



**National Electric Power Regulatory Authority**

ISLAMIC REPUBLIC OF PAKISTAN

NEPRA Head Office

Attaturk Avenue (East) Sector G-5/1, Islamabad.

Ph:051-2013200, Fax: 051-2600021

**Consumer Affairs  
Department**

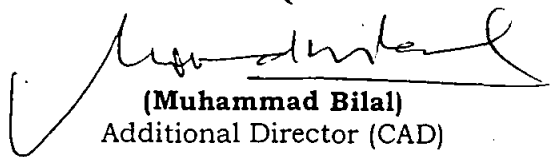
TCD.05/ 2681 -2023  
July 04, 2023

**Chief Executive Officer,**  
Lahore Electric Supply Company (LESCO),  
22-A, Queen's Road Lahore.

Subject: **DECISION IN THE MATTER OF COMPLAINT FILED BY MR. MUHAMMAD MUSHTAQ, CEO, AL-REHMAN GARDEN, UNDER SECTION 39 OF THE REGULATION OF GENERATION, TRANSMISSION AND DISTRIBUTION OF ELECTRIC POWER ACT, 1997 AGAINST LESCO REGARDING HANDING/TAKING OVER OF OVERHEAD EXTERNAL ELECTRIFICATION SYSTEM.**

Please find enclosed herewith the decision of the NEPRA Consumer Complaints Tribunal dated July 04, 2023 (04 pages), regarding the subject matter, for necessary action and compliance within thirty (30) days, positively.

**Encl: As above**

  
**(Muhammad Bilal)**  
Additional Director (CAD)

Copy to:

1. Chief Engineer/Customer Services Director,  
LESCO, 22-A, Queen's Road Lahore.
2. Chief Engineer (Planning),  
LESCO, 22-A, Queen's Road Lahore.
3. Mr. Tahir Mehmood Nadeem,  
Manager/ Incharge Complaint Cell, (Focal Person, NEPRA)  
LESCO, 22-A, Queens Road, Lahore.
4. Engr. Dr. Bilal Masood, (Incharge/Additional Director),  
NEPRA Provincial Office, 1st Floor, Link Arcade,  
54B, GECH Society, Phase 3, Link Road, Model Town, Lahore.
5. Mr. Muhammad Mushtaq,  
CEO, Al-Rehman Garden Phase-II,  
Main Boulevard, Hassan Commercial Zone,  
Near Saggian Bypass Road, Lahore.  
042-37170590-1



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

**Complaint No. LESCO-NHQ-5055/21**

**Mr. Muhammad Mushtaq,**  
CEO, Al-Rehman Garden Phase-II,  
Main Boulevard, Hassan Commercial Zone,  
Near Saggian Bypass Road, Lahore.  
Phone: 042-37170590-1

..... **Complainant**

**Versus**

**Lahore Electric Supply Company (LESCO)**  
22-A, Queens Road, Lahore.

..... **Respondent**

**Date of Hearing:** September 14, 2021  
July 28, 2022  
September 10, 2022  
March 20, 2023,

**On behalf of:** Mr. Ali Imran Naqvi, Legal Counsel  
**Complainant:** Syed Ali Hasnain Naqvi, Legal Counsel  
Muhammad Riaz, Incharge Electrical Department  
Agha Humayun, Administrator

**Respondent:** Mr. Fazal Masud, C.E Planning, LESCO  
Rana Abid, Addl. Director (Planning), LESCO  
Mr. Aamir Iqbal, Addl. XEN, LESCO  
Mr. Fayyaz Hussain, DM (O), LESCO  
Hafiz Muhammad Hussain, DD Planning  
Mr. Muhammad Boota, R.O, LESCO

**Subject: DECISION IN THE MATTER OF COMPLAINT FILED BY MR. MUHAMMAD MUSHTAQ, CEO, AL-REHMAN GARDEN, UNDER SECTION 39 OF THE REGULATION OF GENERATION, TRANSMISSION AND DISTRIBUTION OF ELECTRIC POWER ACT, 1997 AGAINST LESCO REGARDING HANDING/TAKING OVER OF OVERHEAD EXTERNAL ELECTRIFICATION SYSTEM.**

This decision shall dispose of the complaint filed by Mr. Muhammad Mushtaq, CEO Al-Rehman Garden Phase-II, Main Boulevard, Hassan Commercial Zone, Near Saggian Bypass Road, Lahore (hereinafter referred to as the "Complainant" or "Society" or "Sponsor") against Lahore Electric Supply Company Limited (hereinafter referred to as the "Respondent" or "LESCO"), under Section 39 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (hereinafter referred to as the "NEPRA Act").

2. The Complainant in his complaint submitted that Block A, B & C of Phase-II, Al-Rehman Garden were developed over an area of 607 Kanal. The external electrification of said area for a load of 3258 kW was approved by LESCO vide letter dated February 25, 2010 and subsequently supply was given through 11 kV independent feeder emanating

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from 132 kV Grid Station Rustam, LESCO. Later on, area of the Society was extended upto 2783 Kanals which was electrified by the Society itself and material was purchased from open market and supply to the residents is being supplied through a power house. Subsequently, the Society allotted 33 Kanal land for grid station and applied to LESCO for external electrification. The Society requested NEPRA that LESCO be directed to take over the network of Society completed by Society itself and rest of the area be electrified accordingly.

3. The matter was taken up with LESCO. In response LESCO informed that the Sponsor submitted proposed design for external electrification of area measuring 2783 Kanal-13 Marla for ultimate load of 22.5 MW in September, 2020. LESCO visited the site and found that the said area of the Society had already been illegally electrified by the Sponsor at their own without approval from the competent authority and the system was running from private power plant and supply to residents was given through individual meters installed by the management of Society at their own. Subsequently, to proceed further; LESCO vide letter dated September 09, 2020 directed the Society for provision of requisite documents. LESCO further submitted that instead of providing required documents, the Society lodged a complaint at NEPRA for issuance of necessary directions to LESCO to take over the partially electrified system and external electrification of rest of the area.

4. In order to proceed further, a hearing was held on September 14, 2021 at NEPRA Head Office, Islamabad and subsequently NEPRA vide letter dated September 21, 2021 directed M/s Al-Rehman Garden to submit the following information/documents to LESCO at the earliest; for further processing of the case regarding handing/taking over of the distribution system.

- (i) Ultimate load demand of the area to be handed over to LESCO.
- (ii) Layout plan showing the laid down infrastructure.
- (iii) BOQ / Detail of total material installed in the Housing Scheme.
- (iv) Purchase documents of the installed material.
- (v) Inspection Certificate of the installed material issued by Chief Engineer (Material Inspection) or any other formation.

5. Both the parties made correspondence with each other in light of above, however, the issue remained pending. Another hearing was held on March 20, 2023 at NEPRA Head Office, Islamabad wherein both the parties agreed to conduct a meeting on March 27, 2023 to reconcile the scope of work already done in M/s Al-Rehman Garden in presence of the consultant and submit report. LESCO submitted report vide letter dated May 03, 2023 that the Society has not provided the information/documents. Meanwhile, the Society informed that it intends to obtain distribution license from NEPRA under the provisions of NEPRA Act and bill collection be made by the concerned DISCO.

6. Moreover, multiple residents of Al-Rehman Garden have lodged complaint at NEPRA regarding charging of high tariff by management of the Society and requested to issue directions to LESCO for taking over distribution network of the Society for application of uniformed tariff as applicable to other consumers of LESCO.

7. Distribution/resale of electricity is a licensed activity under Section 20 of the NEPRA Act. For the purpose of distribution and sale of electricity, the Authority granted distribution Licenses to the Distribution Companies (DISCOs) and defined their service territories for their operations. Furthermore, under Article 7 of the Distribution Licenses, the DISCOs were granted exclusivity till the expiry of their distribution licenses in their service territories to engage in the distribution services, sale of power and services incidental thereto. The existing license of LESCO based on exclusivity was expired on March 31, 2022. Subsequently, LESCO applied for renewal of license on the same terms and conditions, however, NEPRA granted a fresh license to LESCO on May 09, 2023 on non-exclusive basis, in terms of NEPRA amendments Act 2018, till May 8, 2043.

8. The Authority framed National Electric Power Regulatory Authority (Supply of Electric Power) Regulations-2015 to regulate entities who are involved in sale of power

without distribution license. According to the said Regulations; any housing colony, housing society, an industrial estate or a complex engaged in procuring electricity from the Distribution Licensee at a duly approved Rate and supplying the same to the residents/consumers prior to the commencement of the Act, may have the options either to:

- a) Surrender their distribution network to the concerned Distribution Company.
- b) Obtain a distribution license from the Authority.
- c) Enter into an O&M Agreement with the concerned Distribution Company as per regulation 5 and submit the same for the approval of the Authority.
- d) Any other arrangement as approved by the Authority.

In light of the amendments in the NEPRA Act; the ibid regulations were amended vide S.R.O 832/2020 dated September 08, 2020. Accordingly, O&M agreement was amended and new template of O&M agreement was shared with all stakeholders. However, LESCO being aggrieved, challenged the amended O&M agreement template before the Honorable Lahore High Court, Lahore.

9. Prior to amendments in the NEPRA Act, in 2018; wire and sale/supply segments were embedded under the head of distribution as envisaged in Section 21 of the NEPRA Act. However, after amendments in the NEPRA Act, 2018, both the segments were segregated, resultantly wire/distribution function remained under Section 21 and sale/supply function was incorporated in newly inserted provision i.e. Section 23E of the NEPRA Act. Further, to give effect to the statutory provisions, the Authority notified the NEPRA Licensing (Electric Power Distribution) Regulations, 2022 (the "Distribution Regulations") and the NEPRA Licensing (Electric Power Supplier) Regulations, 2022 (the "Supply Regulations"); whereby "supplier" was categorized into electric power "Supplier of Last Resort" (SoLR) and electric power "Competitive Supplier" (CS). According to Supply Regulations, *"a Supplier of last resort means a person who holds an electric power supply license for the service territory specified in its license and is obligated to supply electric power to all consumers located in that service territory at the rates determined by the Authority and is also obligated to provide electric power supply to the consumers, located within its service territory, of any competitive supplier who defaults on its obligations of electric power supply"*. Further, as per regulation 3(2)(a) of the Supply Regulations, *"a deemed licensee shall be the supplier of last resort in its respective service territory till expiry of the period mentioned in proviso to sub-section (1) of section 23E of the Act and subject to such rights and obligations as of a supplier of last resort specified in these regulations and other applicable documents."* Further regulation 9(9) of the Supply Regulations puts restriction on supplier-to-supplier sale, therefore, the supplier has to procure/arrange electric power either from own generation or from any generation company through wheeling arrangement.

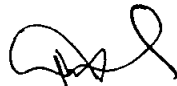
10. One important aspect to consider during the process of designating a supplier of last resort (SoLR) is the capacity and capability of the said SoLR to ensure non-discriminatory and continuous supply of electric power to consumers. M/s Al-Rehman Garden Phase-II is situated in service territory of LESCO, therefore, LESCO is to take over the role of SoLR to enhance its revenues and reduce the cost. The global electricity market practice also supports the idea of assigning the role of SoLR to only a limited number of market players with the capacity available in their pool to ensure non-discriminatory and continuous supply of electric power to consumers. Keeping in view the above, LESCO is the most suitable entity to be designated as the Supplier of Last Resort for the service territory of M/s Al-Rehman Garden Phase-II, which is aligned to the NEPRA Act and other applicable documents.

11. Foregoing in view following is directed:

- (i) In view of omission of the "Exclusivity", under the Regulation of Generation, Transmission and Distribution of Electric Power (Amendment) Act 2018, expiry of term of Distribution License of LESCO and grant of a fresh license on non-exclusive basis; M/s Al-Rehman Garden Phase-II is directed to apply

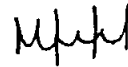
for grant of Distribution License to NEPRA in terms of Section-20 and Section-21 of the NEPRA Act.

- (ii) LESCO shall act as SoLR in accordance with NEPRA Act, the Supply Regulations and other applicable documents for supply of electric power to the residents/consumers residing in M/s Al-Rehman Garden Phase-II.
  - (iii) LESCO will also carry out billing and collection of dues from the residents/consumers of the society as being carried out for its other consumers. M/s Al-Rehman Garden Phase-II is directed to get the energy meters checked/tested/calibrated (if required) to the satisfaction of LESCO to ensure the precise and accurate meter reading.
  - (iv) Once M/s Al-Rehman Garden Phase-II is granted Distribution License, the said Housing Scheme is to file tariff petition to NEPRA for determination of its Distribution Margin (DM) including O&M and Depreciation & Return (if network is financed by Housing Scheme itself), etc. The Transmission & Distribution (T&D) loss level for the Housing Scheme network would be determined accordingly. The Distribution Margin and level of T&D losses allowed to housing scheme, would be made part of LESCO's tariff. M/s Al-Rehman Garden Phase-II would raise its DM invoice to LESCO for recovery of allowed amount of DM. LESCO would pay the amount of DM to Housing Scheme by recovering the same in its tariff. Any T&D losses over and above of the allowed limit would be borne by M/s Al-Rehman Garden Phase-II itself.
  - (v) LESCO and M/s Al-Rehman Garden Phase-II shall strictly follow all the relevant provisions of the NEPRA Act, the rules, regulations, terms and conditions of their licenses, registration, authorization, determination, codes, manuals, directions, guidelines and orders or notifications of the Authority issued or approved under the Act, from time to time.
12. Compliance report be submitted within thirty (30) days.



**(Lashkar Khan Qambrani)**

Member (Consumer Complaints Tribunal)/  
Director (CAD)



**(Moqem ul Hassan)**

Member Consumer Complaints Tribunal/  
Assistant Legal Advisor (CAD)



**(Naweed Illahi Shaikh)**

Convener Consumer Complaints Tribunal/  
Director General (CAD)

Islamabad, July 04, 2023

