



National Electric Power Regulatory Authority
Islamic Republic of Pakistan

Registrar

NEPRA Tower, Attaturk Avenue (East), G-5/1, Islamabad.
Ph: +92-51-9206500, Fax: +92-51-2600026
Web: www.nepa.org.pk, E-mail: registrar@nepa.org.pk

No. NEPRA/ADG(L)/LAD-08/18552

November 23, 2018

Chief Executive Officer
Hyderabad Electric Supply Company Limited (HESCO)
WAPDA Offices Complex, Hussainabad
Hyderabad

Subject: - **AUTHORITY PROPOSED MODIFICATION IN THE EXISTING DISTRIBUTION LICENCE OF HESCO**

WHEREAS, in exercise of the powers conferred upon the National Electric Power Regulatory Authority (the "Authority") under Section-20 and 21 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (the NEPRA Act), the Authority granted Distribution Licence (No. 05/DL/2002, Dated April 23, 2002) to HESCO;

2. AND WHEREAS, in terms of Section-21 of the NEPRA Act, the abovementioned distribution company under Article-7 read with Schedule-I of its license was allowed exclusivity to provide distribution services, make sale of electric power, make schemes and engage in incidental activities in its service territory;

3. AND WHEREAS, with the amendment in Section-21 of the NEPRA Act through NEPRA Amendment Act, 2018, the exclusivity of distribution companies to provide distribution services in their service territory has been omitted with the object to encourage participation by more market players to enhance efficiency to ensure better price, quality of service and choice for consumers. Relevant parts of the amended Section-21 are reproduced as under:

21. Duties and responsibilities of distribution licensees. — (1)

The Authority may, after such enquiry as it may deem appropriate and subject to the conditions specified, grant a licence for the distribution of electric power.

(2) The licensee shall—

(a) possess the right to provide, for such period as may be specified in the licence, distribution service in the service territory specified in the licence and to frame schemes in respect of that service territory.....

4. AND WHEREAS, Section-26 of the NEPRA Act empowers the Authority to amend, or vary the conditions of any license issued under the NEPRA Act and states that:-

26. Modification. ---- If the Authority is of the opinion that it is in the public interest, it may, with the consent of the Licensee, amend or vary the conditions of any Licence issued under this Act and in the absence of Licensee's consent, the Authority shall

conduct a public hearing on whether the proposed amendment or variance is in the public interest and shall make a determination consistent with the outcome to this hearing.

5. AND WHEREAS, keeping in view the new market structure/reforms under the amended NEPRA Act, it is in the public interest as specified in the Section-26 of the NEPRA Act read with Regulation-10 of the National Electric Power Regulatory Authority Licensing (Application and Modification Procedure) Regulations, 1999 (the "Regulations"), to modify the terms of existing distribution licenses;

6. NOW THEREFORE, the Authority pursuant to sub-regulation-1(a) of Regulation-10 of the Regulations hereby communicates the text of the Authority Proposed Modification of the following relevant Article of the license:-

Article-7

Duties and Responsibilities of the Licensee

The Licensee shall during the term of the License, provide distribution service in the service territory and frame schemes in respect of that service territory as per provision of Article 3.2(i). The Licensee shall also make sales of electric power, make schemes and engage in incidental activities in the territory as a deemed supplier in terms of Section-23E of the Amended NEPRA Act.

7. Pursuant to sub-regulation-1(b) of Regulation-10 of the Regulations, the statements of the reasons in support of Authority Proposed Modification are that Section-21 of the NEPRA Act has been amended to foster competition in the power sector by removing the exclusive right to provide distribution services in a given service territory. It is imperative to note that the said statutory provision is effective from the date of amendment i.e. May 2, 2018 without any conditionality and deferment and therefore, existing distribution licenses are required to be modified immediately to bring consistency with the statutory provisions of the amended NEPRA Act and implement the market reforms introduced there under in letter and spirit.

8. You are therefore required to send your response on the Authority Proposed Modification either affirming or denying the modification within fourteen (14) days of the receipt of this communication. In the event of your failure to convey your response within the stipulated period, it shall be construed that you have no objection to the Authority Proposed Modification and the Authority will proceed accordingly.


23.11.2018
(Muhammad Ramzan)
Director



HYDERABAD ELECTRIC SUPPLY COMPANY

OFFICE OF THE CHIEF FINANCIAL OFFICER HESCO

Phone No: 022-9260235
Fax No: 022-9260015
email: fdhesco@yahoo.com

3rd FLOOR,
WAPDA OFFICES COMPLEX
HESCO, HYDERABAD

NO: CFO/HESCO/CPC/21770-71

Dated 21-05-2019

→ Mr. Muhammad Ramzan,
Director, NEPRA Office,
Islamabad.

Subject: AUTHORITY PROPOSED MODIFICATION IN THE EXISTING DISTRIBUTION LICENSE OF HESCO

Reference: (i) NEPRA letter No. NEPRA/ADG(L)/LAD-08/18552 dated 23.11.2018
(ii) NEPRA letter No. NEPRA/ADG(L)/LAD-08/2413 dated 07.02.2019
(iii) NEPRA letter No. NEPRA/ADG(L)/LAD-08/6472 dt: 16.4.2019 (Final Reminder)
(iv) C.E (P&E) letter No. CEO/HESCO/CE(P&E)/DM(SPP)/3821 dt: 21.05.2019

15-5-19
21-5-19

With reference to above referred letters, the authority under Section-20 and 21 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (the NEPRA Act), the authority granted Distribution License (No. 05/DL/2002, Dated April 23, 2002) to HESCO.

The authority to amend in Section-21 of the NEPRA Act through NEPRA Amendment Act, 2018, the exclusivity of distribution companies to provide distribution services territory has been omitted with the object to encourage participation by more market players to enhance efficiency to ensure better price, quality of service and choice for consumers, in this regard the authority has required to give comments on the above subject matter.

In this regard HESCO comments are as under.

At present the financial position of HESCO is not good / satisfactory, due to various reasons and HESCO's survival will be very difficult in the proposed scenario, when various consumers esp. Bulk Power Consumers (BPC's / Industrial Consumers) will switchover to another licensee in HESCO's service territory, as these consumers are backbone for financial sustainability of HESCO as well for capping the losses.

- It is however also added that, due to various licensees in future (under modification) in HESCO's service territory, the hazards to employees / public / animals will be increased, due to construction & addition of new transmission / distribution lines.
- NEPRA being regulator may also cater / protect the revenue requirement of HESCO in the scenario of Proposed Modification.

(ABDUL SATTAR MEMON) 21/05/2019
GENERAL MANAGER (TECHNICAL)
HESCO, HYDERABAD

Copy to:

- PSO to Chief Executive Officer, HESCO, Hyderabad.

For information & ya M.
 - ADG (L&D)
 Gpn 16.
 - SA (Tah)
 - SAT - I
 - DG (mat)
 - LA (ex)
 - mf

230519
 Chairman
 m (T) / m (mat)
 m (CA) - m (L&D)

Dated: 23-05-19
 Dy. No: 4485
 REGISTRAR