



National Electric Power Regulatory Authority

Islamic Republic of Pakistan

Registrar

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July 02, 2025

Chief Executive Officer

Gujranwala Electric Power Company Limited
565-A, Model Town, G.T Road, Gujranwala

**Subject: DETERMINATION OF THE AUTHORITY IN THE MATTER OF REVIEW
PETITION OF GUJRANWALA ELECTRIC POWER COMPANY LIMITED
PERTAINING TO DISTRIBUTION LICENCE**

Reference: GEPCO letter No. 1770-73/GEPCO/MIRAD dated 27.06.2023

Please find enclosed herewith the determination of the Authority alongwith Annexure I & II (total 08 pages) in the matter of Review Motion filed by Gujranwala Electric Power Company Limited pertaining to Distribution Licence.

Encl: As Above

Wasim Anwar Bhinder
(Wasim Anwar Bhinder)

Copy to:

1. Secretary, Power Division, Ministry of Energy, A-Block, Pak Secretariat, Islamabad.
2. Managing Director, NGC, 414-WAPDA House, Lahore.
3. Chief Executive Officer, CPPA-G, 73-West, Shaheen Plaza, Blue Area, Islamabad
4. CEO, Independent System and Market Operator of Pakistan (Guarantee) Limited (ISMO), Faiz Ahmed Faiz Road, II-8/1, Islamabad
5. Managing Director, Private Power & Infrastructure Board, Ground & 2nd Floors, Emigration Tower, Plot No. 10, Mauve Area, Sector G-8/1, Islamabad
6. Chief Executive Officer, Quetta Electric Supply Company, Zarghoon Road, Quetta
7. Chief Executive Officer, Lahore Electric Supply Company, 22-A, Queen Road, Lahore
8. Chief Executive Officer, Islamabad Electric Supply Company, IESCO Head Office, Sector G-7/4, Islamabad
9. Chief Executive Officer, Multan Electric Power Company Limited, MEPCO Headquarters, Khanewal Road, Multan
10. Chief Executive Officer, K Electric, KE House, 39 B, DHA Phase-II, Karachi
11. Chief Executive Officer, Peshawar Electric Supply Company, Shami Road, Peshawar
12. Chief Executive Officer, Tribal Areas Electricity Supply Company, 213-NTDC House, Shami Road, Peshawar
13. Chief Executive Officer, Sukkur Electric Supply Company, Old Thermal Power Station, Sukkur
14. Chief Executive Officer, Hyderabad Electric Supply Company, G.O. R Colony, Hyderabad
15. Chief Executive Officer, Faisalabad Electric Supply Company, Abdullahpur, Canal Bank Road, Faisalabad
16. Chief Executive Officer, Hazara Electric Supply Company Limited, HAZECO Head Office, Gulistan Colony, Opposite Govt. Post-Graduate College No. 1, Abbottabad

National Electric Power Regulatory Authority
(NEPRA)

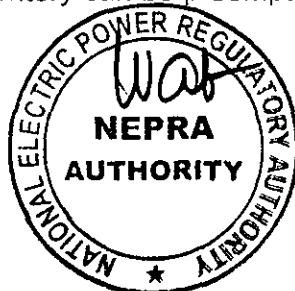
Determination of the Authority
in the Matter of Review Petition of Gujranwala Electric Power
Company Limited Pertaining to Distribution Licence

Case No. LAD-03
Dated July 02, 2025

The Authority, in terms of Sections 20 and 21 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (XL of 1997) (the "NEPRA Act"), granted a Distribution Licence No. DL/04/2023, dated May 09, 2023, to Gujranwala Electric Power Company Limited (GEPCO) for its wire/network business.

2. On the above, GEPCO felt aggrieved and filed a review motion on June 27, 2023, in terms of Regulation 3 of the NEPRA (Review Procedure) Regulations, 2009 (the "Review Regulations"). In its submissions, GEPCO objected to the phrasing of various articles, including:- (a). Article 3 on the "Grant of Licence", (b). Article 32 about "Credit Rating & Financial Health", and (c). Article 33 on "Functional and Legal Separation". The Authority admitted the review motion on August 03, 2023, in terms of Regulation 4 of the Review Regulations and decided to offer an opportunity of hearing, which was planned on different occasions but had to be adjourned on the request of GEPCO, and finally, the same was held on August 21, 2024.

3. In the hearing, the representatives of GEPCO reiterated their submissions given in the Review Motion and emphasized the need to change/amend the above articles in light of observations made in their review motion. In this regard, GEPCO on Article 3 i.e. ["Grant of Licence"] submitted that the Authority in terms of Section-20 and 21 of the NEPRA Act, had granted it the Distribution Licence comprising of different districts/areas of the province of the Punjab, including mainly Gujranwala, Gujrat, Sialkot, Hafizabad, Mandi Bahauddin and Narowal on a non-exclusive basis which was agreed. However, the proviso of the said article envisages that its Service Territory shall not include the areas where the entities other than the Licensee/GEPCO have laid down their network and may opt to apply for the grant of distribution licence within one (01) year of the grant of distribution licence. GEPCO emphasized that no area from its Service Territory can be preemptively carved out without being claimed



by any other entity. It was stressed that the proviso in its present form tantamount to provide exclusivity to an entity, which has not even applied for any licence. GEPCO emphasized that preemptive exclusion of the area from the service territory is premature, which will impede its ability to act not only as a Distribution Licensee but also as a Supplier of Last Resort (SoLR). In this regard, GEPCO submitted that the said provision is also contrary to Rule 4 of the Eligibility Criteria (Electric Power Supplier Licences) Rules, 2023 (the "Rules"), where, for the purpose of electric power supply, the SoLR must possess the distribution rights in that particular area therefore, this proviso to the Article needs to be amended by omitting the same.

4. Regarding Article 32 relating to ["Credit Rating & Financial Health"], GEPCO submitted that nowhere within the applicable documents, it is explicitly or implicitly mentioned that a Distribution Licensee will be obligated to obtain a credit rating. In view of the said, this Article needs to be deleted *ab initio* as the same is not in line with the existing regulatory regime.

5. On Article 33 pertaining to ["Functional and Legal Separation"], GEPCO submitted that the distribution and supply are two (02) distinct businesses/functions, and it is responsible for both of them. GEPCO highlighted that the Rules require it to have separate accounts for distribution and supplier businesses and not the legal separation. Further, the Functional and Legal Separation is a policy matter for which the Federal Government is responsible under Section 14A of the NEPRA Act and the same is binding on the Authority. In view of the said, Article 33.1 needs to be amended to make it consistent with the applicable documents and the relevant Rules, whereas Article 33.2 of the Distribution Licence needs to be deleted *ab initio*.

6. The Authority reviewed the submissions of GEPCO and observed that the Distribution Licence was granted to GEPCO on May 09, 2023, when the relevant Rules on eligibility criteria i.e. Distribution and Supply were not in place. In this regard, the Federal Government notified the eligibility criteria Rules on September 04, 2023. The Authority considers that in the hierarchy of the regulatory framework, the Rules are placed higher therefore, the terms and conditions of the licence requires to be consistent with the same. In view of the said, the Authority considers that the submissions of GEPCO on Article 3 i.e. ["Grant of Licence"] merit consideration and accordingly, the said article is modified as given in **Annexure-I** attached.



7. Regarding the observations of GEPCO on Article 32 of its Distribution Licence i.e. ["Credit Rating & Financial Health"], wherein it has agitated the requirement to have its assessment through a rating agency, the Authority clarifies that under the provisions of the NEPRA Act, it has exclusive domain not only to grant a licence but also to specify the terms and conditions of the same. In consideration of the said, the Authority clarifies that it included the specific article to compel the DISCO(s) to improve their performance and to become self-sustainable, especially with respect to the obligation(s) pertaining to the future procurements in particular and to improve the service delivery to their consumers in general. The Authority is of the considered view that imposing such requirements/conditions will not only make things more transparent for lending institutions/investors but will also serve as a catalyst to improve the efficiency of DISCO(s) in the long run, especially considering the future electricity market being envisaged and pursued aggressively. In view of the aforementioned, the Authority considers that such a rating is of paramount importance to urge DISCO(s) to embark on a journey of improved performance, which is currently lacking. In view of the said, the Authority considers that the submissions of GEPCO to omit/remove Article 32 are not appropriate therefore, the same are rejected and the article is retained in its original form.

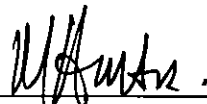
8. On the particular Article 33 relating to "Functional and Legal Separation", the Authority has considered the matter in detail, including the provisions of the Rules. In this regard, the Authority has observed that the said Article *inter-alia* envisages legal separation for functions of distribution and supply whereas, the Rules stipulate that only the holder of a Distribution Licence will be eligible for licence for SoLR meaning thereby that unless the Rules are modified, the licences for Distribution and SoLR will legally be with the same entity. Notwithstanding the said, the Authority observed that the Federal Government has already initiated its plan to invite Private Sector Participation for XW-DISCO(s) and considering the potential future evolution of the electricity market towards retail competition, there may be a requirement of legal separation of supply and distribution functions at some later stage. In this regard, the Federal Government, through its letter F.No.5/3/2013-D-III dated November 14, 2024, has acknowledged that the legal separation of Distribution and SoLR Licences may be required at a later stage, subject to the NE Policy, the NE Plan, and the Rules. Therefore, the Authority, after duly considering the submissions of GEPCO, has



decided to amend Article 33.2 and delete Article 33.3 while keeping Article 33.1 unchanged. The revised Article 33 is attached as Annexure-II.

Authority

Engr. Maqsood Anwar Khan
(Member)



Rafique Ahmed Shaikh
(Member)

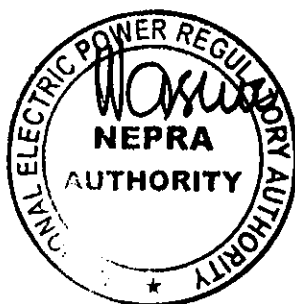


Amina Ahmed
(Member)



Waseem Mukhtar
(Chairman)



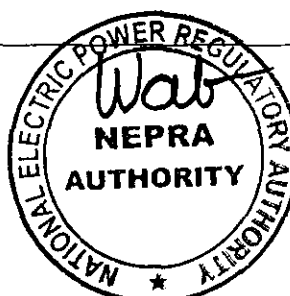






Article-3
(Grant of Licence)

Article	As per Issued Distribution Licence	Revised/Modified	Remarks
3	This Licence is granted to the Licensee to provide Distribution Services within its Service Territory, as provided in Schedule-I of this Licence on a non-discriminatory and non-exclusive basis, in accordance with the Act and relevant provisions of the Applicable Documents in a prudent, safe, reliable and efficient manner.	This Licence is granted to the Licensee to provide Distribution Services within its Service Territory, as provided in Schedule-I of this Licence on a non-discriminatory and non-exclusive basis, in accordance with the Act and relevant provisions of the Applicable Documents in a prudent, safe, reliable and efficient manner:	No Change.
	-	Provided that the Authority may grant a Distribution Licence to any Entity, in the Service Territory of the Licensee and upon grant of such licence, the Service Territory of the Licensee shall stand automatically modified.	Addition.
	Provided that the Service Territory of the Licensee shall not include the area where the Entities other than the Licensee have laid down their distribution network at the time of issuance of this Licence and opt to apply for the grant of Distribution Licence from the Authority:	-	Omitted.



Article-3
(Grant of Licence)

Article	As per Issued Distribution Licence	Revised/Modified	Remarks
	Provided further that if the Entities do not approach the Authority for grant of Distribution Licence within twelve (12) months of issuance of this Licence, the Authority may extend the Service Territory of the Licensee to include the area of Entities for providing Distribution Services.		



Article-33
Functional and Legal Separation

Article	As per Issued Distribution Licence	Revised/Modified	Remarks
33.1	The functional and legal separation of distribution and supply business of the Licensee shall be undertaken in accordance with the provisions of this Licence, determinations and directions of the Authority, as issued from time to time.	The functional and legal separation of distribution and supply business of the Licensee shall be undertaken in accordance with the provisions of this Licence, determinations and directions of the Authority, as issued from time to time.	No Change.
33.2	The Licensee shall, at the earliest but not later than two (02) years from the date of grant of this Licence, separate its functions, as Distribution Company and Supplier of Last Resort Company, into two (02) distinct legal entities and apply to the Authority for transfer of the Licence to the relevant entity, if required. In the event, these two (02) functions are not separated in two (02) distinct legal entities, the same shall be treated as a persistent contravention of the terms and conditions of the Licence and the Authority may initiate legal proceedings against the Licensee accordingly, and also issue such directions as may be deemed appropriate that may include appointment of an administrator	The Licensee shall, at the earliest but not later than two (02) years from the date of grant of this Licence, ensure functional separation of distribution and supply business. In the event of non-compliance, the Authority shall initiate legal proceedings against the Licensee accordingly, and also issue such directions as may be deemed appropriate that may include appointment of an administrator in respect of functions of the Licensee.	Amended



Article-33
Functional and Legal Separation

	in respect of functions of the Licensee.		
33.3	Until such time the functions of the Licensee as Distribution Business and Electric Power Supply are not separated in two (02) distinct legal entities, the Licensee shall ensure that its business is operated in such a manner that the functions, accounts, operations and management of the Distribution Business are segregated from the Electric Power Supply Business so that the said functions are carried out independently, transparently and impartially without any interference.	-	Omitted

