



Registrar

National Electric Power Regulatory Authority  
Islamic Republic of Pakistan

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No. NEPRA/ADG(L)/LAD-10 | 18547

November 23, 2018

Chief Executive Officer

Tribal Area Electricity Supply Company Limited (TESCO)  
Room No. 213, 1<sup>st</sup> Floor, WAPDA House  
Shami Road, Sakhi Chashma  
Peshawar

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

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. 22/DL/2013, Dated August 12, 2013) to TESCO;

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:-

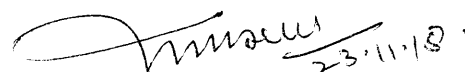
**Article-7**

**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.

  
( Muhammad Ramzan )  
Director

**TRIBAL AREAS ELECTRICITY SUPPLY COMPANY PESHAWAR**

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No. 4679 /CEO/TESCO/

Dated 19/09 /2019

Muhammad Ramzan  
 Director NEPRA  
 NEPRA Tower, Attaturk Avenue (East),  
 G-5/1, Islamabad.

*Discus*

**Subject :- COMMENTS IN THE MATTER OF AUTHORITY PROPOSED MODIFICATION IN THE EXISTING DISTRIBUTION LICENSE OF TRIBAL ELECTRIC SUPPLY COMPANY (TESCO).**

**Ref: Your letter No. NEPRA/ADG(Lic)/LAD-10/6473 Dated April 16, 2019**

TESCO was awarded the Distribution License (No. 22/DL/2013 dated 12<sup>th</sup> August, 2013) to allow exclusively to provide distribution services, make sale of electric power, make schemes and engage in incidental activities in its service territory.

After amendment in Section 21 of NEPRA Act, 2018, the exclusive rights of distribution companies to provide distribution services in their respective territory has been omitted with object to encourage participation by more market players to enhance the efficiency and to ensure better price of service and choice for consumers for that a term "Supplier of Electric Power" has been introduced which are deemed suppliers for sale of electricity.

NEPRA has proposed modification in Distribution License of TESCO. The text of proposed modification in Article-7 of Distribution Licenses (No. 22/DL/2013 dated 12/08/2013) states that "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 provisions 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."

The comments to the proposed modification are as under:

1. Financial assistance is allowed against TESCO receivables for domestic consumers in the light of SRO 114(1)/2015. In case of implementation of proposed Modification it is unclear that what will be the status of FATA Pick up subsidy.
2. TESCO has liabilities of Rs. 35.456 Billion against PESCO in respect of wheeling charges and Rs. 19.667 Billion against CPPA. In case of implementation of proposed modification who will pay these liabilities and who will recover the outstanding amount from TESCO consumers.

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Sr. AD
AD-I
AD-II
AD-III
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*[Handwritten signature]*

*For Chairman & M.A.R.*  
 — ADG (Lic) *[Signature]*  
 GMA  
 — SA (Tech) — SA (L)  
 — LA (Lic) — MF  
 22-09-19  
 =: Chairman  
 MCT / M(M&E)  
 M(CA) — M(Lic)

REGISTRAR  
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 Dated: 22-09-19

3. It is also unclear that what will be the common delivery point amongst the distributor of electric power and consumer of electric power. Possibly it may not be possible for all the suppliers of energy to setup its own distribution system, if it is so, then all the Suppliers have to rely on Distribution system of TESCO which may not be feasible for rest of Suppliers. TESCO has only one independent CPD and TESCO is also drawing electricity from PESCO CDPs which will make situation more complicated for suppliers.
4. One of the objectives of proposed modification is to ensure better and affordable price for consumers which may not be achieved due to additional burden on TESCO in case of shift of Industrial and Commercial consumers to private suppliers which may result in loss for TESCO.



**Chief Executive Officer**  
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