



Registrar

National Electric Power Regulatory Authority

Islamic Republic of Pakistan

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Web: www.nepa.org.pk, E-mail: registrar@nepa.org.pk

No. NEPRA/DG(LIC)/LAS-14/ **38868-88**

December 27, 2023

Chief Executive Officer
Lahore Electric Supply Company
22-A, Queen Road
Lahore

Subject: Grant of Electric Power Supply Licence No. SOLR/03/2023
Licence Application No. LAS-14
Lahore Electric Supply Company Limited (LESCO)

Reference: LESCO letter No. 89-95/MRD dated 27.01.2023

Enclosed please find herewith Determination of the Authority in the matter of application of Lahore Electric Supply Company Limited (LESCO) for the grant of Electric Power Supply Licence along with Electric Power Supply Licence No. SOLR/03/2023 granted by the National Electric Power Regulatory Authority (NEPRA) to LESCO pursuant to Section-23E & 23F of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997, as amended from time to time, to engage in electric power supply business as Supplier of Last Resort (SoLR).

2. Please quote above mentioned Electric Power Supply Licence No. for future correspondence.

Enclosure: As Above

(Syed Zawar Haider)

Copy to:

1. Secretary, Power Division, Ministry of Energy, 'A' Block, Pak Secretariat, Islamabad
2. Secretary, Ministry of Planning & Development, Government of Pakistan, 'P' Block, Pak Secretariat, Islamabad
3. Secretary, Ministry of Finance, Government of Pakistan, 'Q' Block, Pak Secretariat, Islamabad
4. Secretary, Energy Department, Government of Punjab, EFU House, 8th Floor, 6-D Jail Road, Lahore
5. Secretary, Energy Department, Government of Sindh, State Life Building -3, Dr. Zia-ud-din Ahmed Road, Karachi
6. Secretary, Energy & Power Department, Government of Khyber Pakhtunkhwa, Block-A, 1st Floor, Abdul Wali Khan Multiplex, Civil Secretariat, Peshawar.
7. Secretary, Energy Department, Government of Balochistan, Block-1, Balochistan Civil Secretariat, Zarghoon Road, Quetta
8. Managing Director, National Transmission & Despatch Co. 414-WAPDA House, Shahrah-e-Quaid-e-Azam, Lahore
9. CEO, Central Power Purchasing Agency (Guarantee) Ltd, 73 East, A.K.Fazl-ul-Haq Road, Blue Area, Islamabad
10. Managing Director, Private Power & Infrastructure Board (PPIB), Ground & 2nd Floors, Emigration Tower, Plot No. 10, Mauve Area, Sector G-8/1, Islamabad

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|---------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------|
| 11. Chief Executive Officer
Peshawar Electric Supply Company
NTDC House, Shami Road, Peshawar | 12. Chief Executive Officer
Gujranwala Electric Power Company (GEPCO)
565/A, Model Town, G.T Road, Gujranwala |
| 13. Chief Executive Officer
Multan Electric Power Company (MEPCO)
NTDC Colony, Khanewal Road, Multan | 14. Chief Executive Officer
Islamabad Electric Supply Company (IESCO)
Street 40, Sector G-7/4, Islamabad |
| 15. Chief Executive Officer
K Electric Limited (KEL)
KE House, 39 B
Main Sunset Boulevard, DHA Phase-II, Karachi | 16. Chief Executive Officer
Quetta Electric Supply Company (QESCO)
Zarghoon Road, Quetta |
| 17. Chief Executive Officer
Tribal Areas Electricity Supply Company
213-NTDC House
Shami Road, Peshawar | 18. Chief Executive Officer
Faisalabad Electric Supply Company (FESCO)
Abdullahpur, Canal Bank Road,
Faisalabad |
| 19. Chief Executive Officer
Sukkur Electric Supply Company (SEPCO)
Old Thermal Power Station, Sukkhr | 20. Chief Executive Officer
Hyderabad Electric Supply Company (HESCO)
HESCO Headquarter
WAPDA Complex, Hussainabad, Hyderabad |

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National Electric Power Regulatory Authority
(NEPRA)

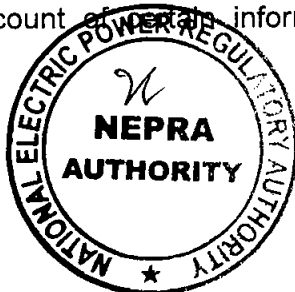
Determination of the Authority
in the Matter of Application of the Lahore Electric
Supply Company Limited for the Grant of Electric Power Supply
Licence As Supplier of Last Resort

December, 27th, 2023
Case No. LAS-14

The electric power sector of the country is governed under the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (XL of 1997) (the "NEPRA Act"). The NEPRA Act was amended in the year 2018 vide the Regulation of Generation, Transmission and Distribution of Electric Power (Amendment) Act, 2018 (XII of 2018) (the "2018 Amendment Act") whereby certain fundamental changes were made in the said legal framework, *inter-alia*, generation, transmission, distribution segments and introduction of new licenses for the system operator, market operator, provincial grid companies, traders and suppliers, etc.

(2). Before the 2018 Amendments in the NEPRA Act, the supply function was embedded in the distribution licenses of distribution companies that performed both 'distribution' and 'supply' functions. After the said amendments, the legislature bifurcated the 'distribution' and 'supply' functions wherein the 'distribution' segment was retained in Section-21 of the NEPRA Act and for 'supply', a new provision i.e. Section-23E was incorporated. The proviso to Section-23E(1) provided the deemed status of supplier licensees to all the distribution companies who possessed distribution licenses at the time of notification of the 2018 Amendment Act for a period of five (05) years from the date of commencement of the 2018 Amendment Act.

(3). In terms of Section-23E of the NEPRA Act read with Regulation-3 of the NEPRA (Application, Modification, Extension and Cancellation) Procedure Regulations, 2021 (the "Licensing Regulations"), Lahore Electric Supply Company Limited (LESCO) submitted an application on January 27, 2023 for the grant of Electric Power Supply Licence (Supplier Licence) to act as Supplier of Last Resort (SoLR) in its designated service territory. The Authority examined the application and found the same deficient on account of ~~the~~ ^{missing} information/documents required under the



Licensing Regulations. The Authority directed LESCO for providing the missing information/documents and LESCO submitted the same on March 27, 2023.

(4). Accordingly, the Authority registered the application in terms of Regulation-6(6) of the Licensing Regulations and published a notice in the press on April 04-05, 2023, informing the general public, interested/affected persons/parties and other stakeholders about the submissions of the application for SoLR, seeking their comments in the matter. Apart from the said, letters were also sent to Govt. Ministries/their attached departments and other representative organizations on April 05, 2023, seeking their perspective in the matter for the assistance of the Authority. In response to the said, the Authority received comments from the Board of Investment (BOI), the Sheikhpura Chamber of Commerce & Industry (SCCI) and the Energy and Power Department Government of Khyber Pakhtunkhwa (EPDGKPK). The BOI and SCCI supported the grant of Supplier Licence to LESCO whereas, EPDGKPK expressed its concerns on the past performance of DISCO(s) and stressed that efforts should be made to improve customer satisfaction etc.

(5). The Authority considered the above comments and observed that BOI has supported the grant of Supplier Licence whereas, EPDGKPK has raised certain performance issues of the past. In this regard, the Authority has already addressed such issues in its determination dated May 09, 2023, while considering the application of LESCO for the grant of Distribution Licence (No. DL/03/2023 dated May 09, 2023) and re-iterates the same and therefore, the observations of EPDGKPK stand resolved and accordingly, the Authority decided to proceed further in the matter. Accordingly, the Authority considered the submitted application of LESCO, the comments of stakeholder(s), relevant provisions of the NEPRA Act, rules and regulations thereunder and the observations and findings in the matter are explained in the following paragraphs.

(6). LESCO was incorporated under Section-32 of the Companies Ordinance, 1984 on February 18, 1998, having Registration No. L09415 of 1997-98, having its registered office at LESCO Head office, 22-Queens Road, Lahore. The objective of the company was to take over the assets, functions and responsibilities of the then Lahore Area Electricity Board of Water and Power Development Authority (WAPDA). According to the Memorandum of Association, the objectives of the company, *inter*

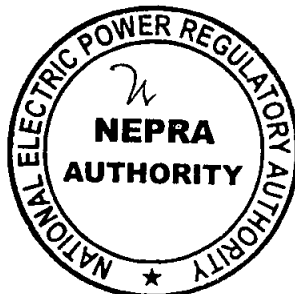


alia, include carrying on all or any of the business of purchasing, importing, transforming, converting, distributing, supplying, exporting and dealing in electricity and all other forms of energy and products or services associated therewith and of promoting the conservation an efficient use of electricity and all other forms of energy and all other powers necessary or incidental to the business of electricity distribution and supply. According to the submitted information, LESCO has been supplying electric power services to its consumers in the areas of Lahore, Kasur, Sheikhpura, Okara and Nankana.

(7). In consideration of the above, the Authority initially granted a Distribution Licence (No. 03/DL/2002 dated April 01, 2002) to LESCO as per the original NEPRA Act encompassing the distribution and sale/supply function for a term of twenty (20) years which expired on March 31, 2022. After the segregation of 'distribution' and 'supply' functions in 2018, the Authority through its determination granted a new Distribution Licence (No. DL/03/2023 dated May 09, 2023) to LESCO in terms of Sections-20 and 21 of the NEPRA Act for its network/wire and other related infrastructure function only.

(8). In terms of Section-23E of the NEPRA Act, the Authority may grant a licence authorizing a company to engage in the supply of electric power business. In this regard, the said section prescribes the eligibility criteria for the grant of such licence which includes (a). minimum solvency requirements; (b). minimum technical and human resource requirements and (c). provision with respect to SoLR; and (d). public service obligations of the licensee including quality of service, transparency of transactions, timely collection and dissemination of payments, and effective collection and dissemination of any taxes and surcharges etc.

(9). Further, in terms of Section-2 (xxii) of the NEPRA Act, the Federal Government is to prescribe the rules for the eligibility criteria for the grant of Supplier Licence. As explained above, LESCO submitted its application for the grant of Supplier Licence on January 27, 2023, and at that time, the said Rules, were not notified. However, in order to avoid any regulatory gap the Authority decided to process the application in the absence of Supplier Rules in the pronouncements of the Superior Court of Pakistan, wherein it has been determined that the absence of the Rules or inaction of the government functionaries to frame the Rules cannot be held to be

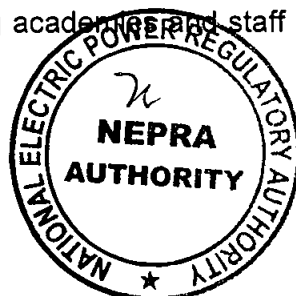


prejudicial to the rights of the other party. In view of the said, the Authority considered that LESCO cannot be refused to grant a Supplier Licence in the absence of the required Rules and therefore it decided to move ahead with the request of LESCO. Further, LESCO during the processing of the application confirmed that once the Federal Government notifies the required Rules, it will fulfil the same in letter and spirit.

(10). In consideration of the above, the Authority has observed that according to Regulation-3 of the Licensing Regulations, an applicant for the grant of Supplier Licence is required to submit mainly (a). feeder information, number of consumers and their expected load; (b). consumer information; (c). tariff categories of consumer classes; (d). demand and consumption patterns; (e). procurement plan; (f). expected sale of units; (g). training and development procedures; (h). Consumer Service Manual (CSM) and (i). information relating to metering, billing, collection and payment, etc.

(11). According to the information that LESCO has provided, it has a total of 2032 (public and dedicated) 11 KV feeders. LESCO has informed that it is currently serving around six million i.e. 6038564 electricity consumers. Out of the said, approximately 85.45% (i.e. 5160162) are domestic, 11.53% (i.e. 696163) are commercial, 1.50% (i.e. 90350) are industrial, 0.01% (i.e. 454) are bulk supply, 1.14% (i.e. 69113) are tube wells/agriculture, 0.05% (i.e. 2761) are street light, 0.32% (i.e. 19290) are general services and 0.004% (271) are other consumers. About the procurement plan, LESCO submitted a Power Acquisition Program based on its Medium Term Load Forecast and approved Indicative Generation Capacity Expansion Plan (IGCEP) dated February 01, 2023, according to which, it will have sufficient electric power for the next four (04) years to meet the load demand of its consumers. Regarding the projected sale and projected peak demand forecast, LESCO has reported that for the FY-21-22, its energy sale was 28,334 GWh and peak demand was 5,205 MW. LESCO has submitted that the forecasted results show that in the years 2026-2027, the energy sale will be 35,302 GWh whereas, the peak demand will be 6,589 MW.

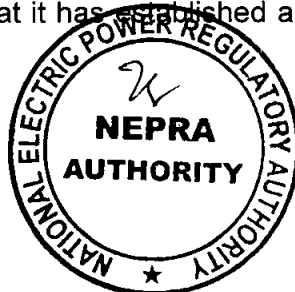
(12). Regarding training and development, LESCO submitted that it has comprehensive plans for the skill and capacity development of its professionals and field staff. There is a separate and dedicated HR department and fresh graduate engineers and diploma holders are provided proper training at different institutes including WAPDA engineering academy and staff colleges before deputing to field



operations. Further, on job trainings are continued as part of the career development and promotion ladder from junior engineer, executive engineer and superintending engineer and so on. Similarly, the line staff and other related workforce are also frequently provided trainings to improve their skill sets ensuring the required managerial and necessary safety proficiency in this regard. Further to the said, a variety of local and foreign study tours are arranged through their own resources as well as funding of various donor agencies. Last but not the least, there is an immense emphasis on training on the use of specialized T&P, safety and in this regard, proper SOP(s) have been devised to ensure the safety of the people and property of the workforce and the general public.

(13). Further to the above, LESCO submitted that delivery of service for the consumer is the core objective of the company. In this regard, LESCO has the CSM as envisaged under Section-21(2)(d) of the NEPRA Act and the same contains the manner and procedure for obtaining the required services. It is the main document for facilitating the legitimate consumers in providing the services including but not limited to new connection, shifting of connection, change of name, extension of load, reduction of load, change of tariff, relocation of distribution facility and temporary connection, metering installation, security deposit, meter reading and billing, disconnection and reconnection, complaint handling, rights and obligations vis-a-vis consumer and disco etc. LESCO submitted that it has a CSM which the Authority had approved after through and rigorous process of consultation with all the relevant stakeholders. In this regard, the CSM has been further revamped to incorporate the various latest developments that have happened in the last decade to make it more practical, transparent and customer friendly.

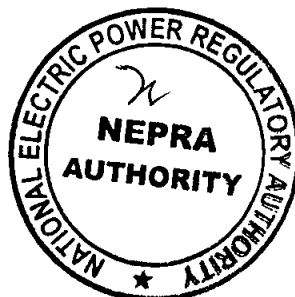
(14). About the reading of meters and billing, LESCO has submitted that the same had evolved gradually and is reaching a level to have minimum human intervention. In order to provide more transparency and comfort, LESCO has deployed a system for reading energy meters using mobile devices ensuring not only the accuracy of consumed units and complying with the billing cycle thus avoiding any inconvenience to the consumers. In this regard, the Power Information Technology Company (PITC) carries out audit/checking of accuracy in the system and it has been verified that this system has an accuracy level of 99% thus reducing the level of complaints drastically. Further, LESCO submitted that it has established a state-of-the-art laboratory under



the M&T department where data on the defective meters is retrieved which facilitates the customers/consumers to be billed according to their consumption instead of average billing thus avoiding unnecessary financial burden on them.

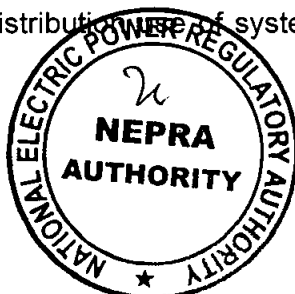
(15). LESCO has submitted that meter reading is being carried out each month to record the energy consumed by each customer/consumer during the billing cycle. The consumers of the sub-division are divided into batches. The meter reading programme is prepared in such a way that the meters of a batch are normally read on the same dates each month. LESCO has informed that there is a hierarchy for carrying out meter readings according to which the Meter Readers, Section Supervisor, Sub Divisional Officer and Executive Engineer carry out meter readings of different loads. Further to the said, LESCO has informed that along with the traditional metering system, it has embarked on a Programme to install Automatic Meter Reading (AMR) meters and billing of such consumers is carried out remotely. About the delivery of bills, LESCO has submitted that the same are delivered to the premises of consumers where their meter is installed. Further to the said, LESCO submitted that bills can also be downloaded from its official portal/website if the same are not delivered/received for any reason. About collection and payment of bills, LESCO has informed that all commercial bank branches and post offices of the respective city/district where the connection exists are collecting electricity bills from consumers. Further, online payment and payment through ATM cards/credit cards or cross cheques can also be made. Consumers can also make payments in the Revenue Offices of respective DISCOs through cross cheques/pay orders/bank drafts etc.

(16). As explained in the preceding paragraphs, in terms of Section-23E(2) of the NEPRA Act, the Federal Government has to prescribe the "Eligibility Criteria" rules for the grant of licence for Electric Power Supplier and include (a). minimum solvency requirements; (b). minimum human resource requirements; (c). provisions with respect to SoLR, as the case may be; and (d). public service obligations of the licensee including quality of service, transparency of transactions, timely collection and dissemination of payments, effective collection and dissemination of any and all taxes and surcharges as may be imposed by the Federal Government, etc. Further, in terms of Section-23E(3) of the NEPRA Act, an application for a licence for the supply of electric power shall specify (a). the type of service for which the licence is being sought; and (b). the mode and manner in which the service is proposed to be provided.



(17). In this regard, the Federal Government has notified the Eligibility Criteria (Electric Power Supplier Licenses) Rules, 2023 (the "Supplier Rules"). According to Rule-3 of the Supplier Rules, any person applying for the grant of Supplier Licence shall fulfil the eligibility criteria including, *inter-alia*, (a). should be registered with the SECP; (b). shall fulfil minimum solvency requirements as provided in the Supplier Rules to ensure effective and efficient performance of its duties and responsibilities; (c). has a strategic business plan for three (03) years, demonstrating its capability to undertake electric power supply business; (d). shall fulfil minimum technical and human resource requirements as provided in Schedule II of the Supplier Rules to perform its duties and responsibilities; (e). shall provide an affidavit in the form attached with Schedule-III declaring and affirming therein that it shall always fulfil the obligations imposed on it under the National Electricity Policy and the National Electricity Plan made under Section-14A of the NEPRA Act; and (f). shall have the ability to ensure prompt and effective coordination with the System Operator (SO), Market Operator (MO), and relevant distribution licensees to comply with the provisions of the Grid Code, Distribution Code, Commercial Code and other legal instruments.

(18). In addition to the above, the Supplier Licensee shall have the ability to discharge the following public service obligations including: (a) quality of electric power supply service by (i). having automated systems or software tools for billing and collection, (ii). having an information exchange system for communications and transactions with the MO, SO, distribution licensees, and other relevant entities, (iii). complying with the performance standards and any codes specified by the Authority for the provision of electric power services, particularly, effective and timely billing and collection of charges, customer support services, and resolution of consumer complaints, (iv). ensuring timely dissemination of reporting requirements, and (v). maintaining complete and accurate records and data in respect of all aspects of the electric power supply business; (b). transparency of transactions by (i). ensuring compliance with the accounting standards and uniform system of accounts as specified by the Authority and in addition to that ensuring compliance with International Financial Reporting Standards, (ii). sharing the necessary information and data through a website or portal, and (iii). reporting all the information required for monitoring; (c). collection and deposit of the charges, including (i). transmission use of system charges, (ii). distribution use of system charges, (iii). market and system



operator fee, (iv). any other charges including billing, collection and deposit of certain charges etc.; and (d). collection and deposit of surcharges as may be imposed by the Federal Government and applicable taxes in a timely and effective manner.

(19). As explained in the preceding paragraphs the application of LESCO was received prior to the notification of the Supplier Rules and the Authority processed the application without considering the provisions of the Supplier Rules for the reasons elaborated previously. In view of the said, the Authority directs LESCO to adhere to all the requirements envisaged under Rule-3 of the Supplier Rules including minimum solvency requirements, minimum technical resources requirements and minimum human resources requirements within six (06) months of issuance of this Licence.

(20). Regarding the provisions of Section-23E(3) of the NEPRA Act, LESCO has already provided the required details about (a). the type of service for which the licence is being sought; and (b). the mode and manner in which the service is proposed to be provided. Further to the said, Rule-4 of the Supplier Rules provides that only an applicant holding a Distribution Licence shall be eligible to obtain a licence for SoLR from the Authority in its specified service territory as defined in the Distribution Licence. In consideration of the above, it is pertinent to mention that the Authority has already granted a Distribution Licence (No. DL/03/2023 dated May 09, 2023) to LESCO in terms of Section-20 & 21 of the NEPRA Act, therefore, LESCO qualifies for the grant of Supplier Licence as SoLR.

(21). About the term of the Supplier Licence, the Authority has considered Rule-7 of the Supplier Rules which stipulates that the minimum term of such licence will be twenty (20) years. In this regard, the Authority observes that in terms of Section-23E of the NEPRA Act, all the existing distribution licensees had a deemed supplier status for a period of five (05) years from the commencement of the 2018 Amendment Act which lapsed on April 26, 2023. In order to avoid a legal vacuum, the Authority fixes the term of this licence for twenty (20) years commencing from April 27, 2023 up to April 26, 2043. Regarding the tariff, it is clarified that under Section-7(3)(a) of the NEPRA Act, determining of tariff, rate and charges, etc. is the sole prerogative of the Authority. In view thereof, the Authority directs LESCO to charge the consumers only such tariff which has been determined, approved or specified by the Authority.



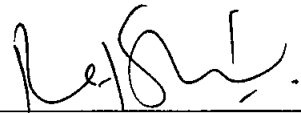
(22). In view of the foregoing, the Authority hereby approves the grant of Supplier Licence to LESCO (to act as SoLR) in terms of Section-23E and 23F of the NEPRA Act on the terms and conditions as set out in the said Licence annexed to this determination. The grant of this Licence will be subject to the provisions contained in the NEPRA Act, relevant rules, regulations framed thereunder and other applicable documents.

Authority

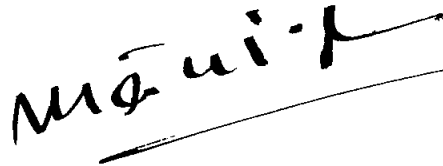
Engr. Maqsood Anwar Khan
(Member)



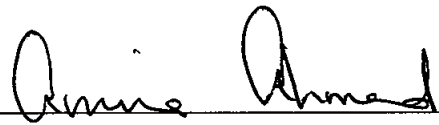
Engr. Rafique Ahmed Shaikh
(Member)



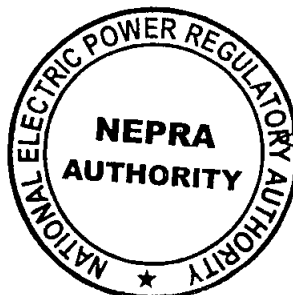
Engr. Mathar Niaz Rana (nsc)
(Member)



Amina Ahmed
(Member)



Engr. Waseem Mukhtar
(Chairman)



**National Electric Power Regulatory Authority
(NEPRA)
Islamabad – Pakistan**

ELECTRIC POWER SUPPLY LICENCE

No. SOLR/03/2023

In exercise of the powers conferred under Sections-23E and 23F of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 as amended from time to time (the "Act"), the Authority hereby grants the Electric Power Supply Licence to:

LAHORE ELECTRIC SUPPLY COMPANY LIMITED

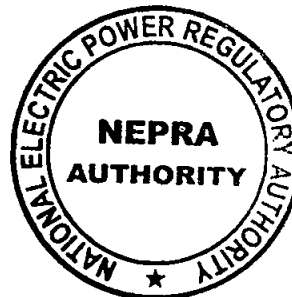
Incorporated Under the Companies Ordinance, 1984
having Certificate of Incorporation No. L09415
Dated February 18, 1998

to engage in electric power supply business as Supplier of Last Resort (SoLR) subject to and in accordance with the terms and conditions of this licence.

This Licence is given under my hand on 27th day of December Two Thousand & Twenty Three and shall remain valid with effect from 27th April 2023 up to 26th April 2043



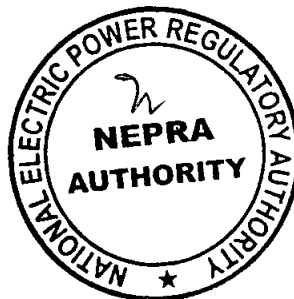
Registrar



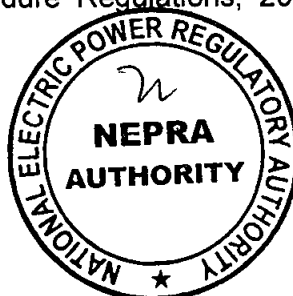
Article-1
Definitions

1.1 In this Licence, unless there is anything repugnant in the subject or context,

- (a). "Act" means the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (Act No. XL of 1997) as amended from time to time;
- (b). "Applicable Documents" means the rules, regulations, terms and conditions of any Licence, registration, authorization, determination, any codes, manuals, directions, guidelines, orders, notifications, agreements and documents issued or approved under the Act;
- (c). "Applicable Law" means the Act and the Applicable Documents;
- (d). "Authority" means the National Electric Power Regulatory Authority constituted under Section-3 of the Act;
- (e). "Commercial Code" or "Market Commercial Code" means the commercial code prepared and maintained by the Market Operator pursuant to sections 23A and 23B of the Act as amended from time to time and approved by the Authority;
- (f). "Competitive Trading Bilateral Contract Market" or "CTBCM" means electric power market established in accordance with the high-level and detailed designs approved by the Authority vide its determinations dated December 05, 2019, and November 12, 2020, respectively, as may be amended or replaced by the Authority from time to time;
- (g). "Competitive Supplier" means a person licensed under Section-23F of the Act to supply electric power to consumers who are located in the territory specified in its Licence and meet the Consumer Eligibility Criteria;



- (h). "Consumer Eligibility Criteria" means the relevant consumer eligibility criteria to obtain supply of electric power as specified by the Authority in the National Electric Power Regulatory Authority Consumer Eligibility Criteria (Electric Power Suppliers) Regulations, 2022 as amended or replaced from time to time;
- (i). "Consumer Supply Manual" means the manual of instructions developed by the licensees and approved by the Authority, detailing instructions and guidance to the consumers for requesting electric power supply services, as more fully described in the Supplier Regulations;
- (j). "Distribution Licensee" means a person to whom a Licence for distribution of electric power has been granted by the Authority under the Act;
- (k). "Electric Power Supplier" shall include Competitive Supplier and Supplier of Last Resort;
- (l). "Entities" means housing colonies, societies, industrial estates, shopping malls, plazas, complexes or high-rise buildings;
- (m). "Indicative Generation Capacity Expansion Plan" or "IGCEP" means the rolling generation capacity expansion plan prepared by the System Operator in accordance with the Grid Code and approved by the Authority;
- (n). "Licence" means this Licence granted under Sections-23E and 23F of the Act;
- (o). "Licensee" means Lahore Electric Supply Company Limited (LESCO) or its successors or permitted assigns;
- (p). "Licensing Regulations" mean the National Electric Power Regulatory Authority Licensing (Application, Modification, Extension and Cancellation) Procedure Regulations, 2021 as amended or replaced from time to time;



- (q). "Market Operator" means a person licensed under Section-23A and 23B of the Act and responsible for the organization and administration of trade of electric power in the market and its payment and settlements among the generators, licensees and consumers;
- (r). "Performance Standards" means relevant applicable standards for the supply of electric power specified by the Authority in the National Electric Power Regulatory Authority Performance Standards (Electric Power Suppliers) Regulations, 2022 as amended or replaced from time to time;
- (s). "Power Acquisition Programme" means the electric power procurement needs and plans of the Licensee as specified in the Procurement Regulations;
- (t). "Procurement Regulations" means the National Electric Power Regulatory Authority (Electric Power Procurement) Regulations, 2022 as amended or replaced from time to time;
- (u). "Service Territory" means the area specified in Schedule-I of this Licence within which the Licensee shall act as the Supplier of Last Resort, which may overlap with the service territories of competitive suppliers but shall not overlap with the service territory of any other Supplier of Last Resort;
- (v). "Supplier of Last Resort" means a person who holds an electric power supply Licence for the Service Territory specified in its Licence 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 of any competitive supplier who defaults on its obligations of electric power supply, located within its service territory;



- (w). "Supplier Regulations" means National Electric Power Regulatory Authority Licensing (Electric Power Supplier) Regulations, 2022 as amended or replaced from time to time;
- (x). "Supplier Eligibility Criteria Rules" means the Eligibility Criteria (Electric Power Supplier Licences) Rules, 2023 prescribed by the Federal Government as amended or replaced from time to time;
- (y). "System Operator" means a person licensed under Section-23G and 23H of the Act to administer system operations, dispatch and power system planning.

1.2 Words and expressions used but not defined herein bear the meaning given thereto in the Act, Supplier Regulations, or any other Applicable Documents.

Article-2 **Compliance with the Applicable Law**

2.1 The Licensee while performing its functions shall comply with the Applicable Law, as amended or replaced from time to time.

2.2 The Licensee shall be obligated to follow and comply with the Supplier Regulations in letter and spirit as if all provisions of the said regulations are incorporated in the terms and conditions of this Licence.

Article-3 **Grant of Licence**

3.1 This Licence is granted to the Licensee to act as Supplier of Last Resort within its Service Territory, as defined in Schedule-I, to supply electric power on a non-discriminatory basis to all the consumers who meet the Consumer Eligibility Criteria and in accordance with the Act and relevant provisions of the Applicable Documents in a prudent and efficient manner:

Provided that the Authority may grant electric power supply licence to any other entity to act as a Competitive Supplier in the Service Territory of the Licensee and the Licensee shall not claim any exclusivity with respect to the Service Territory in this regard.



Provided further that the Authority may grant a licence for Supplier of Last Resort to any Entity, holding a distribution licence or eligible to obtain a distribution licence, in the Service Territory of the Licensee and upon grant of such licence, the Service Territory of the Licensee shall stand automatically modified.

Article-4
Licence Fee

The Licensee shall pay to the Authority the Licence fee in the amount, time and manner as set out in the National Electric Power Regulatory Authority (Fees) Regulations, 2021 as amended or replaced from time to time.

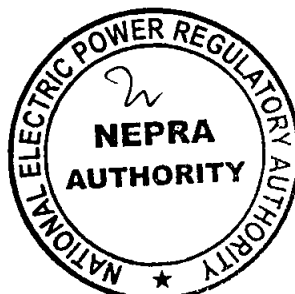
Article-5
Term and Renewal

5.1 In terms of provisions of Section-23E of the Act, LESCO had the status of deemed licensee for electric power supplier for a period of five (05) years which expired on April 26, 2023. Therefore, this Licence is granted for a term of twenty (20) years commencing from April 27, 2023, up to April 26, 2043 subject to compliance with the Act, rules, regulations and other Applicable Documents.

5.2 Further, unless suspended or revoked earlier, the Licensee shall within ninety (90) days prior to the expiry of the term of this Licence, apply for renewal of this Licence in accordance with the Licensing Regulations. In the event the Authority decides to renew the Licence, the Authority may renew the same on such revised terms and conditions as it deems appropriate in accordance with the Act and Applicable Documents at the time of renewal of the Licence. The Authority may renew or refuse an application for renewal of Licence after recording reasons in writing thereof.

Article-6
Modification of Licence

6.1 The Licensee may, at any time during the term of this License, communicate to the Authority a Licensee Proposed Modification in accordance with Section 26 of the Act read with relevant provisions of the Licensing Regulations.



6.2 The Authority may, at any time during the term of a license, modify the terms and conditions of this Licence through an Authority Proposed Modification or a Modification by Operation of Law in accordance with Section 26 of the Act read with relevant provisions of the Licensing Regulations.

Article-7
Transfer and Assignment of Licence

7.1 The Licensee shall not, without the prior written approval of the Authority, surrender, assign or transfer this Licence to any person.

7.2 The Licensee shall seek approval of the Authority for any surrender, assignment or transfer of the Licence to any person at least ninety (90) days prior to the envisaged date of such transfer, assignment or surrender.

Article-8
Tariff

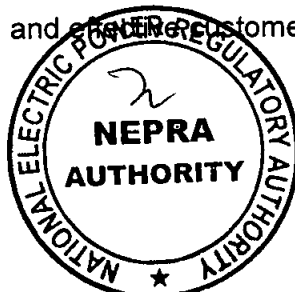
8.1 The Licensee shall charge only such tariff to its consumers that has been determined and approved by the Authority from time to time.

8.2 The Licensee shall publicly make available the rates, charges and other terms and conditions for the supply/sale of electric power to consumers, as approved by the Authority.

Article-9
Obligation to Supply Electric Power

9.1 The Licensee shall be responsible for the supply of electric power within its Service Territory on a non-discriminatory and non-exclusive basis to all the consumers who meet the Consumer Eligibility Criteria at the rates and charges determined and approved by the Authority and shall also be obligated to provide electric power supply to the bulk power consumers in its Service Territory after default of their competitive supplier.

9.2 The Licensee shall comply with the applicable Performance Standards to ensure the quality of supply and service by establishing and maintaining standardized and non-discriminatory procedures for the timely provision of supply, redressal of complaints, and efficient customer services.



9.3 Under the circumstances where the Licensee does not supply electric power to any person who fulfils the Consumer Eligibility Criteria within the time limit provided in the Consumer Supply Manual, the Authority may initiate legal proceedings under the Act, and Applicable Documents against the Licensee.

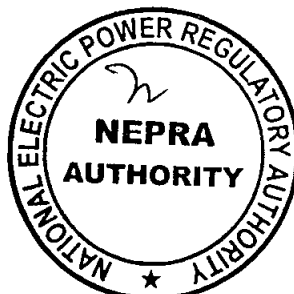
9.4 The Licensee may request the concerned Distribution Licensee for disconnection of any consumer, including a bulk power consumer, for default in payment of power charges or for involvement in theft of electric power in accordance with the Applicable Law.

Article-10
Obligation to Plan in Advance

10.1 The Licensee shall be responsible for ensuring the security of supply for its consumers by planning electric power procurement in advance in adequate quantity. In this regard, the Licensee is responsible for ensuring adequate electric power procurement to meet capacity obligations and avoid under or over-contracting while ensuring compliance with the least-cost procurement of generation in accordance with the Procurement Regulations. This includes adopting efficient power procurement strategies and risk mitigation mechanisms and maintaining creditworthiness while complying with payment obligations.

10.2 Every year, the Licensee shall prepare and submit to the Authority, for information, an updated five-year business plan covering all the major aspects of its licensed activities as laid down in the Procurement Regulations and other Applicable Documents.

10.3 The Licensee shall have the right to purchase electric power through bilateral contracts from the generation companies and shall also participate in the wholesale electricity market to settle any imbalances or purchase ancillary services, if applicable, in accordance with the Procurement Regulations, Market Commercial Code and other Applicable Documents.



Article-11
Commercial Agreements

The Licensee shall ensure that any contract it enters, or offers to enter, into with a consumer for the supply of electricity contains provisions which are in clear and comprehensible language, and which incorporate all relevant information so as to enable a consumer or potential consumer to understand the terms under which the supply of electricity is, or is to be, made.

Article-12
Power Acquisition Programme

12.1 The Licensee shall prepare its Power Acquisition Programme in a manner specified in the Procurement Regulations and other Applicable Documents, and submit it for review and approval by the Authority.

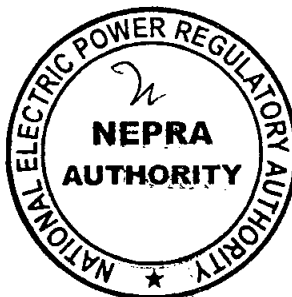
12.2 The Licensee shall prepare a demand forecast to be incorporated in the Power Acquisition Programme using appropriate models or algorithms and by considering the latest available information on bulk power consumers or eligible consumers, distributed generation and the demand growth trends in its Service Territory in accordance with the Applicable Documents.

12.3 The Licensee shall take all reasonable measures to procure adequate power of appropriate quality ensuring least-cost and competitive procurement for supply to its consumers, subject to its obligations in accordance with the Procurement Regulations and other Applicable Documents.

Article-13
Consumer Supply Manual

The Licensee shall submit within ninety (90) days of the issuance of this Licence for approval of the Authority and thereafter make available to the public the Consumer Supply Manual as approved by the Authority in accordance with Section 23F of the Act, read with the relevant provisions of the Supplier Regulations:

Provided further that till such time the Authority approves the Consumer Supply Manual, the existing Consumer Service Manual shall continue to apply.



Article-14
Obligations with respect to the CTBCM

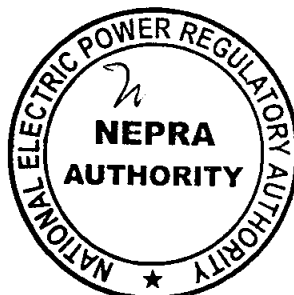
14.1 The Licensee is required to participate in the development and evolution of the CTBCM and work towards its desired implementation and participate in its operations as a Market Participant as per the Applicable Documents. The Licensee shall enter into necessary agreements/contracts and fulfil its obligations under the same in good faith, ensuring non-discriminatory and fair treatment with all consumers, generation companies, and other licensees. Any variation in agreements for participation in the competitive trading arrangement shall be subject to mutual agreement and approval by the Authority.

14.2 The Licensee shall establish and maintain an independent and fully functional Market Implementation and Regulatory Affairs Department or MIRAD having dedicated resources to deal with planning, contract management, legal, regulatory affairs headed by a senior officer of Grade-20 reporting directly to the Chief Executive Officer. Further, the Licensee shall not impede or prevent any other Licensee or market participant from engaging in their respective activities. The Licensee shall ensure that all its departments including MIRAD are fully equipped with the necessary resources to perform their functions in an efficient, effective, and timely manner. The Licensee, as part of its tariff petition, shall submit to the Authority a detailed budgetary estimate for each of its departments including MIRAD for approval.

14.3 The Licensee shall not abuse its dominant position or engage in discriminatory or anti-competitive practices and shall always comply with the directions of the Authority and, if applicable, comply with the laws of the Competition Commission of Pakistan.

Article-15
Compliance with Performance Standards

15.1 The Licensee shall conform to the relevant applicable standards for the supply of electric power specified in the National Electric Power Regulatory Authority Performance Standards (Electric Power Suppliers) Regulations, 2022, as amended from time to time.



15.2 The Licensee shall participate in such measures and activities as may be initiated by the Authority for the development of uniform industry standards and codes of conduct in accordance with the Act and the Applicable Documents.

Article-16
Complaints and Dispute Resolution

16.1 The Licensee shall develop a process for resolving disputes with consumers in a fair, reasonable, and timely manner in accordance with the Act read with the relevant Supplier Regulations and other Applicable Documents.

16.2 The Licensee shall make available a complaint-handling mechanism that provides consumers with expeditious, fair, transparent, inexpensive, accessible, speedy and effective dispute resolution related to power supply services in accordance with the Supplier Regulations and other Applicable Documents.

16.3 The Licensee shall maintain daily, weekly, monthly, quarterly and yearly data of all the complaints received, resolved and pending with the Licensee for resolution. The Licensee shall submit an annual report to the Authority regarding the complaints received, resolved and pending resolution.

16.4 The Licensee shall develop and maintain an online complaint handling and tracking system that shall be updated in real-time to inform the complainant regarding the current status of its complaint in accordance with the Applicable Documents.

Article-17
Investigation and proceedings by the Authority

17.1 In case of any non-compliance with the terms and conditions of this Licence or any other Applicable Document by the Licensee, the Authority may conduct investigations and proceedings in the manner specified under Section 27A of the Act read with relevant regulations specified by the Authority.

17.2 Where it comes to the attention of the Licensee that another licensee or person has breached its Licence or the provisions of any other Applicable Document, the Licensee shall report such suspected non-compliance to the Authority.



17.3 Any fines or penalties imposed by the Authority under the Act and Applicable Documents shall be promptly paid by the Licensee.

Article-18
Corporate Social Responsibility

The Licensee shall comply with the NEPRA Social Investment Guidelines 2021 and provide the descriptive as well as monetary disclosure of its activities pertaining to Corporate Social Responsibility (CSR) on an annual basis.

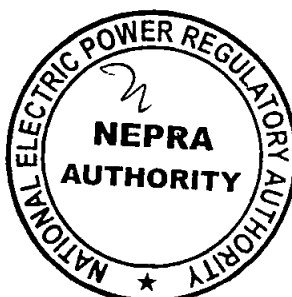
Article-19
Accounting Practices and Audit

19.1 The Licensee shall maintain accounts in the manner laid down by the Authority in the National Electric Power Regulatory Authority (Uniform System of Accounts) Regulations, 2022, as well as in accordance with relevant provisions of the Supplier Regulations and other Applicable Documents.

19.2 Without prejudice to the provisions of the Applicable Documents regarding the audit of the accounts of the Licensee, the Authority may, after giving the Licensee an opportunity to be heard in this regard, appoint independent auditors of national/international repute from amongst a panel of auditors decided in this regard by the Authority, for the audit of the accounts of the Licensee, where the Authority has reason to believe that the accounts provided to the Authority by the Licensee do not provide a complete, true and fair view of the business of the Licensee, provided that such audit shall be restricted to accounting matters under question and shall not be carried out more than once in a financial year. The costs of such audit shall be borne by the Licensee.

Article-20
Maintenance of Record

20.1 The Licensee shall keep complete and accurate record and other data relating to the licensed activity including any contractual arrangements, agreements, and any other information as may be specifically required by the Authority in accordance with the Supplier Regulations and other Applicable Documents. In addition to maintaining the data in hard form, the Licensee shall also maintain the abovementioned record in electronic form as well.



20.2 The Licensee shall maintain the above-referred record in good order and condition by taking reasonable measures ensuring the security of the data for a minimum period of five (05) years after the expiry of such record, arrangement or agreement or for such further extended period as the Authority may specifically require. The Licensee shall not dispose of or destroy any record or data which the Authority directs the Licensee to preserve under the Applicable Documents.

20.3 All record and data maintained in an electronic form shall, subject to just claims of confidentiality, be accessible by staff authorized by the Authority. The Authority shall have the right, upon forty-eight (48) hours prior written notice to the Licensee, to examine the records and data of the Licensee at any time during normal office hours.

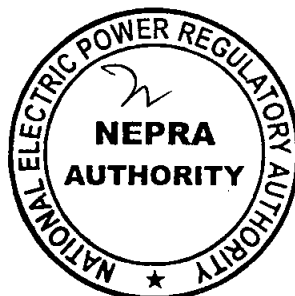
Article-21
Provision of Information

21.1 The Licensee shall submit to the Authority the required information in the form and manner as the Authority may require. The information as required shall be provided in good faith ensuring that it is accurate, up-to-date and presented in a manner that is easily understandable and in accordance with Section-44 of the Act. The Licensee shall ensure that the correspondence with the Authority is made by a duly authorized person.

21.2 The Licensee shall establish information exchange system for communications and transactions with the Market Operator, System Operator, distribution licensees, market participants and other service providers , as applicable.

21.3 The Licensee shall provide complete and accurate information regarding the terms and conditions for supply of electric power, applicable or mutually agreed rates, charges, and final costs to enable consumers to take informed decisions and also ensure easy access to this information especially to the key terms and conditions.

21.4 The Licensee shall protect consumers' privacy through a combination of appropriate controls, security, transparency, and consent mechanisms relating to the collection and use of their personal data.



21.5 The Licensee shall be subject to such penalties as may be specified in the relevant regulations made by the Authority, for failure to furnish such information as may be required from time to time by the Authority and which is or has been in the control or possession of the Licensee.

Article-22
Communication

22.1 The Licensee shall designate a person not below the rank of Chief Engineer or equivalent, preferably from MIRAD, who will act as a primary contact with the Authority on the matters related to this Licence. The Licensee shall notify the Authority promptly should the contact details change.

22.2 All communication with the Authority must be done in writing unless otherwise directed by the Authority by facsimile transmission or by other electronic sources.

Article-23
Compliance with the Eligibility Criteria Rules

23.1 The Licensee shall ensure that it shall comply with the eligibility criteria and all other requirements of the Supplier Eligibility Criteria Rules.

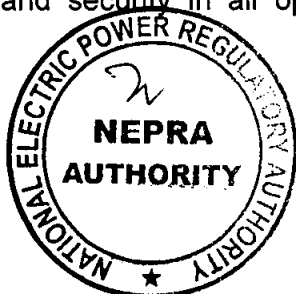
23.2 The Licensee shall immediately inform the Authority in writing if circumstances exist that justify a reasonable expectation that the Licensee is unable to comply with the Supply Eligibility Criteria Rules.

Article-24
Effective Coordination

The Licensee shall have the ability to ensure prompt and effective coordination with the System Operator, Market Operator and other relevant Entities to comply with the provisions of relevant rules, regulations, Grid Code, Market Commercial Code and other Applicable Documents.

Article-25
Information and Operational Technology Infrastructure and Security

25.1 The Licensee shall develop a robust information and operational technology strategy outlining the planning and execution roadmap for ensuring transparency, effectiveness, efficiency and security in all operations of the supply business in



accordance with the relevant provisions of the National Electric Power Regulatory Authority (Security of Information Technology and Operational Technology) Regulations, 2022, as amended or replaced from time to time and other Applicable Documents.

25.2 In order to provide improved/enhanced services to consumers, the Licensee shall deploy state-of-the-art software/IT infrastructure relating to operations, in consultation with independent technical experts after carrying out a detailed cost-benefit analysis.

25.3 All computer programs or systems used by the Licensees shall be adequately secured as per the requirements of the Applicable Documents and the relevant information and operational technology standards. In this regard, the Licensee shall develop a cyber-security protection system for its power supply arrangement with well-defined communication and reporting channels.

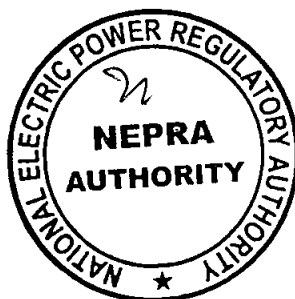
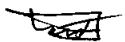
Article 26
Preparation for Emergencies and Security Arrangements

26.1 The Licensee shall, as soon as reasonably practical, inform its consumers of any emergencies or security issue of which it may be aware which may arise in association with, or which may be relevant to its obligations.

26.2 The Licensee shall take such actions as the Authority may reasonably require to plan and prepare for emergencies, including taking part in necessary tests and exercises.

Article-27
General Obligations of the Licensee

The Licensee shall, at all times during the term of the Licence, be obliged, to carry out the functions specified in the relevant provisions of the Act, Supplier Eligibility Criteria Rules, Supplier Regulations, Procurement Regulations and other Applicable Documents.



Article-28
Functional and Legal Separation

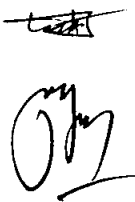
28.1 The functional and legal separation of supply and distribution business of the Licensee shall be undertaken in accordance with the provisions of this Licence, determinations and directions of the Authority, as issued from time to time.

28.2 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 Supplier of Last Resort Company and Distribution 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 into 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 in respect of functions of the Licensee.

28.3 Until such time the functions of the Licensee as Electric Power Supply and distribution business are not separated into 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.

Article-29
Financial and Organizational Affairs of the Licensee

29.1 The Licensee, without authorization from the Authority, shall not stand surety, give guarantee, or provide security for the indebtedness or obligations of any other person in a cumulative amount greater than 10% of the equity of its shareholders. The Licensee is also restricted from merging with, acquiring or offering to acquire shares or other securities or participating interests in any person after the issuance of this Licence, except as required to satisfy obligations under the Applicable Law, to avoid dilution of the shareholding or participating interest, or in a person which was an associated undertaking of the Licensee on the date of issuance of this License.





29.2 The Licensee may under the relevant provisions of the Supplier Regulations request dispensation from the Authority for change in shareholding, and the Authority shall consider such request in light of competition promotion in the electric power market and the change, if any, in the control or management of the licensee likely to result from the authorization, if granted. The requirements to seek permission from the Authority shall be without prejudice to the obligations of the Licensee to seek necessary approval for any merger under the Competition Act, 2010, or any other law for the time being in force.

Article-30
Credit Rating & Financial Health

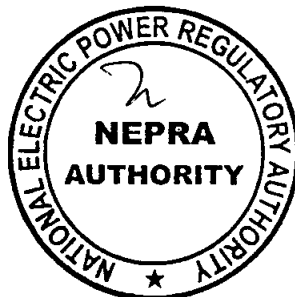
30.1 The Licensee shall, every two (02) years, get itself credit rated through a credit rating agency licensed by the Securities and Exchange Commission of Pakistan, and which is on the panel of the State Bank of Pakistan.

30.2 The credit rating report of the Licensee shall be submitted to the Authority for its information along with corrective measures being taken and/or to be taken to improve the financial health and credit worthiness of the Licensee. The Authority may, if deemed necessary, issue directives to the Licensee for taking measures in order to improve the financial health and credit rating.

Article-31
Interpretation of the Licence Provisions

31.1 In accordance with the provisions of the Act, the Authority shall make the interpretation of any or all of the provisions of this Licence. The decision of the Authority in this regard shall be final.

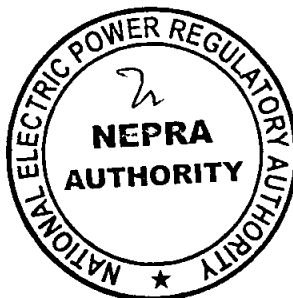
31.2 Where any obligation under this Licence is expressed to require performance within a specified time limit, that obligation shall continue to be binding and enforceable even after that time limit, if the Licensee fails to perform that obligation within that time limit (but without prejudice to all rights and remedies available against the Licensee by reason of failure of the Licensee to perform within the specified time limit).



Article-32
Revocation, Suspension and Cancellation of Licence

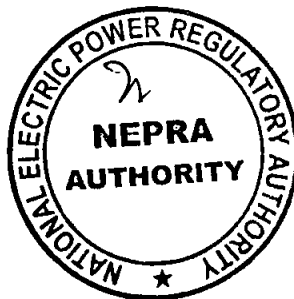
32.1 Without prejudice to the powers of the Authority under the Act, upon being satisfied that the Licensee is not discharging its functions in accordance with the Act and Applicable Documents including terms and conditions of the Licence, or otherwise fails to carry on its business in the interests of the electric power market, the Authority may, after providing an opportunity to show cause, take such measures as it deems expedient including, but not limited to, revocation, suspension or cancellation of the Licence and take such other action as may be necessary to safeguard the interests of all stakeholders and the power industry as a whole.

32.2 Where the Authority revokes or suspends the Licence of the Licensee, it may appoint an administrator to take over its functions and management.

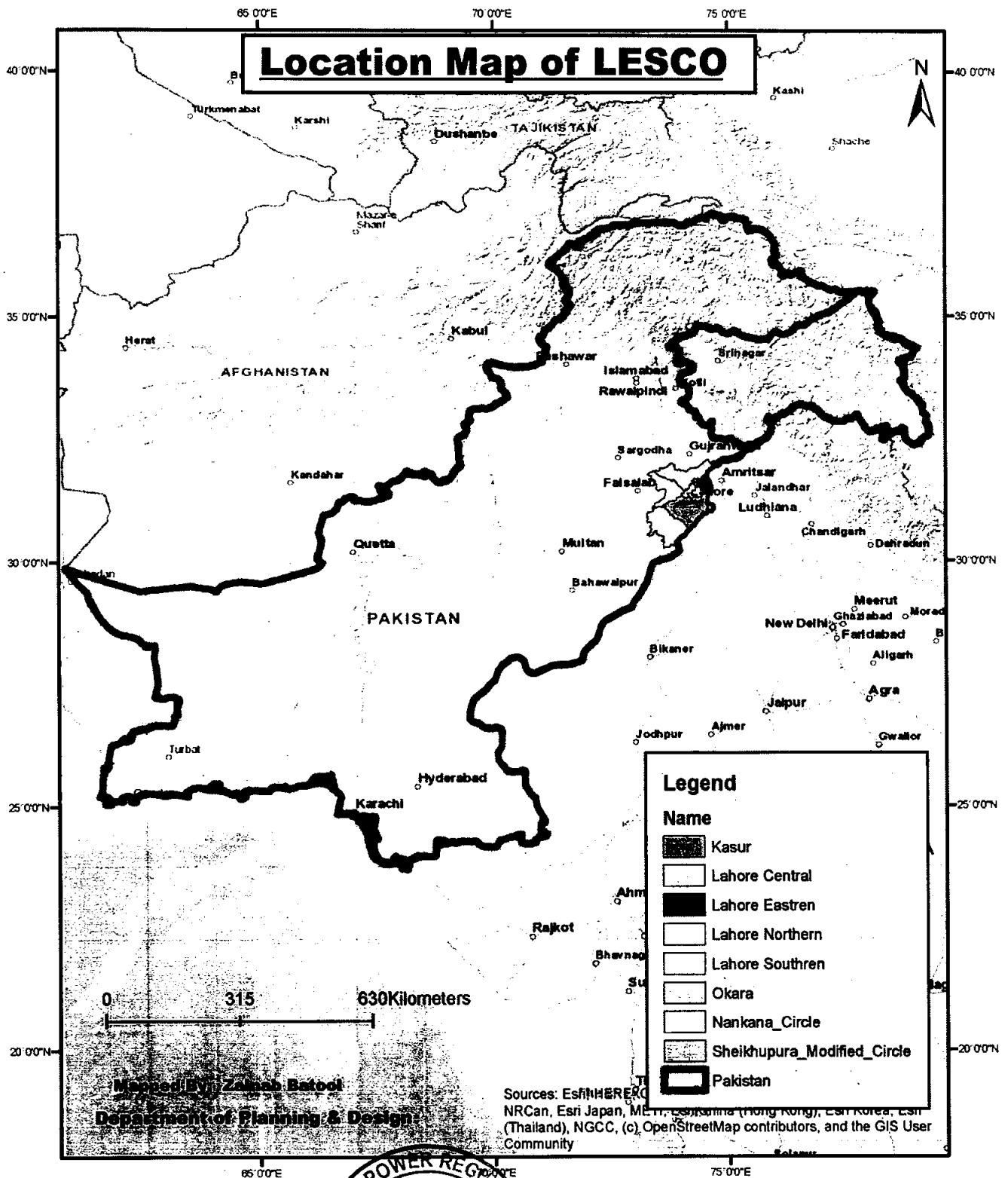


SCHEDULE-I

The Details of Territory (i.e. Geographical Boundaries) within which the Licensee/Lahore Electric Supply Company Limited is Authorized to Carry out Supply of Electric Power Business/Activities/Services.



Territorial Limit/Boundaries **of the Licensee/LESCO on the** **Map of Pakistan**



Detail of Territory (Geographical Boundaries, Districts)
Within which the Licensee/LESCO is Authorized to Conduct
Supply of Electric Power Business/Activities/Services

