out on the basis of 477 kW load, out of which 343 kW be charged on commercial tariff and 128 kW be charged on industrial tariff, however IESCO must verify the said load before debiting the tariff differential amount.

7. In addition to above, IESCO is advised to carry out inspection of all such connections/premises and intimate discrepancy (if any) to NEPRA accordingly.

8. Compliance report be submitted within thirty (30) days.



(Rehmatullah Baloch)  
Member (Consumer Affairs)

Islamabad, November 01, 2021.