



NATIONAL ELECTRIC POWER REGULATORY AUTHORITY

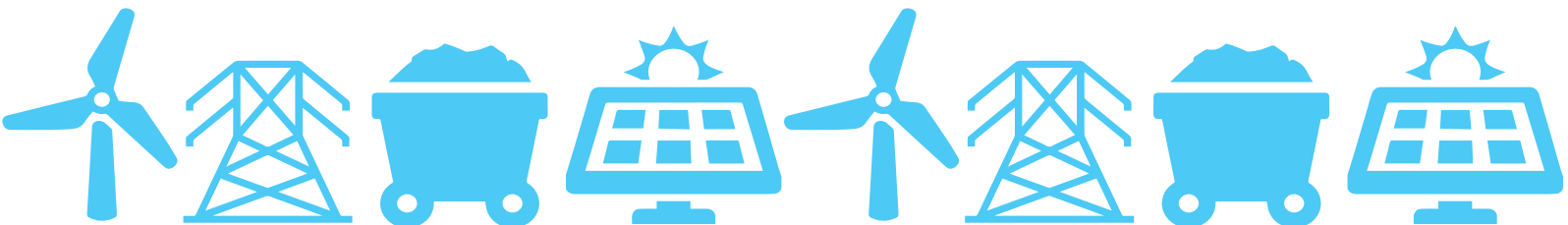
ANNUAL REPORT

2017-18





ANNUAL REPORT 2017-18







MISSION STATEMENT

To develop and pursue a regulatory framework for safe, reliable, affordable, modern, efficient and market-driven environment for provision of electric power to consumers in Pakistan and to maintain the balance between interests of consumers and service providers in line with the broad economic and social policy objectives of the Government and best international practices of the industry.

CONTENTS

Vice Chairman's Message	1
-------------------------------	---

The Authority

Composition and Profiles	5
Powers and Functions	11
Key Highlights	13
Organogram	15

NEPRA and Power Sector Regulation

Role of NEPRA in the Power Sector	19
---	----

Decision Making Process

The Authority's Regulatory Decision Making Process	25
--	----

Regulatory Activities in 2017-18

Generation	29
Transmission	37
Distribution	41
Consumer Affairs & Complaints	45
Monitoring and Enforcement	48
Legal	50
Coordination & Implementation	57
Administration and Human Resource	59
Information Technology	63

Annexures

ANNEX-I Licensees	71
ANNEX-II Financial Audited Report	75
ANNEX-III Senior Management Key Contacts	99
Glossary of Acronyms used	101

VICE CHAIRMAN'S MESSAGE

On behalf of the Authority, it is with great pleasure that I present our Annual Report for the year 2017-18. The Regulation of Generation, Transmission and Distribution of Electric Power (Amendment) Act, 2018 [Act No. XII of 2018] has substantially restructured the energy sector and overhauled the role and responsibilities of NEPRA.

Since its establishment in 1997, NEPRA has been striving to achieve a balance between the diverging interests of the consumers and stakeholders to ensure affordable and sustainable energy. In this regard, Competitive Bidding Tariff (Approval Procedure) Regulations, 2017 were introduced and Generation Tariffs were issued for the first time for Hydropower Projects through competitive bidding.

Due to declining trend in oil prices and better generation mix, during the period under review, a benefit of around Rs. 65 Billion was passed on to the end consumers (having consumption of more than 300 units monthly) on account of Fuel Price Adjustment except lifeline, domestic consumers having consumption of up to 300 units and agriculture consumers.

NEPRA issued 383 Generation Licenses for Conventional Power Plants, Renewable Energy Projects, Hydropower Projects and Net Metering. New Upfront Tariff Coal Tariff on air cool and wet cool technology was approved for a period of two years. Upfront Tariff 2017 for New Bagasse Based Cogeneration Power Projects was determined. Generation Tariff Determinations were issued for five companies based on Solar Power.

Being cognizant of the fact that the transmission network needs to be further strengthened, NEPRA issued Guidelines for laying down the Methodology and Process for determination of revenue requirement and Use of System Charges (UOSC) for Transmission Licensees. NEPRA granted a Special Purpose Transmission License for 878 KMs line from Matiari, (Sindh) to Lahore which will be the first HVDC Transmission Line that will transmit 4000 MW from Matiari to Lahore.

For facilitation in tariff setting, the benchmarks for determination of generation tariffs were approved and guidelines issued. The issuance of Net Metering licenses for Distributed Generation will not only add to economic growth but will also further encourage renewable

energy generation throughout the country. Owing to the importance of RLNG, decision was issued in the matter of immediate application of RLNG, as an Alternative Fuel for K-Electric.

Informed transparent decision making remains a hallmark of NEPRA. Every initiative or change in Regulations is finalized after consultation with stakeholders including the general public, industry partners and the government. As we move forward, we will remain focused on continued transparency. Our team members continue to work together to put the consumer at the centre of every thing we do. Together, we are listening, learning and taking actions necessary for prompt redressal of consumer grievances. During the year 7,449 (92%) complaints were resolved. Though more work lies ahead, our focus is to uphold our long held values that respect and honour consumers/general public, team members and industry partners. We endeavor to create a healthy competitive environment in the power industry. During the year under review, the Authority conducted 144 Hearings and 687 Regulatory Meetings in addition to various in-house discussion meetings, site visits as well as numerous consultations with stakeholders.

NEPRA enjoys an active engagement with bilateral and multilateral donor agencies like USAID, World Bank, ADB etc. with an aim to improve the regulation of the electricity market as per global best practices in order to serve the consumers better.

On this occasion, I would like to place on record the dedication and commitment of NEPRA Members, professionals and staff for discharging their duties to the best of their abilities.

This report is being submitted to the Council of Common Interests and the Federal Government pursuant to Section 42 (a) of the Amended NEPRA Act.

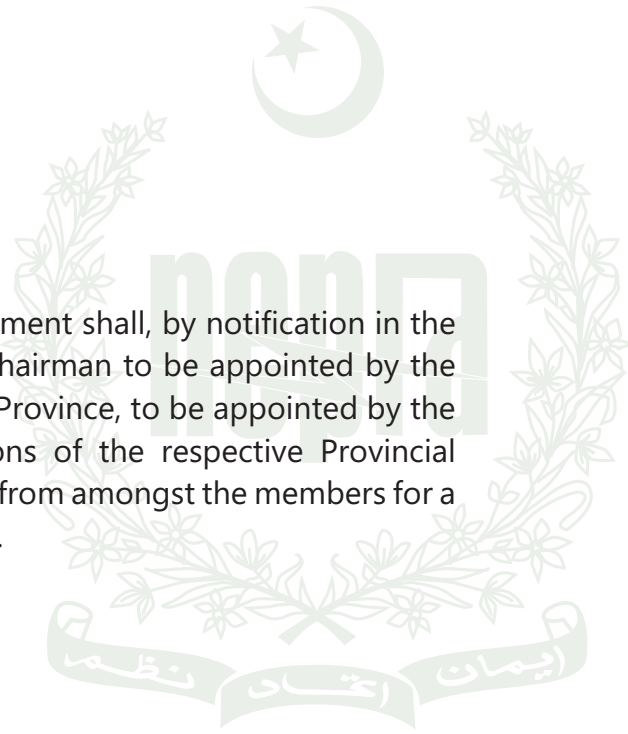
(Rehmatullah Baloch)
Vice Chairman



The Authority

COMPOSITION AND PROFILES

As per clause 3(1) of the NEPRA Act, the Federal Government shall, by notification in the official Gazette, establish an Authority consisting of a Chairman to be appointed by the Federal Government and four Members, one from each Province, to be appointed by the Federal Government after considering recommendations of the respective Provincial Governments. There shall be a Vice Chairman, appointed from amongst the members for a period of one year, by rotation as per clause 3(2) of the Act.



Tariq Saddozai

Chairman



Mr. Tariq Saddozai joined National Electric Power Regulatory Authority (NEPRA) as Chairman in November, 2014. He joined Pakistan Army in 1978 as Engineer in the Corps of Electrical and Mechanical Engineering. He served as Director in various branches of General Headquarters and as a Chief Executive Officer, 502 Central Workshop Rawalpindi. He has worked as a Technical Attache, Embassy of Pakistan in Washington DC (USA). His last appointment prior to retirement from the Army was Managing Director, then Karachi Electric Supply Corporation (July 2001-January 2006). After retirement from the Pakistan Army he served as Chief Executive Officer, Peshawar Electric Supply Company (June 2012 - November 2014).

Having served as a Chief Executive Officer of two most difficult utilities of Pakistan (K-Electric and PESCO), he has acquired in-depth knowledge of the entire power sector, right from Generation, Transmission, Distribution and Privatization process.

He was declared best athlete of Pakistan Army for the year 1981 and best athlete inter services for the year 1983. He also represented Pakistan in the Asian Games and was finalist in 4x400 m relay race.

He is an engineer by profession having B.Sc Engineering Degree from NED University and M.Sc (Hon) Degree from Quaid-e-Azam University Islamabad. He has also attended various courses/trainings from different institutions related to his profession.



Rehmatullah Baloch

Vice Chairman/Member (CA)

Mr. Rehmatullah Baloch joined NEPRA as Member (Balochistan) on March 21, 2018. Before joining NEPRA, he has served in WAPDA in various positions and QESCO as Chief Executive Officer.

He has 30 years of vast experience in the power sector. Major achievements include considerable improvement in QESCO's revenue, contribution towards enhanced installed capacity of the Grid Stations & Transmission lines of Balochistan Province and construction of 12x132 KV New Grid Stations with around 1200 KM allied Transmission Lines in the remote areas of Balochistan despite serious security threats.

In recognition of his contribution to the power sector he has been conferred commendation certificates by Chairman WAPDA (2003), CEO QESCO (2010) and Chief Minister, Balochistan (2014).



Syed Masood-ul-Hassan Naqvi

Member (Licensing)



Syed Masood-ul-Hassan Naqvi joined NEPRA as Member (Sindh) in May 2015. He brings with him diverse experience spanning over three decades in almost all fields of the power sector. Mr. Naqvi is an electrical engineer by profession and has been actively involved in generation, transmission and particularly distribution of electrical power. His last assignment, before joining NEPRA, was as General Manager, National Transmission and Dispatch Company (NTDC). During his tenure with NTDC and with a number of DISCOs, he has been instrumental in managing mega-projects. His profound knowledge and experience provide him a solid base for handling all issues related to the power sector in the spheres of construction, operation and maintenance.



Saif Ullah Chattha

Member (M & E)

Mr. Saif Ullah Chattha joined NEPRA as Member (Punjab) in March 2017. Before joining NEPRA, he has served the Provincial as well as the Federal Governments on a number of high profile assignments. He joined the Civil Service of Pakistan (District Management Group) in 1983 and served in various prominent positions in Punjab, Baluchistan and Gilgit Baltistan as Assistant Commissioner, Deputy Secretary, Deputy Commissioner and Chief Secretary. In Islamabad he has served as Federal Secretary, Ministry of Water & Power and Ministry of Overseas Pakistanis & Human Resources Division and Additional Secretary, Ministry of Communications.

He has also served as Personal Staff Officer to Prime Minister of Pakistan and Counsel General/Trade Minister of Pakistan in Montreal, Canada.

Himayatullah Khan

Member (Tariff)



Mr. Himayatullah Khan was appointed as Member (KPK) in August 2014. Before joining NEPRA, he served at senior policy formulation, regulatory and implementation levels for over 34 years with the Federal and Provincial Governments. He has diverse experience of strategic planning, managing organizational change, implementation of development projects/programs, leading large teams, working with government and non-governmental organizations and development partners.

He has a rich experience of government audit/accounts of the Federal and Provincial Governments. He has served as Accountant General, KPK. He also has extensive experience of the Power Sector having served as Special Secretary (Ministry of Water & Power), Secretary (WAPDA) and National Coordinator for Water Resources & Hydropower Development Programme Vision 2025. He has also served in the Ministry of Commerce where he negotiated the Afghanistan Pakistan Transit Trade Agreement 2010. As Additional Secretary, Economic Affairs Division, he negotiated US \$ 840 million loan for 1410 MW Tarbela IV extension project with the World Bank. He retired from government service in September 2013 as Secretary to the President of Pakistan. He is a committed environmentalist having served on the BoD of World Wildlife Fund (WWF) for Nature and as Vice Chairperson of International Union for Conservation of Nature (IUCN), Pakistan.

POWERS AND FUNCTIONS

The National Electric Power Regulatory Authority has been established under Section 3 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 to exclusively regulate the provision of electric power services in Pakistan. The Regulation of Generation, Transmission and Distribution of Electric Power (Amendment) Act, 2018 [Act No. XII of 2018] (The Act) has overhauled the role and responsibilities of NEPRA.

2. The powers and functions of the Authority as delineated in The Act are:
 - a. grant of licences under this Act;
 - specify procedures and standards for registration of persons providing electric power services;
 - aid and advise the Federal Government, in the formulation of national electricity plan;
 - ensure efficient tariff structures and market design for sufficient liquidity in the power markets;
 - b. specify procedures and standards for investment programmes by generation companies and persons licensed or registered under this Act;
 - c. specify and enforce performance standards for generation companies and persons licensed or registered under this Act;
 - d. specify accounting standards and establish a uniform system of account by generation companies and persons licensed or registered under this Act;
 - e. specify fees including fees for grant of licences and renewal thereof;
 - f. review its order, decisions or determinations;
 - g. settle disputes between licensees in accordance with the specified procedure;
 - h. issue guidelines and standard operating procedures;
 - promote the development of a market, including trading, in accordance with the national electricity policy and the national electricity plan



- i. determine tariff, rates, charges and other terms and conditions for supply of electric power services by the generation, transmission and distribution companies and recommend to the Federal Government for notification;
- j. review organizational affairs of generation companies and persons licensed or registered under this Act to avoid any adverse effect on the operation of electric power services and for continuous and efficient supply of such services;
- k. encourage uniform industry standards and code of conduct for generation companies and persons licensed or registered under this Act;
- l. tender advice to public sector projects;
- m. submit reports to the Federal Government in respect of activities of generation companies and persons licensed or registered under this Act; and
- n. perform any other function which is incidental or consequential to any of the aforesaid functions.

KEY HIGHLIGHTS

Generation Business

- A total number of 383 Generation Licenses were issued for Conventional Power Plants, Renewable Energy Projects, Hydropower Projects and Net Metering
- 144 Hearings and 687 Regulatory Meetings of the Authority were conducted
- Generation Tariffs were issued for the first time for six hydropower projects through competitive bidding
- Tariff was determined for 1124 MW Kohala hydropower project being executed under CPEC
- New Upfront Thar Coal Tariff on air cool and wet cool technology was approved for a period of two years
- Upfront Tariff 2017 for New Bagasse Based Cogeneration Power Projects was determined
- Generation Tariff Determinations were issued for five companies based on Solar Power
- Upfront Tariffs for Captive Power Plants based on RFO, Coal and Gas for short term utilization of available generation capacity
- Security cost for CPEC Power Projects was determined
- Inland Coal Transportation Agreement (ICTA) for transportation of coal from Port Qasim, Karachi to Sahiwal was approved
- Approval was accorded regarding O&M Contract for coal unloading jetty of Port Qasim coal-fired power plant
- Decision regarding immediate application of RLNG as Alternative Fuel for K-Electric was issued
- Benchmarks for determination of Tariff were approved and respective guidelines issued

Transmission Business

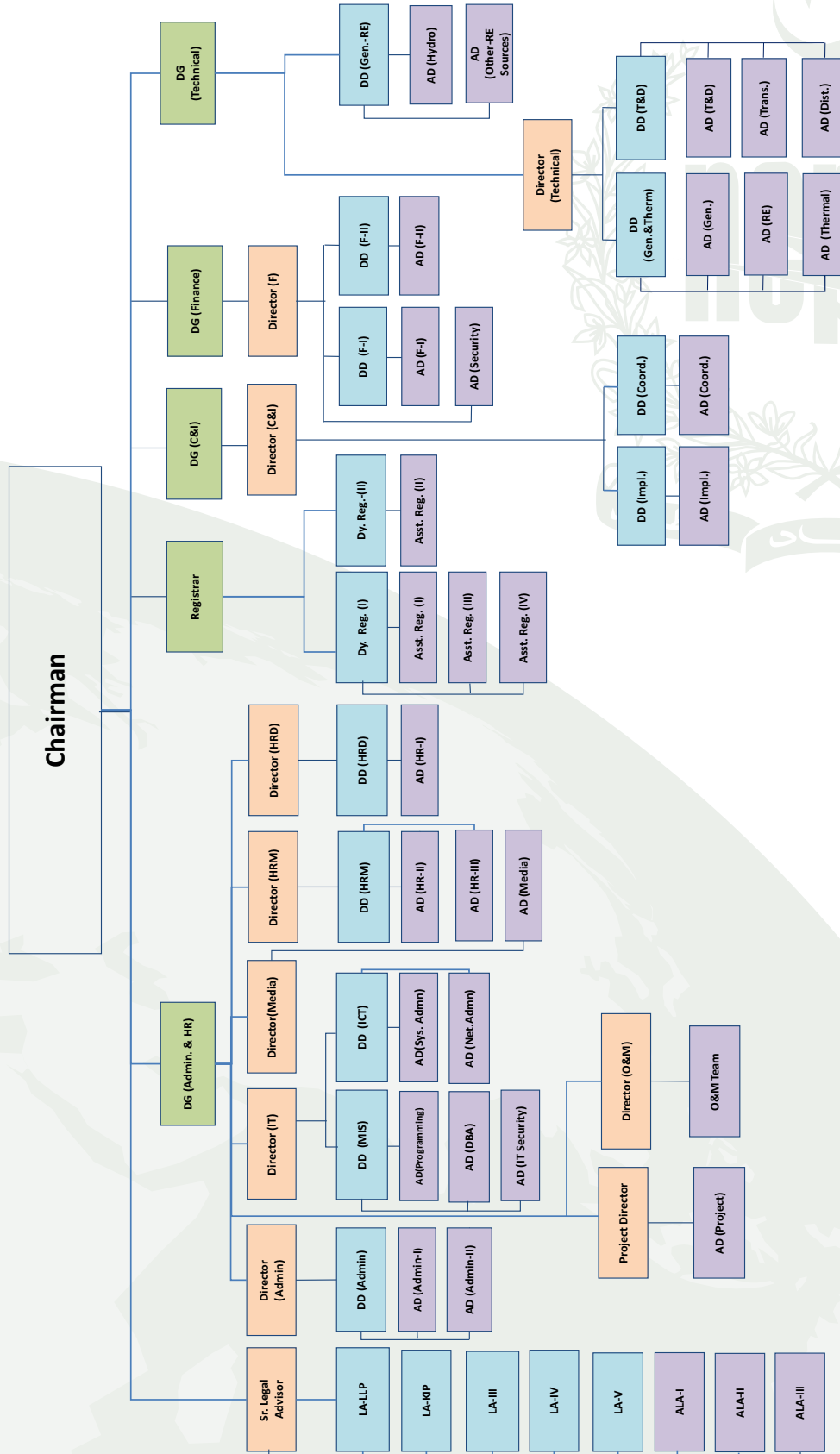
- Special Purpose Transmission License for 878 KMs line from Matiari, (Sindh) to Lahore was granted
- The application filed by CPPA-G to register itself as a Market Operator remained at an advanced stage of processing



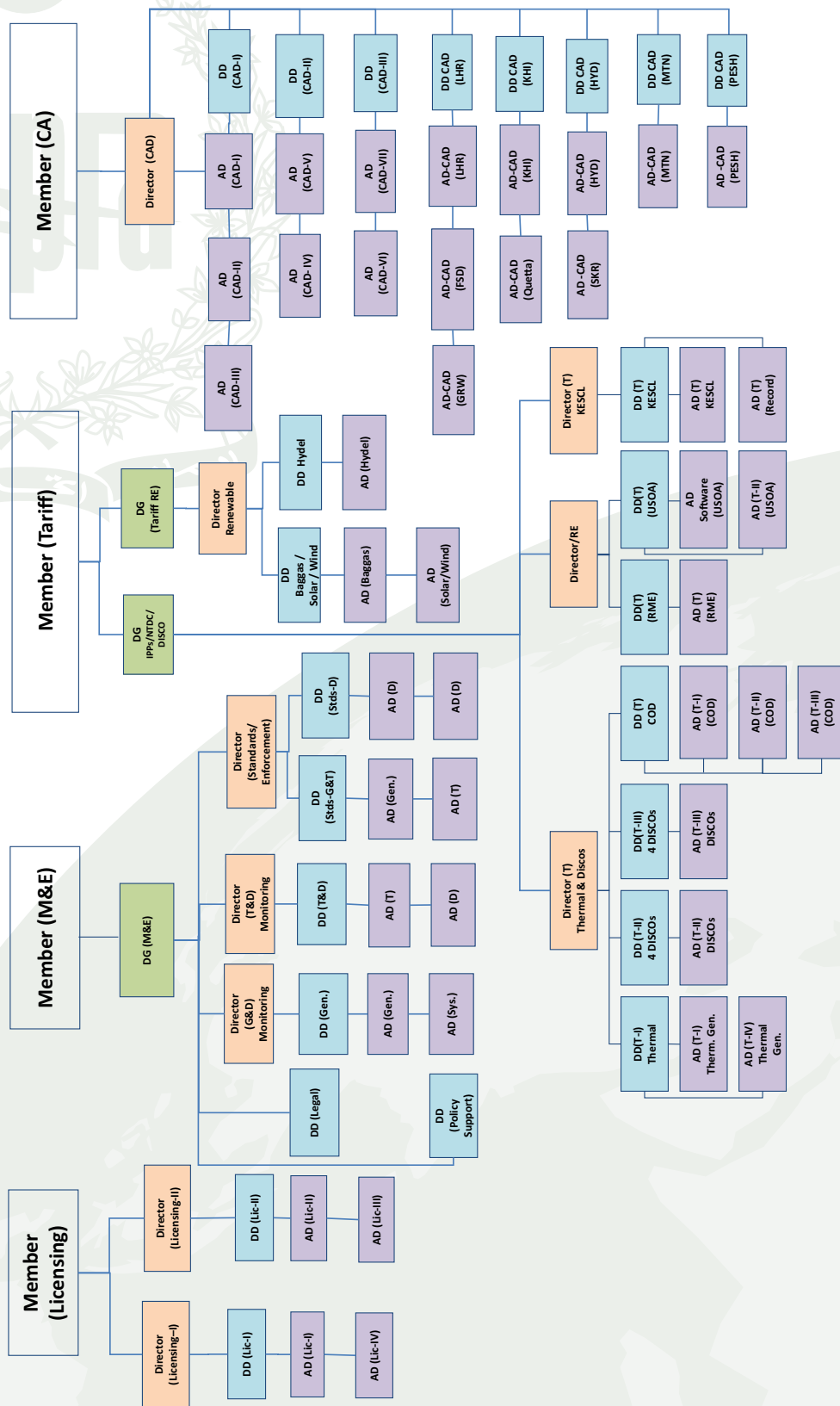
Distribution Business

- A benefit of around Rs. 65 Billion was passed on to end consumers on account of fuel price adjustment
- Decision regarding inclusion of subsidy/surcharge in the schedule of tariff of DISCOs was issued
- 92% of the consumer complaints received in NEPRA were resolved/ concluded during the year

Organogram



Organogram





NEPRA AND POWER SECTOR REGULATION

ROLE OF NEPRA IN THE POWER SECTOR

NEPRA was established in 1997 as part of a strategic plan for unbundling the power sector in order to make it reliable, efficient and progressive in addition to safeguarding the interests of both producers and consumers. NEPRA performs its functions in accordance with the provisions of the NEPRA Act.

NEPRA, as the power sector regulator, provides recommendations to various fora including Power Division, Council of Common Interests (CCI), Economic Coordination Committee (ECC), Senate, Public Accounts Committee (PAC) and the Federal Cabinet.

Regulatory Framework

The Regulatory Framework of Rules and Regulations adopted by NEPRA to regulate the power sector comprises the following:

- NEPRA Competitive Bidding Tariff (Approval Procedure) Regulations, 2017
- NEPRA (Import of Electric Power) Regulations, 2017
- NEPRA Guidelines to Lay Down the Methodology & Process for Determination of Revenue Requirement and UOSC for a Transmission Licensee
- NEPRA (Selection of Engineering, Procurement and Construction Contractor by Independent Power Producers) Guidelines, 2017
- NEPRA (Wheeling of Electric Power Regulations), 2016
- NEPRA (Alternative & Renewable Energy) Distributed Generation and Net Metering Regulations, 2015
- NEPRA (Supply of Electric Power) Regulations, 2015
- NEPRA Standard Operating Procedures (SOPs) for Examination and Provision of Copies of Documents, 2015
- NEPRA (Sale of Electric Power by Renewable Energy Companies) Guidelines, 2015
- NEPRA Guidelines for determination of Consumer End Tariff (Methodology and Process), 2015
- NEPRA (Interconnection for Renewable Generation Facilities) Regulations, 2015
- Power Safety Code for Transmission and Distribution Licensees, 2015
- Complaint Handling and Dispute Resolution (Procedure) Rules, 2015
- Market Operator Registration Standards and Procedure Rules, 2015
- Commercial Code 2015 of CPPA-G
- NEPRA Upfront Tariff (Approval & Procedure) Regulations, 2011
- Consumer Service Manual, 2010
- Performance Standards (Generation) Rules, 2009
- Uniform System of Accounts Rules, 2009

- NEPRA Review Procedure Regulations, 2009
- NEPRA Competitive Bidding Tariff (Approval Procedure) Regulations, 2008
- Performance Standards (Transmission) Rules, 2005
- Performance Standards (Distribution) Rules, 2005
- Grid Code, 2005
- Distribution Code, 2005
- Interim Power Procurement (Procedure & Standards) Regulations, 2005
- Eligibility Criteria for Consumers of Distribution Companies, 2003
- NEPRA (Resolution of Disputes between Independent Power Producers and other Licensees) Regulations, 2003
- Fees Rules, 2002
- Fines Rules, 2002
- Fees Pertaining to Tariff Standards & Procedure Regulations, 2002
- Licensing (Generation) Rules, 2000
- Licensing (Distribution) Rules, 1999
- Application Modification Procedure Regulations, 1999
- Tariff Standards & Procedure Rules, 1998

Enforcement of NEPRA Rules and Regulations is done through the Departments of Licensing, Tariff, Monitoring & Enforcement, Standards and Consumer Affairs.

Grant of Licenses

Under the NEPRA Act, the Authority has the exclusive power to consider applications for grant of licenses for Generation, Transmission and Distribution in the country. No person, except under the authority of a license issued by NEPRA, can construct, own or operate generation, transmission or distribution facilities. The grant of licenses is governed by the Licensing Generation Rules, 2000 and Distribution Rules, 1999 while all licenses are subject to prescribed terms and conditions.

Determination of Tariff

Electricity Tariffs are determined as prescribed in the Tariff Standards and Procedure Rules, 1998 (Tariff Rules), keeping in view the principles of economic efficiency, quality of service and guidelines in terms of Rule 17 of the Tariff Rules. A transparent procedure is followed through meaningful participation of key stakeholders and due diligence is exercised for assessment of appropriate level of expenses and rate of return allowed to the licensees. This is a key element for attracting and retaining Foreign Direct Investment (FDI) in the sector.

Prescribe and Enforce Performance Standards

Performance Standards (Generation) Rules 2009, Performance Standards (Transmission) Rules 2005 and Performance Standards (Distribution) Rules 2005 have been issued to ensure service quality and reliable service to all consumers. These standards are to be observed by all licensees and adherence to quality of standards is ensured through site visits, preparation of performance evaluation reports and legal proceedings against delinquents.

Monitoring and Enforcement of the Regulatory Framework

Monitoring and Enforcement (M&E) is an important function of regulation to ensure that the licensees operate in accordance with the conditions of the license and that the protection of consumers is ensured. Monitoring of licensees is conducted as per provisions of the respective license for critical analysis of their performance and imposing penalties and fines on defaulters. The Performance Standards Rules for Generation, Transmission and Distribution specify the criteria to be used for monitoring of the performance of the licensees and are available on the NEPRA website.

Transparency

Transparency in power sector market is the key element for striking a balance for the interests of the investors, public sector enterprises, consumers and for ensuring the trustworthiness of regulatory decisions. Transparency is ensured through the following:

- i. Seeking comments of stakeholders and general public through press advertisements, official letters and NEPRA website.
- ii. Conducting Public Hearings.
- iii. Availability of licenses granted and tariff determinations on website of NEPRA.
- iv. Availability of all Rules and Regulations on the website of NEPRA.
- v. Availability of Annual Evaluation Reports of DISCOs' and NTDC on NEPRA website.



DECISION MAKING PROCESS

DECISION MAKING PROCESS

The Authority's Regulatory Decision Making Process

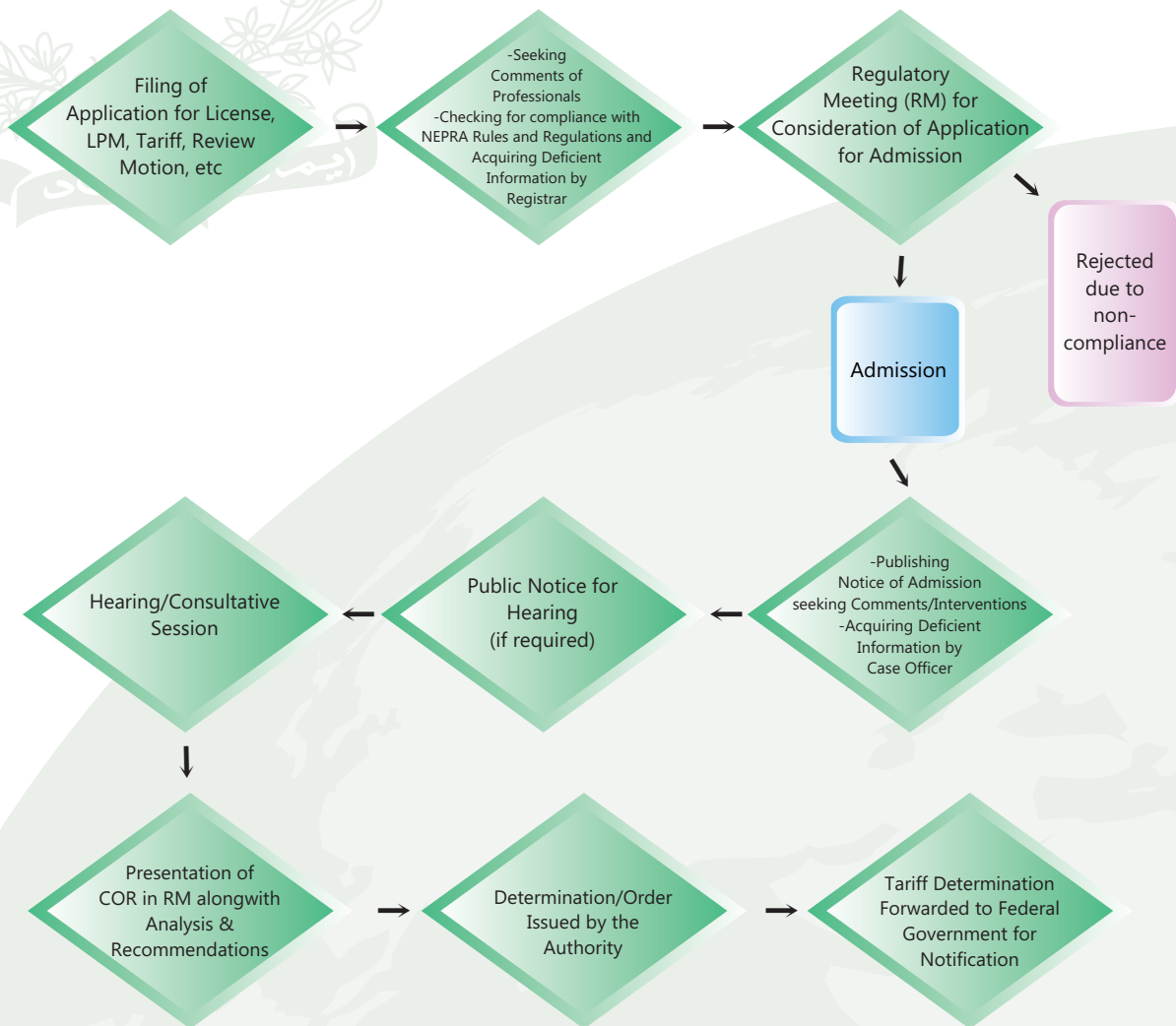
NEPRA is a quasi-judicial body delegated to regulate the power sector including issuing licenses, determining tariffs, monitoring for maintenance of proper standards and quality of services as well as addressing complaints of consumers. The Authority exercises its power under the NEPRA Act and Rules and Regulations made thereunder and is also empowered to review its own decisions.



Hearing of K-Electric Multi Year Tariff

All petitions are examined in the light of relevant rules, which, inter-alia, involve interactive process of consultation with all stakeholders including consumers through public hearings and seeking comments through countrywide advertisements. This provides the Authority with a wide range of information which it evaluates before arriving at a decision. Following figure shows the steps involved in this process from the receipt of an application to the transmission of the Determination to the Federal Government for the requisite notification:

SEQUENCE OF DECISION MAKING PROCESS





REGULATORY ACTIVITIES IN FY 2017-18

GENERATION

The business of power generation is regulated by NEPRA under Section 14(B-D) of the Act.

1.1 Generation Licenses

During FY 2017-18, 31 Generation Licenses, with a cumulative installed capacity of 2471 MW, were issued for different technologies.

Licenses/Source	Nos.	Capacity (MW)
RLNG	1	1279
Coal	2	65
Hydel	6	30
Wind	8	410
Solar	6	450
Bagasse	8	237
Total	31	2471



1,208 MW RLNG based Power Plant at Haveli Bahadur Shah

1.1.1 Distributed Generation/Net-Metering Licenses

During the period under consideration 352 Distributed Generation Licenses, with total installed capacity of 7.15 MW, were issued under the Net Metering Regime.

1.1.2 Modification in Existing Licenses

Modifications in the already granted Generation and Distribution licenses were issued to 18 licensees for different reasons including addition/deletion of Bulk Power Consumers (BPCs); extension of term of license; change of location, fuel and technology etc.; decommissioning and installation; enhancement of capacity; exclusion of units; enhancement of useful life; and carving out part of service territory for distribution companies.

1.2 Generation Tariff

In pursuance of powers conferred under the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997, NEPRA determines Generation, Transmission and Distribution tariff for different categories of licensees. Electricity tariffs are determined in accordance with the Tariff (Standards & Procedure) Rules, 1998.

1.2.1 Tariff Rationalization

After comprehensive review, analysis and stakeholder consultation, Guidelines on Benchmarks for Tariff Determination were issued on June 19, 2018, wherein all i.e. the spread over LIBOR/KIBOR, Return on Equity, Insurance, Financing Fee, Withholding Tax, Debt-Equity Ratio etc. have been closely revisited as per macroeconomic market circumstances and rationalized accordingly. The Guidelines are available on the website of NEPRA which have set the parameters clearly for tariffs to be awarded, thus creating a Regulator predictability as per spirit of the NEPRA Act.

1.2.2 Hydropower Generation Tariff

For the first time since its inception, NEPRA approved tariff of six Hydropower Plants (HPPs) through competitive bidding. Tariff was also determined for a large 1124 MW Kohala hydropower project being executed under CPEC.

1.2.3 Coal based Tariff

New Upfront Thar Coal Tariff on air cool and wet cool technology was approved for a period of two years upon expiry of the previous Upfront Tariff on January 19, 2017. An Upfront Tariff was awarded for 330 MW Thar Coal Mine Power Plant at Thar. Tariff on cost plus basis was determined for coal based operation of 118.8 MW Cogeneration Power Plant at Muzaffargarh.

1.2.4 Bagasse based Tariff

Upfront Tariff 2017 for New Bagasse based Cogeneration Power Projects was determined upon expiry of the previous Upfront Tariff. Tariff was also determined for the 118.8 MW Cogeneration Power Project at Muzaffargarh for Bagasse as alternate fuel.

1.2.5 Solar Power Tariff

Tariff determinations on cost plus basis were issued for five companies based on solar power technology. In addition, decisions were issued on reconsideration requests filed by the Federal Government for two solar power projects. Furthermore, decisions regarding Review Motion filed by two solar power companies were also issued.



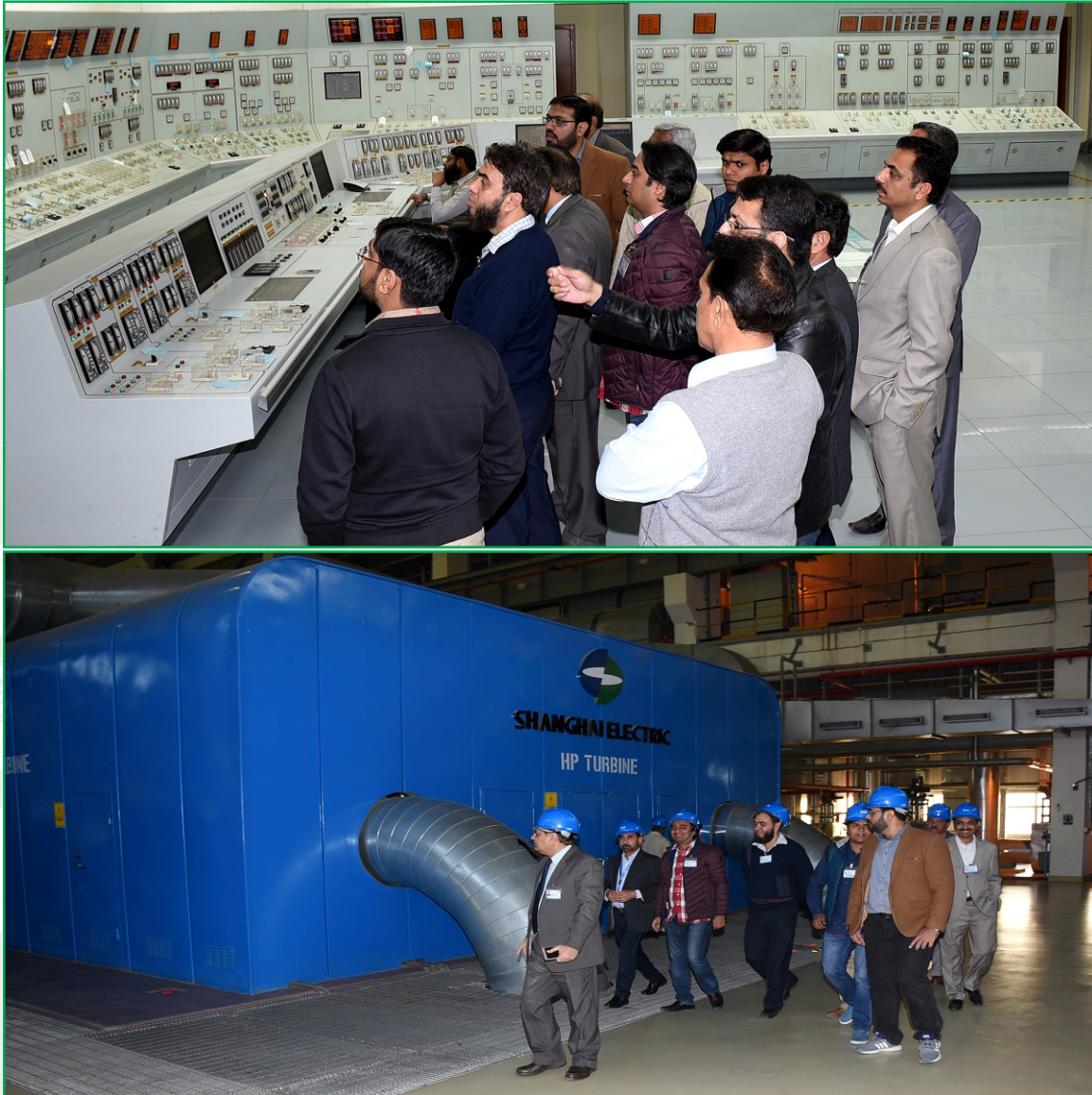
View of Quaid-e-Azam Solar Power Park



View of a Wind Power Plant at Jhimpir

1.2.6 Nuclear Power Tariff

Tariff was determined for 340 MW generation facility of Chashma Nuclear Power Plant Unit-3 for tariff control period of 40 years in November, 2017.



Visit to Chashma Nuclear Power Plant by Tariff & Technical Teams

1.2.7 RLNG based Tariff

Levelized tariff for tariff control period of 30 years was determined for 1,263.20 MW RLNG based generation facility of Punjab Thermal Power (Private) Limited (PTPL) located near Haveli Bahadur Shah, District Jhang. Decision was also issued regarding Motion for Leave for Review filed by Punjab Thermal Power (Private) Limited against Authority's Decision dated December 26, 2017.

1.2.8 Upfront Tariff for Short Term Utilization of Available Generation Capacity

Upfront Tariff was determined for Captive Power Plants (CPPs) based on RFO, Coal and Gas for short term utilization of available generation capacity for delivery of electricity to the power purchaser on take and pay basis. Decisions were also issued regarding Motion for Leave for Review against decisions issued for Captive Power Plants on RFO and Gas.

1.2.9 Security Cost of CPEC Projects

The Authority allowed 1% Capital Cost of all CPEC power sector projects to be reduced by US\$ 150,000/annum (subject to 3% indexation for each year after the 1st year from COD) as security cost in respect of each CPEC power project.

1.2.10 Approval of Inland Coal Transportation Agreement (ICTA)

Inland Coal Transportation Agreement (ICTA) for transportation of coal from Port Qasim, Karachi to power plant in Sahiwal was approved.

1.2.11 Approval of Coal Unloading Jetty for Port Qasim Coal Fired Power Plant

NEPRA accorded approval of the O&M Contract for coal unloading jetty of Port Qasim coal-fired power plant.



Visit to Port Qasim Power Plant by Member and professionals from NEPRA

1.2.12 K-Electric

Following decisions on matters pertaining to K-Electric were taken:

- i. Use of RLNG as Alternative Fuel for K-Electric
- ii. Power Acquisition Request (PAR) of K-Electric Limited for Purchase of 11-14 MW Power from Lotte Chemicals Pakistan Limited
- iii. Motion for Leave for Review filed by K-Electric against the Multi Year Tariff Determination for the period from FY 2016-17 to FY 2022-23

1.2.13 Indexations/Adjustments

A benefit of around Rs. 65 Billion was passed on to the end consumers on account of fuel price adjustment during FY 2017-18.

Decisions were issued regarding periodical adjustments on account of Power Purchase Price (PPP) including impact of T&D losses on Fuel Cost Adjustment (FCA) and Prior Year Adjustment (PYA) pertaining to the FY 2016-17.

1.3 Standards and Codes

1.3.1 Performance Standards (Generation) Rules (PSGR) 2009

Key Performance Indicators (KPIs), developed by NEPRA, are used for performance benchmarking which are subsequently used in tariff determinations for compliance. It was observed that GENCO-I, II and III consumed excess power under head of auxiliary consumption as compared to allowed limit as specified in the licenses and also availed higher outages than allowed in their respective Power Purchase Agreements. These factors led to loss of billions of rupees to the national exchequer. It was also observed that CPPA-G did not impose liquidity damages on GENCO-I, II and III. Accordingly, legal proceedings were initiated by NEPRA.

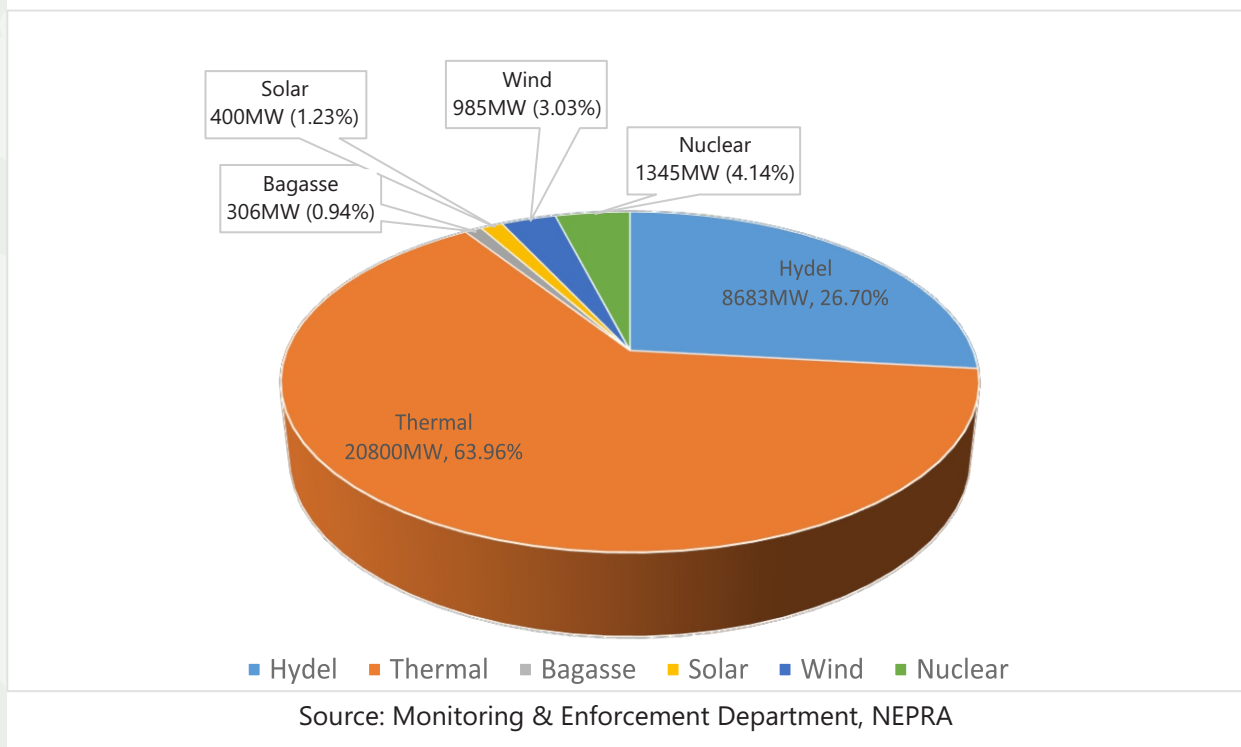


Control Room of Jamshoro Power Company Limited

1.3.2 Grid Code Addendum-I and Grid Code Addendum-II for Grid Integration of Wind and Solar Power Plants

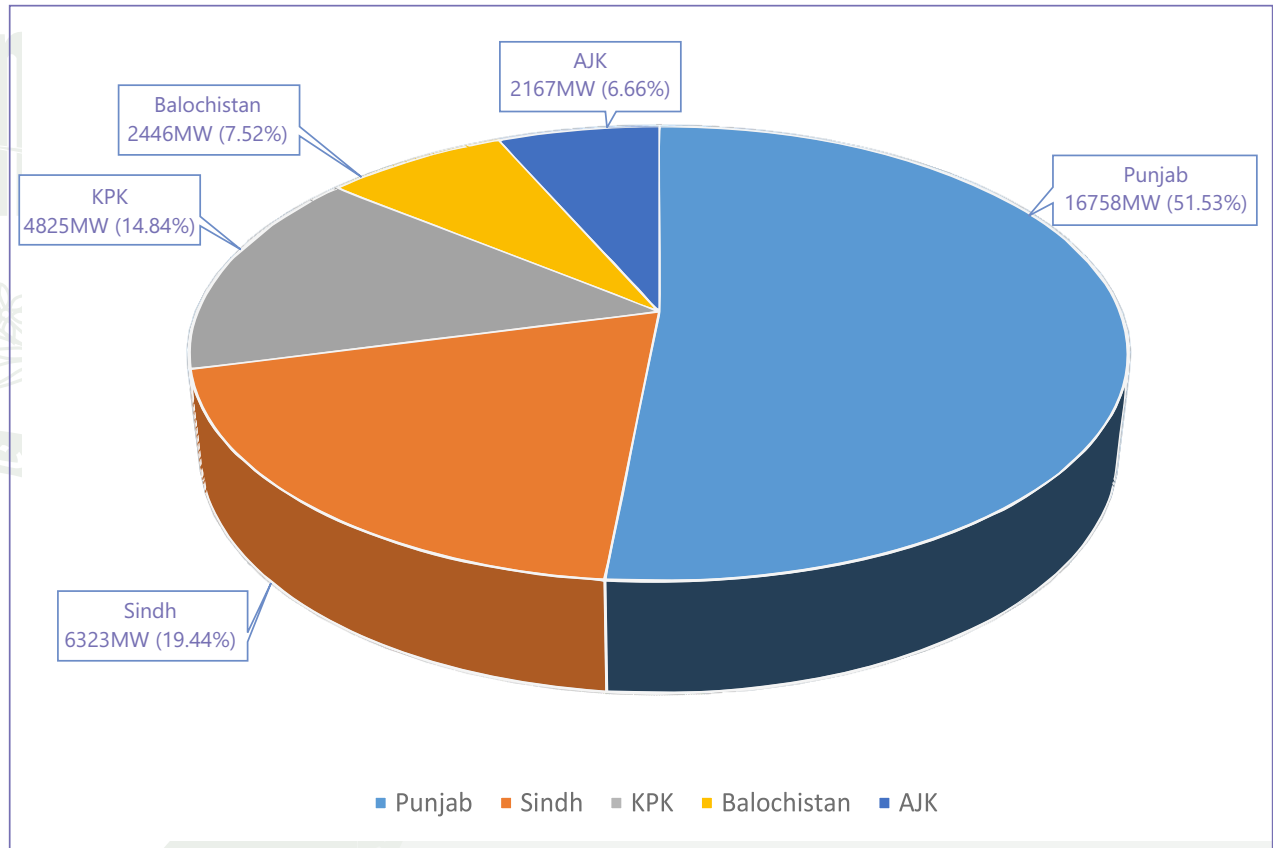
Revision to the Grid Code Addendum I for grid integration of wind power plants was approved based on the modifications recommended by International Energy Consultants. The revision to Grid Code Addendum II for grid integration of Solar Power Plants was submitted by NTDC which is under consideration in NEPRA.

Technology Wise Installed Capacity (MW,%) (2017-18)





Province Wise Installed Capacity (MW,%) (2017-18)



Source: Monitoring & Enforcement Department, NEPRA

TRANSMISSION

The Authority is empowered to regulate the business of transmission in the country through Section 16-19 of the NEPRA Act.



Transmission Network of NTDC

2.1 Transmission Licenses

2.1.1 Special Purpose Transmission License

A Special Purpose Transmission License for 878 KM, \pm 660 KV High Voltage Direct Current (HVDC) transmission line from Matiari, Sindh to Lahore was granted to the Pak Matiari Lahore Transmission Company (Private) Limited. This is the first High Voltage DC line of the country being constructed under CPEC initiative. This will be a major transmission line which will help in the upcountry transmission of 4,000 MW of generated electricity from upcoming power plants located in southern parts of Pakistan towards load centres in the northern parts of the country.

2.1.2 Registration of Market Operator

During the period under consideration, various deliberations/meetings were held to consider the application submitted by CPPA-G for registration as Market Operator which is at an advanced stage of processing.

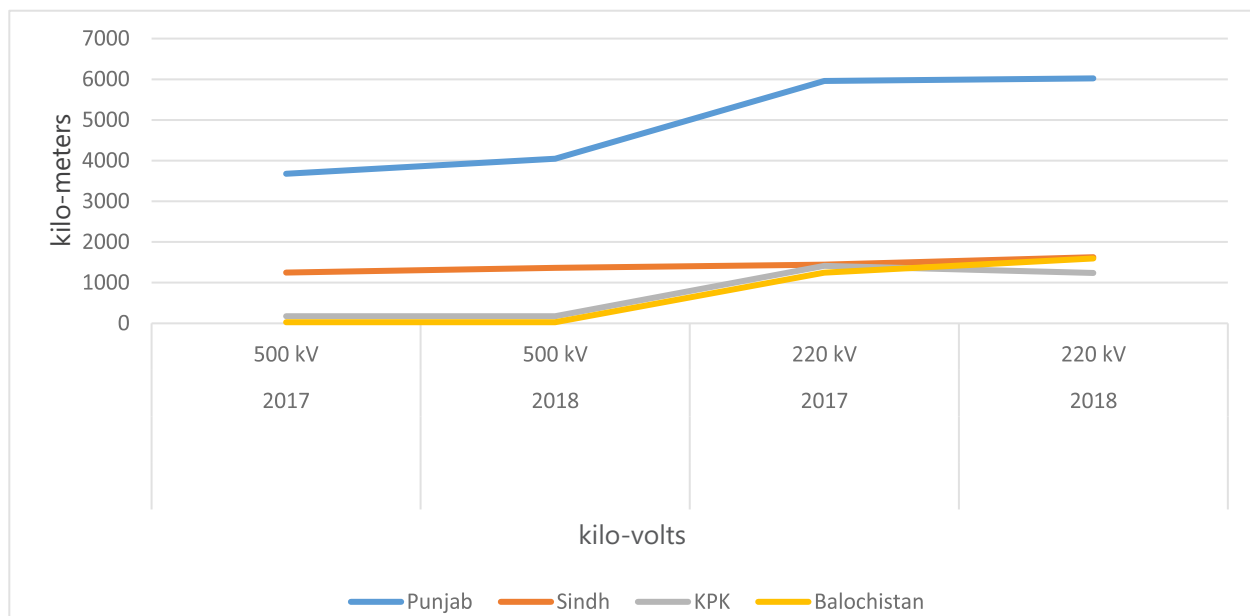
2.2 Transmission Tariff

2.2.1 National Transmission and Dispatch Company (NTDC) Limited

During FY 2017-18, decision on adjustment of O & M component of Transmission tariff for HVDC transmission line from Matiari to Lahore, was determined. There was no additional impact on consumers due to this adjustment, since it was made only under the local component of O&M cost allowed.

Decision was taken by NEPRA on the Review Motion submitted by NTDC for the tariff for FY 2015-16 & FY 2016-17.

**Length of NTDC's Transmission Lines (Province Wise)
(2017 Vs 2018)**



Source: Monitoring & Enforcement Department, NEPRA

2.2.2 Sindh Transmission & Dispatch Company Limited

Decision was taken on the Review Motion filed by Sindh Transmission and Dispatch Company Limited (STDCL) against Tariff Determination dated February 10, 2017.

STDCL is approximately 100 km long Transmission Line dedicated to transmit power from two power plants, located in Nooriabad, to K-Electric. Necessary input was also sought from Sindh Public Procurement Regulatory Authority (SPPRA) on the acceptability of the procurement process adopted by STDCL.

2.3 Standards and Codes

2.3.1 Performance Standards (Transmission) Rules (PSTR) – 2005

A comprehensive Performance Evaluation Report for FY 2016-17 was prepared for both NTDC and K-Electric wherein performance parameters were analyzed and shortcomings were observed in parameters such as system duration of interruption, system frequency of interruption, energy not served (due to tripping/breakdown of 500 KV/200 KV transmission lines), loss of supply incidents and its financial impact, voltage and frequency variation violating limits prescribed, etc.



Visit of the Chairman NEPRA and professionals to existing HVDC projects of the State Grid Corporation of China, Factories for manufacturing convertor transformers and other equipment

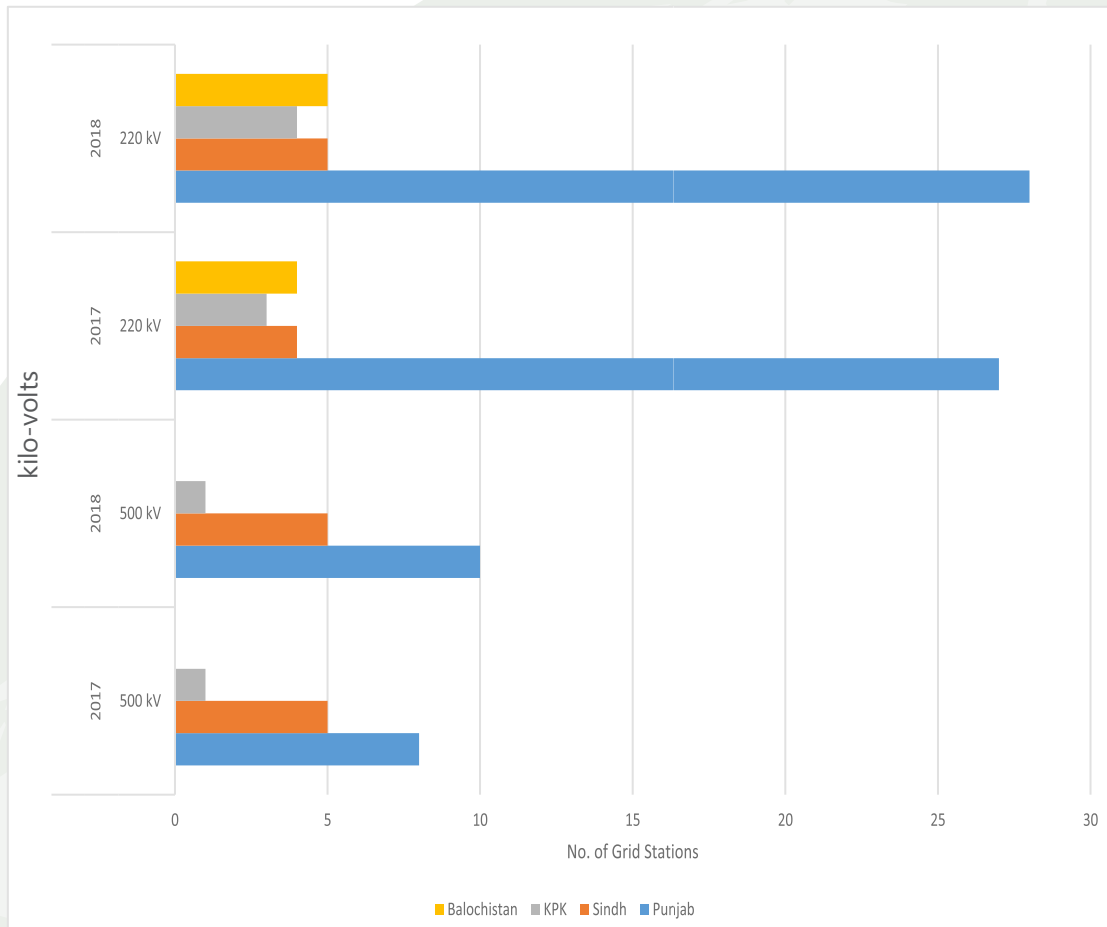


Visit to 220 kV Grid Station at Kala Shah Kaku by professionals from Standards Department



Visit to 220 kV Grid Station at Kot Lakhpat by professionals from M&E Department

NTDC Grid (Stations Wise) (2017 Vs 2018)



Source: Monitoring & Enforcement Department, NEPRA

DISTRIBUTION

Distribution Companies are regulated by NEPRA under Sections 20-23 of the Act.

3.1 Distribution Licenses

During the FY-2017-18, a total of 10 applications for grant of distribution licenses by different housing societies/colonies etc. remained in process.

3.2 Distribution Tariff

The Authority re-determined tariff of eight DISCOs (except QESCO & TESCO) on September 18, 2017. Determination regarding consumer-end tariff of TESCO for FY 2016-17 was also issued.

The Authority, through suo moto proceedings, issued decision regarding periodical adjustments on account of Power Purchase Price (PPP) including impact of T&D losses on FCA and PYA pertaining to the FY 2016-17 in the matter of all DISCOs.

Consequent upon the request of the Federal Government for inclusion of subsidy/surcharge in the schedule of tariff of DISCOs, it was decided by the Authority on March 21, 2018 that the tariff determined by NEPRA will remain unchanged while indicating the amount of surcharges and subsidy in separate columns. The same was notified by the Federal Government in the official gazette.

The Authority determined monthly FCA whereby a benefit of approximately Rs. 65 Billion was passed to the end consumers as a result of Fuel Price Adjustment except lifeline, consumers, domestic consumers having consumption of up to 300 units and agriculture consumers.

The Motion for Leave for Review filed by K-Electric against Determination of Multi Year Tariff for the period from FY 2016-17 to FY 2022-23 was decided by the Authority. Subsequently, the Federal Government filed a reconsideration request which was also decided upon.

3.3 Standards and Codes

3.3.1 Performance Standards (Distribution) Rules (PSDR) – 2005

Performance Evaluation Report of all DISCOs and K-Electric

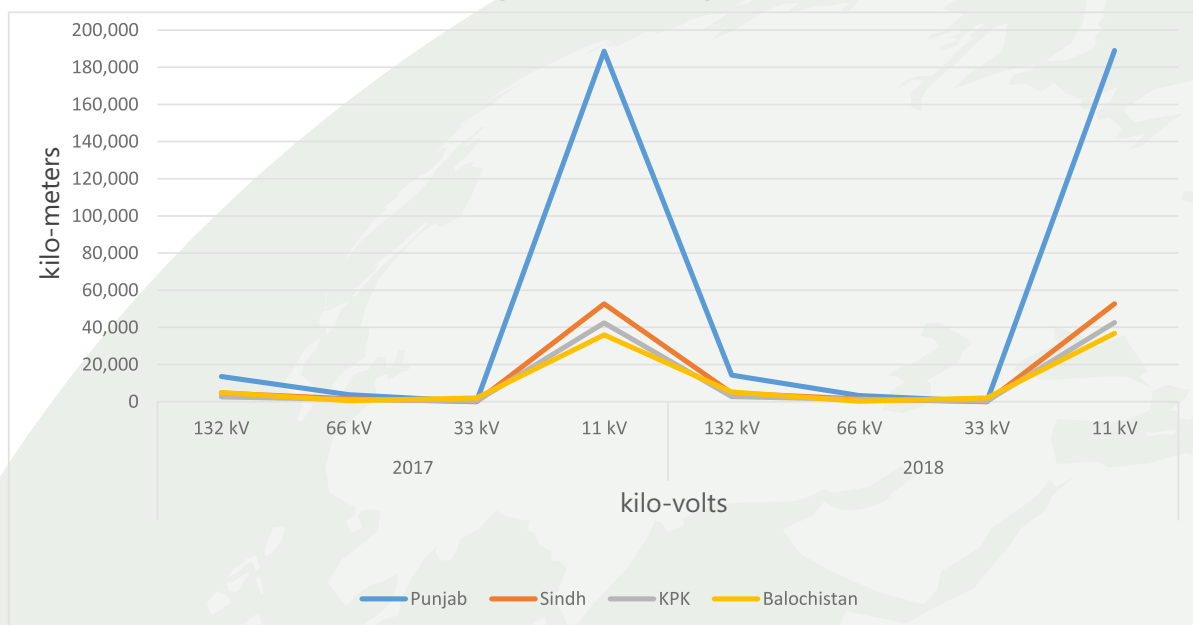
During the reporting period, the Annual Performance Reports from all Distribution

Companies for the year 2016-17 were analyzed and accordingly a Performance Evaluation Report was prepared and uploaded on the website of NEPRA after approval of the Authority. It was observed that DISCOs and K-Electric contributed losses of around Rs.35 billion due to inefficiency and T & D losses and Rs.76 billion due to less recovery of bills. Furthermore, 147 fatal accidents occurred due to violation of prescribed safety standards.

3.3.2 Review of Reliability Standards

Initially, based on repeated requests of distribution licensees, NEPRA set targets of System Average Interruption Frequency Index (SAIFI) and System Average Interruption Duration Index (SAIDI) for the years 2015-16 and 2016-17 separately for each distribution company which is 5% reduction over mean value of last five years data of SAIFI and 10% reduction over mean value of last five years data of SAIDI. The same exercise has been initiated again and all DISCOs and K-Electric have been required to provide the interruption data recorded automatically for setting up of SAIFI and SAIDI targets for upcoming years.

Length of Distribution Lines (km) by Province & Voltage (2017 Vs 2018)



Source: Monitoring & Enforcement Department, NEPRA

3.3.3 Safety Audit of DISCOs

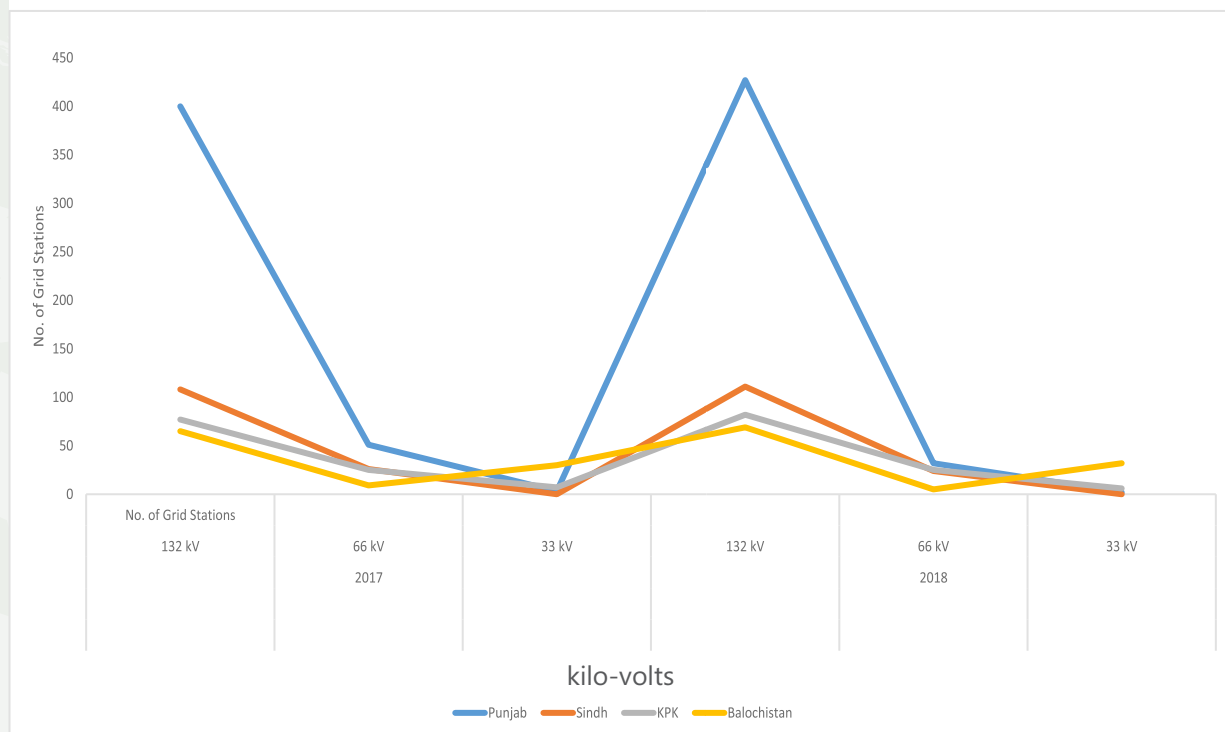
Taking serious notice of the number of fatalities of employees of DISCOs, NEPRA initiated Safety Audits of DISCOs and K-Electric. A detailed study was carried out to determine the circumstances and total number of fatal accidents occurring in DISCOs and K-Electric

during the last seven years which revealed that 1169 fatal accidents occurred from July 1, 2011 to June 30, 2018.

3.3.4 Distribution Code

For implementation of Distribution Code, NEPRA conducted a consultative workshop/seminar, wherein Distribution Code Review Panel (DCRP) was established for the development of Distribution Code Addenda such as integration of small hydel power plants and interconnection of distributed generators under Net Metering regime for wind, solar and other power plants. Accordingly, meetings were held for addressing interconnection issues at the distribution level specifically relating to Renewable Energy Integration at distribution level through Net Metering platform.

**DISCOs Grid Station (Province Wise)
(2017 Vs 2018)**



Source: Monitoring & Enforcement Department, NEPRA

3.3.5 Power Safety Code

Based on the approved Power Safety Code, LESCO and MEPCO were directed to prepare their comprehensive safety manuals and the same has been shared with other DISCOs so that a uniform document can be finalized.

3.3.6 Performance Ranking

Evaluation Report for the year 2016-17 was prepared and uploaded on the website of NEPRA. The Performance Ranking of Distribution Companies was carried out on the basis of analysis of Annual Performance Report data pertaining to T&D losses, recovery, time frame for new connections and safety. The detail is as under:

Name of DISCO	Performance Ranking
IESCO	1 st
GEPCO	2 nd
LESCO	3 rd
MEPCO	4 th
K-Electric	5 th
FESCO	6 th
PESCO	7 th
SEPCO	8 th
HESCO	9 th
QESCO	10 th

CONSUMER AFFAIRS & COMPLAINTS

Safeguarding the interest of consumers and protecting them from discriminatory treatment is of critical importance to NEPRA. The Consumer Affairs Division (CAD) is responsible for handling the complaints of consumers who can approach NEPRA under NEPRA Complaint Handling and Dispute Resolution (Procedure) Rules, 2015 read with Section 39 of the Act against a Licensee for contravention of any provision of the Act or any Order, Rule, Regulation, License or instructions made or issued thereunder.

NEPRA has established Regional Offices at all the Provincial Capitals in order to facilitate electricity consumers for speedy redressal of their grievances. The complaints received by the Authority mainly relate to excessive and detection billing, delay in provision of connections and in replacement of defective meters, low voltage problem, slow augmentation of transformers, non-receipt of electricity bills, delay in replacement of damaged transformers, and excessive load shedding etc.

Status of Complaints received during July 1, 2017-June 30, 2018 at NEPRA Head Office

DISCO	TOTAL Complaints received / processed	Total complaints disposed of / redressed	Under Process
	[A]	[B]	[C] = [A] - [B]
MEPCO	643	618	25
HESCO	628	613	15
SEPCO	339	328	11
PESCO	245	233	12
GEPCO	77	69	8
K-Electric	531	479	52
IESCO	172	162	10
LESCO	212	197	15
FESCO	168	160	8
QESCO	10	5	5
TESCO	3	1	2
WAPDA	4	3	1
NTDC	3	1	2
BTPL	1	1	0
TOTAL	3036	2870	166

Status of Complaints received during the Period July 1, 2017-June 30, 2018 at NEPRA Regional Offices

DISCO	TOTAL Complaints received / processed	Total complaints disposed of / redressed	Under Process
	[A]	[B]	[C] = [A] - [B]
Lahore Office			
MEPCO	338	320	18
GEPCO	70	62	8
LESCO	788	660	128
FESCO	78	71	7
Karachi Office			
K-Electric	2996	2957	39
HESCO	124	122	2
SEPCO	103	90	13
Peshawar Office			
PESCO	529	297	232
Quetta Office			
QESCO	0	0	0
TOTAL	5026	4579	447



Hearing on Consumer Complaints at Multan

4.1 NEPRA Appellate Board

Provincial Offices of Inspection (POI) have been established under Section 38 of NEPRA Act 1997 and powers conferred on the Electric Inspector appointed by the Provincial Government under the Electricity Act 1910 to make the determination in respect of disputes over metering, billing and collection of tariff. Appeals against the decision/order of Provincial Offices of Inspection are heard by the Appellate Board constituted by the Authority.

The status of appeals redressed during FY 2017-18

DISCO	Previous Balance till 30.06.2017	New Filed	Total	Decided	Balance till 30.06.2018
LESCO	42	52	94	62	32
MEPCO	6	30	36	16	20
FESCO	42	52	94	66	28
GEPCO	10	12	22	16	6
TESCO	0	1	1	0	1
IESCO	1	0	1	1	0
K-ELECTRIC	26	70	96	67	29
PESCO	0	1	1	0	1
HESCO	1	6	7	7	0
SEPCO	0	1	1	1	0
QESCO	0	1	1	1	0
TOTAL	128	226	354	237	117

4.2 Establishment Of Additional Regional Offices

On the recommendation of the National Assembly's Standing Committee of Cabinet, the Authority has approved the establishment of five additional offices of NEPRA at DISCOs' Headquarter level at Gujranwala, Faisalabad, Multan, Hyderabad and Sukkur, along with staff, in addition to strengthening the existing offices at Karachi, Lahore, Peshawar and Quetta.

MONITORING AND ENFORCEMENT

The Monitoring and Enforcement Department of NEPRA works to enhance the competency and performance of the power sector by enforcing Rules and Regulations, Statutory Orders and Terms and Conditions that are mentioned in the License, Standards and Codes of Conduct, etc.

5.1 Generation

Reports are regularly prepared based on generation data of all power plants provided by the National Power Control Centre (NPCC). Successful monitoring was undertaken regarding compliance with all directions of the Authority contained in the Generation licenses. Various Advisories were sent to the Ministry of Water and Power for effective utilization of the available generating sources. Show Cause Notices were issued to GENCOs and NTDC for underutilization of power plants. Subsequently, fines were imposed on both under NEPRA (Fines) Rules, 2002. Various licensees submitted their Environmental Standards Compliance Reports which were reviewed. Further, Show Cause Notice was issued to NTDC on account of non-provision of on line access to generation data with the direction to provide the same along with monitoring systems available at National Power Control Centre (NPCC) immediately after completion of SCADA phase-II project. Instructions for remedial measures were also issued to the management of various power plants.

5.2 Transmission and Distribution

Monitoring was carried out regarding the daily data of DISCOs pertaining to energy dispatched against allocated quota; digitized plotting of distribution network of DISCO's (as per articles of Distribution License); transmission and distribution losses of DISCO's; loading position of 500 kV, 220 kV and 132 kV grid stations, power transformers, distribution transformers and feeders; compliance of directions of the Authority issued to DISCOs and NTDC in tariff determinations; and compliance with provisions of the license

5.2.1 Analysis of Daily Data of DISCOs regarding Energy Dispatched against their Allocated Quota

Fine was imposed on PESCO for failing to draw full allocated quota of power against demand due to system constraints and it was directed to improve the distribution system to minimize load shedding.

5.2.2 Legal proceeding against the licensees for violations of NEPRA Act, Rules and Regulations and Applicable Documents

NEPRA initiated legal proceedings against licensees regarding non-compliance of

directions of the Authority:

- i. Legal Proceedings under NEPRA Fines Rules, 2002 against DISCOs for non-compliance of the directions of the Authority regarding digitization of distribution network under Article 3.3 of their license.
- ii. Imposing fines on NTDC, PESCO, GENCO-II and GENCO-III for extending completion dates of power projects, failure to remove system constraints from network, non-maintenance of switchyards of 220 kV TPS at Guudu and Muzaffargarh respectively.



Visit to RLNG based Balloki Power Plant by Member (CA)/Vice Chairman

LEGAL

6.1 Amendment in NEPRA Act, 2018

Under the 1997 Act, NEPRA has five core functions, namely licensing, tariff determination, prescribing rules and regulations, monitoring and enforcement of regulated entities, settlement of disputes among licensees and safeguarding consumer interests. The Parliament has recently passed the Regulation of Generation, Transmission and Distribution of Electric Power (Amendment) Act, 2018 [Act No. XII of 2018] in April 2018. The Amendment Act has restructured and evolved the energy sector in material respects and overhauled the role and responsibilities of NEPRA. The material changes to the law introduced vide the Amendment Act are as follows:

6.2 NEPRA Structural and Operational Reforms

The Act 2018 has revised the eligibility criteria for appointment of the Chairman and Members of the Authority, along with revisions to provisions relating to terms and conditions of their employment and remuneration.

PREVIOUS LAW	AMENDED LAW
Chairman to have 20 years of professional experience	Chairman to have 12 years of professional experience
Members to have 15 years of professional experience	Members to have 12 years of professional experience
Age of retirement of Chairman/Members is 65 years	Age of retirement of Chairman/Members is 60 years*

* Savings of term provided to incumbent members of the Authority

The Act has further revised the subordinate legislative framework of the sector. The revised list of subject matters falling under Rules and Regulations is as follows:

Sr. No.	Rules	Regulations
1.	Federal Government shall notify Rules on its own motion or on recommendation of the Authority in consultation with Authority and Provinces	NEPRA can make Regulations without seeking approval of the Federal Government
2.	Nominations for Members of the Authority and Appellate Tribunal	Appointment of officers and staff of NEPRA and the terms and conditions of their service
3.	Manner of appeal before the Appellate Tribunal	Form and manner of license applications
4.	Publication of rates and charges for electricity consumption	Procedure for metering, billing and collection of charges
5.	Submission of Reports to CCI and Federal Government	Application Fees
6.	Inquiry into Licensees	Procedure for resolving disputes
7.	Minimum HR, Technical and Solvency requirements	Manner and procedure of Show Cause Notices
8.	Eligibility criteria for licencees	Power Acquisition Requests
9.	Preparation of National Electricity Policy	Investment, Performance, Technical and Accounting Standards
10.	-	Determination of tariff
11.	-	Fees
12.	-	Industry standards and uniform codes of conduct
13.	-	Uniform system of accounts for generation, transmission and distribution facilities
14.	-	Period within which uniform system of accounts are to be specified

6.3 Conflict of Interest

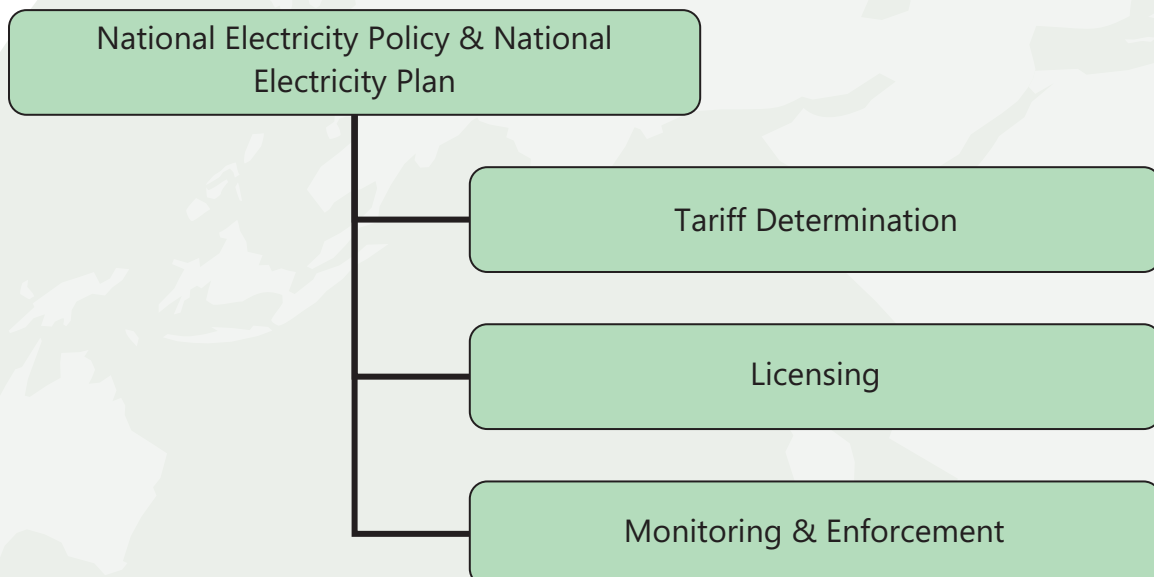
The subject of conflict of interest, and its mitigation, has been introduced in the Amended Act. Conflict of interest has been defined to cover direct or indirect financial interest or any connection with a company connected to provision of electric power services. With this wide definition, an elaborate draft procedure has been prepared for Members of the Authority to disclose and regulate potential conflicts, while not compromising the effective working of the Authority itself. Further, criminal liability of 1-year imprisonment and Rs. 10 million fine has also been introduced for failure to disclose conflicts of interest.

6.4 National Electricity Policy and Plan

A central concept introduced in the Amendment Act 2018 is the National Electricity Policy and the National Electricity Plan. The National Electricity Policy is to be prepared by the Federal Government, with approval of the CCI and in consultation with the Authority, and the National Electricity Plan is to be prepared by the Federal Government in consultation with the Provincial Governments. A National Electricity Policy for development of power markets will be prescribed from time to time with approval of the Council of Common Interests and a National Electricity Plan will be prepared for a period of five years.

The major force of these policy documents comes from the revised statutory provisions, which prescribe that all functions of the Authority under the NEPRA Act shall be subject to the National Electricity Policy and the National Electricity Plan. As such, all functions of NEPRA, including Tariff Determination, Licensing and Monitoring & Enforcement, are subservient to the provisions of the Policy and Plan.

The Act



A National Electricity Policy shall cover the following subject matters :

- Efficient and Liquid Power Market Design
- Development of Systems for Optimal Utilisation of Resources (e.g. coal, gas, hydro)
- Integration of National and Provincial Transmission Systems
- Development of a Renewable Energy Market
- Any other matter relating to Development, Reform, Improvement and Sustainability of the Power Sector

6.5 Market Reforms

The other major focus of the Amendment Act has been to introduce various market-based frameworks for establishing an energy sector regime based on competition. The law has introduced various new entities and licensees that NEPRA will be regulating going forward. These include:

- The Market Operator
- The System Operator
- The Provincial Grid Company
- The Electricity Supplier
- The Electricity Trader
- Registered Persons under the NEPRA Act

Other market based reforms in the NEPRA Act to allow for creation of a competitive framework include:

- Removal of exclusivity of Distribution Companies
- Gradual cessation of Generation Licences (over 5 years)
- Moratorium of 5 years on provisions relating to market reform (except for Supplier and Trader)
- All DISCOs will be deemed to be Power Suppliers for a period of 5 years

In addition to the above, the traditional Distribution Licence has now been bifurcated, with 'Distribution' Licensees being restricted to the wire business and 'Supplier' Licensees undertaking sale of electric power to end consumers. The holder of a Distribution license on the date of coming into effect of the Act shall be deemed to hold a license for supply of electric power for a period of five years from such date. The Authority, after such enquiry as it may deem appropriate and subject to the conditions specified, grant a license for supply of electric power. Furthermore, the service territory exclusivity previously enjoyed by Distribution Licensees has also been removed by the legislature.

There are certain areas where transition from the existing regime to the scheme under the Amended Act present challenges for the Regulator. These areas, among others, include

market design and architecture, readiness of market entities, capacity building of regulatory authority, future of CPPA-G and market entrants and market design responsibility of NEPRA.

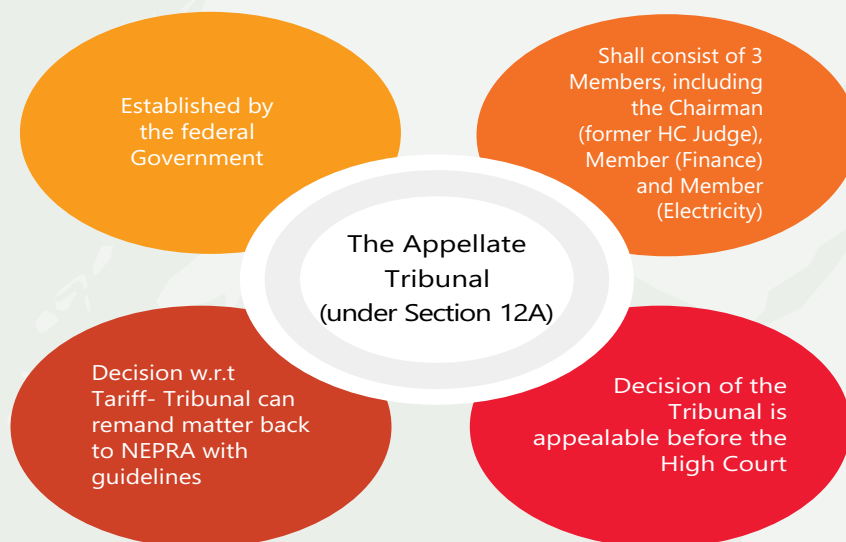
6.6 Tariff Determination

NEPRA's powers to determine tariffs has been restricted since they will now be guided by the National Electricity Policy, the National Electricity Plan and Federal Government guidelines. Further, the NEPRA Act now provides statutory guidelines for tariff determinations that previously formed part of Tariff Rules as follows:

- Allow licensees to recover all costs prudently incurred
- Provide depreciation charge and rate of return based on investments of comparable risk
- Provide rate of return to promote continued investment
- Provide mechanism for rewarding and penalising licensees for efficiency in cost and quality of service
- Reflect Marginal Cost principles
- Preference for competition

6.7 Appellate Tribunal

The Amendment Act 2018 has introduced the Appellate Tribunal framework into law. Going forward, all orders and determinations of the Authority shall be subject to appeal before the Tribunal. The Tribunal shall comprise of 3 members with diverse backgrounds and expertise.



Members of the Appellate Tribunal are to be appointed in rotation by the Federal Government upon nomination by Provinces. Appointment of Chairman will be for 4 years

and Members for 3 years. The Chairman and the members will be appointed for a single term. There will be one Member (Electricity) and one Member (Finance). The retirement age of the Members will be 65 years.

The Decisions are to be taken by simple majority. Appellate Tribunal will hear appeals against decision of the Authority, Single Member or Tribunal. The Appeal is required to be filed within 30 days. If deemed necessary the Tribunal will conduct further inquiry and provide opportunity of hearing. In case of disagreement with Authority on matter of tariff, Tribunal will remand matter back to Authority with relevant guidelines which shall be duly considered by the Authority and the Authority is required to review its decision within one month. Decisions of the Tribunal are appealable before the High Court.

6.8 Offices of Complaints

The NEPRA Act now contains a framework for establishing district level Complaint Offices for handling complaints relating to overbilling, non-compliance of instructions regarding metering and collection of approved charges, disconnection in case of non-payment of charges, electric power theft and use of energy for purposes other than for which it was supplied. Application for filing complaints shall be specified by the Authority. Under the complaint system, the Authority may impose penalties of 3 years imprisonment and Rs.10 million fine. The officers of DISCOs' involved will also be punishable.

6.9 Expansion of Regulatory Powers

Flowing from the above, NEPRA's role in the forthcoming competitive energy sector has also been revised, with a major focus on the regulator's enforcement powers. The Authority has been granted new enforcement powers of investigation, prohibition orders, issuance of directions and indemnity.

OTHER LEGISLATIVE ACTIVITIES

6.10 Expansion and Consolidation of Net Metering

Net Metering was introduced by NEPRA in 2015 as a framework for small consumers to opt for renewable energy throughout the country. This regime has been expanded by NEPRA, to allow general services and single point bulk suppliers to avail net metering. Net metering consumers can also now install DG facilities equal to 1.5 times their sanctioned load (previously DG facilities were restricted to being equal to sanctioned load of the premises). Furthermore, NEPRA has clarified the process of net metering billing whereby net units will now be billed at the national average purchase price of distribution companies and off-

peak DG units will be net-off against off-peak DISCO units and peak DG units against peak DISCO units.

6.11 Guidelines for Tariff Determination

NEPRA has prescribed the National Electric Power Regulatory Authority (Benchmarks for Tariff Determination) Guidelines, 2018, which provide for the standards, principles and terms and conditions on the basis of which tariffs are determined. These guidelines have been issued for bringing transparency and uniformity to the tariff determination process.

6.12 LITIGATION STATUS

The details of cases filed and decided from different courts of the country pertaining to the functions of NEPRA are as under:-

	Pending as on 30.6.17	Filed in 2017-18	Total	Decided in 2017-18	Balance as on 30.6.18
Supreme Court	377	82	459	241	218
Islamabad High Court	73	31	104	11	93
Lahore High Court Lahore	317	93	410	112	298
Lahore High Court Multan	253	87	340	131	209
Lahore High Court Bahawalpur	10	3	13	0	13
Lahore High Court Rawalpindi	58	4	62	10	52
Peshawar High Court	83	12	95	26	69
Peshawar High Court Abbottabad	0	23	23	3	20
High Court of Sindh Karachi	207	61	268	32	236
High Court of Sindh Hyderabad	60	4	64	43	21
High Court of Sindh Sukkur	10	7	17	14	3
High Court of Sindh Larkana	4	0	4	3	1
Balochistan High Court Quetta	2	2	4	0	4
Civil Courts	199	22	221	165	56
Total	1653	431	2084	791	1293

COORDINATION & IMPLEMENTATION

The Coordination & Implementation Department (C&I) acts as a Secretariat to the Chairman's office. It manages the conduct of Regulatory Meetings, Hearings, recording of minutes & decisions and their issuance and determines priority of the cases.

During the period under review, 687 Authority Regulatory Meetings and 144 Public Hearings were held. The details are given in the following Table:

Details of Authority Regulatory Meetings & Hearings held during July 1, 2017-June 30, 2018

Month	Regulatory Meetings	Hearings	Total
July 2017	74	5	79
August 2017	52	7	59
September 2017	55	6	61
October 2017	74	12	86
November 2017	39	17	56
December 2017	70	8	78
January 2018	66	19	85
February 2018	53	7	60
March 2018	47	22	69
April 2018	27	25	52
May 2018	80	9	89
June 2018	50	7	57
Total	687	144	831

The Department ensures internal compliance of Authority decisions through a process of implementation/monitoring in addition to facilitating the Case Officers/Sponsors of Meetings/Hearing in timely disposal of decisions/instructions. The C&I Department submits a monthly report to the Authority on the Implementation Status of decisions taken during the Regulatory Meetings.



Regulatory Meeting in Progress

The Department also consolidates and finalizes NEPRA Annual Report which is to be submitted to the Council of Common Interests (CCI) as per Section 42 (a) of the NEPRA Act.



Member (CAD) with Representatives of the World Bank and NEPRA Professionals after a Consultative Session

Further, input of NEPRA for Economic Survey of Pakistan, Budget speech of the Finance Minister and Yearbook of the Cabinet is also compiled by the C & I Department.

ADMINISTRATION & HUMAN RESOURCE

The Administration Department is responsible for the upkeep of NEPRA Office building and allied services and facilities. The Human Resource Department is responsible for welfare of employees and their career management. Following are some of the activities undertaken during the financial year 2017-18 to facilitate the employees and the Authority:

8.1 2nd Meeting of SAARC Council of Experts of Energy Regulators

NEPRA successfully organized the 2nd Meeting of SAARC Council of Experts of Energy Regulators from October 24, 2017 - October 25, 2017 at the Marriott Hotel Islamabad. The Conference was followed by a formal dinner and a Cultural Program for the distinguished guests from SAARC Countries.

8.2 Trainings

NEPRA pays special attention to capacity building of its employees. The nature of power sector regulation requires professionals of NEPRA to be kept up to date and, therefore, focused trainings and opportunities are provided to the employees in Pakistan and abroad.

Local Trainings

Sr.	Seminar/Workshop/Training
1.	International Summit on Wind Energy
2.	Inception Conference for USAID'S Sustainable Energy for Pakistan (SEP) Program
3.	10th Annual Powergen Conference
4.	Heat Rate Improvement of Steam and Combined Cycle Power Plants
	Workshops
5.	Energy and Demand Forecasting to institutionalize the function within respective entities
6.	Integrated Energy Planning (IEP) Data
7.	Net Metering
8.	Power Market Transition
9.	Problem Solving and Decision Making Skills
10.	National Re-Dialogue and Policy Paper Discussion
11.	Developing Managerial Competencies
12.	Principles of Good Management
13.	Handling Difficult People
14.	Powering the Future, Technology Day
15.	Effective Letters, Reports and Presentations

Foreign Trainings

Various Foreign Trainings were held during the year 2017-18 and NEPRA nominated its professionals for undertaking the following international trainings:

Sr. No.	Seminar/Training/Workshop
1.	Reverse Power Auctions
2.	World Energy Summit- Future Energy Leaders Conference
3.	Regulatory Cooperation to Facilitate Knowledge Sharing, Addressing Crosscutting Energy/Electricity Regulatory Issues and Capacity building in South Asia
4.	Balancing (Electricity) Markets and Ancillary Services
5.	Design, Management, Operation of a Power Trading Entity
6.	Pak China Matiari HVDC project of State Grid in China
7.	1st Educational Workshop: Energy Capital Investment Programs
8.	ERRA Tariffs/Pricing Committee Meeting
9.	ERRA Licensing/ Competition Committee Meeting
10.	Meeting of ERRA Liaison Officers
11.	ERRA CRM Working Group Meeting
12.	6th Meeting of SARI/EI Task Force-1
13.	Meeting with the Management of NEA and Chinese Power Regulatory Authority
14.	Understanding the Demands of Power Purchase Agreement
15.	Energy Regulation and Regulatory Affairs
16.	Corporate Governance and Board Effectiveness
17.	KGGTF Knowledge Exchange Visits and Annual Flagship Events
18.	Customer & Retail Market Working Group Meeting
19.	Professional Certificate in Strategic Regulatory Reform
20.	Creative Problem Solving & Decision Making



NARUC Peer to Peer Exchange Activity on Tariff Methodology in Brazil

8.3 Recruitment

Recruitment of employees and their capacity building is the fundamental function of the Human Resource Department. During FY 2017-18 NEPRA was able to enhance its human resource in order to fill up the gaps with the appropriate resources.

8.4 NEPRA Sports & Recreational Club Activities

In order to promote physical activities for the employees, following sports and recreational activities were arranged:

- (a) 3rd mens' doubles Table Tennis Tournament was arranged in May 2018, wherein 16 teams from a number of departments participated
- (b) 3rd mens' tape-ball intradepartmental cricket tournament "NEPRA Super League" was arranged in April 7, 2018 at the COMSATS cricket ground. The teams of Tariff and Consumer Affairs Departments were declared winner and runner's up respectively.



Final Match of NEPRA Table Tennis Tournament 2018 (Season -III)

8.5 Fire Fighting Drill

A standardized fire-fighting drill was conducted on September 19, 2017 at 1100 hours, under the supervision of the Fire Fighting Department of the Capital Development Authority (CDA). The complete drill for evacuation took place within 6 minutes after the fire-alarm got activated and no injuries were reported. CDA also shared a report of successful execution of the drill.

8.6 Miscellaneous

- i. Procurement of Goods/Services
- ii. Advertisements, through the Advertising Agencies on NEPRA's approved panel and a

- number of press releases, were released on a daily basis on electronic as well as print media.
- iii. The Health & Fitness Centre of NEPRA was upgraded to a basic level gym.
- iv. Indoor as well as outdoor physical activities were promoted for which a complete standardized in-house badminton court has been established.



Farewell to Major (R) Haroon Rashid, the Authority Member (Balochistan)



Chairman NEPRA Presenting a Bouquet to Director Administration for his Dedicated Services upon his Retirement

INFORMATION TECHNOLOGY

NEPRA is deploying state of the art technology in order to keep up pace with global trends.

9.1 Implementation of New Dell Blade Server Hardware and CISCO Core Network

The Data Center has been upgraded by deploying state-of-the-art servers of Dell Blade series and successfully shifting all applications and data on it. The hardware provides additional benefits like load balancing, failover, centralized management, flexibility, modularity, and ease of upgrading. It also provides a secure, professionally managed data center to meet the growing information technology needs.

It applies to ERP Applications such as General ledger, Payroll System, Accounts Payable & Receivables, HR, Asset Management, NEPRA Dashboard and Biometric Attendance System.

All Oracle ERP E-Business Suite applications and data were relocated to the newly deployed DELL blade servers with minimum service interruption and data loss.

9.2 Up gradation of Oracle E-Business Suite

Oracle E-Business Suite was upgraded and migration of data and operating system of Oracle EBS to the latest versions was undertaken.

9.3 IT Infrastructure for Regional Offices

Offices of NEPRA in Peshawar, Lahore, Quetta and Karachi were connected with the Head Office Islamabad providing biometric attendance and video camera surveillance to the Head office on real time basis.

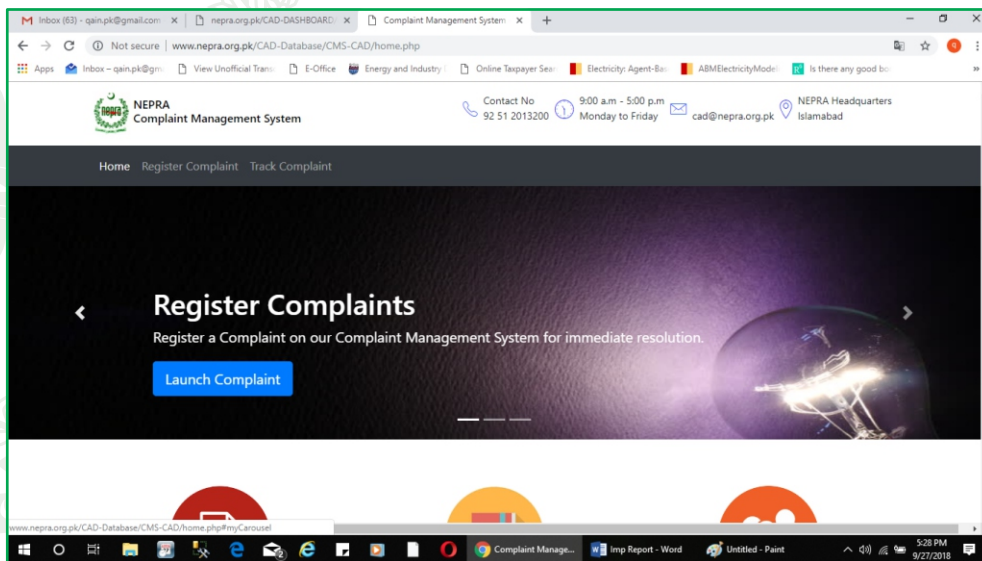
9.4 Record Digitization

NEPRA's record digitization activity is to make the documents and information easily and always accessible to different departments of NEPRA. In this regard, thirty (30) Optical Character Recognition (OCR) scanners have been provided to various departments and 260 GB data is digitized so far. Furthermore, the audio of NEPRA's Authority hearings is also digitized by using latest state of the art digital sound recording system and 126 GB audio data is digitized so far since 2009.

9.5 Development of Online Complaint Management System

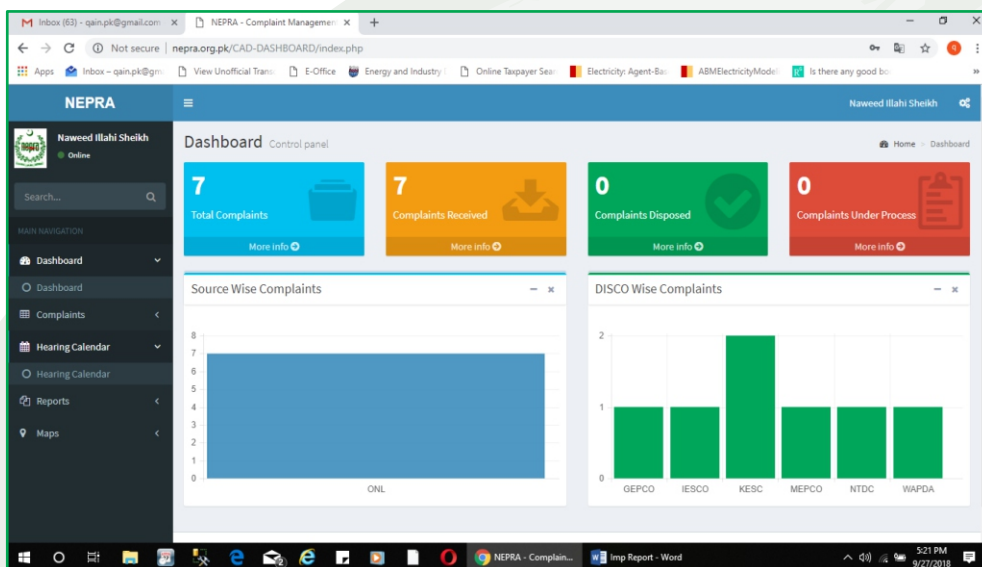
Keeping in view the increased number of complaints registered/filed with the Consumer Affairs Department and after introduction of clause 35A in NEPRA Amendment Act 2018 a new state of the art, comprehensive web based Online Complaints Management

AmendmentSystem for efficient monitoring and tracking of these large number of Complaints has been developed.



Complaint Management Dashboard

Around 4800 people availed the facility for redressal of Complaints.



Consumer Affairs Web Portal

9.6 NEPA Dashboard

NEPA's Dashboard is a single repository of 188 data sets which provide information on licensing, electricity tariff, monitoring and enforcement, consumer complaints, power acquisitions and tariff petitions. Its interactive interfaces allow user to generate customized reports and view data in charts, matrices and tabular forms. This information system is

updated on daily, monthly, quarterly and yearly basis. Furthermore, Departmental Management Information Systems (MIS), developed and deployed so far, are firmly integrated with the Dashboard.

9.7 NEPRA Website

NEPRA website is one of the important component which is designed and updated by the IT department on regular basis. Table 1 provides monthly breakup of User/Visitor Summary for the Period July 2017 - June 2018 and table 2 indicates top 25 countries from where NEPRA website was accessed.

Table - 1: User/Visitor Summary for the period July 2017 - June 2018

Month	Number of Visits	New Visitors	Files Downloaded	Hits	Bandwidth GB
Jul -17	31,605	17,647	120,173	1,051,105	737.88
Aug -17	31,972	17,661	123,925	1,046,127	889.79
Sep -17	31,333	17,935	138,818	1,033,079	642.25
Oct -17	33,884	18,276	312,714	1,292,103	866.76
Nov -17	30,841	16,430	87,869	975,158	690.89
Dec -17	29,170	15,518	82,195	905,426	554.52
Jan -18	34,506	17,571	140,232	1,175,871	487.91
Feb -18	28,877	15,553	87,838	923,033	418.19
Mar -18	32,136	15,884	102,280	1,033,901	734.66
Apr -18	33,826	16,634	325,741	1,433,756	505.14
May -18	34,447	17,320	116,069	1,210,223	515.44
Jun -18	30,846	15,869	115,897	982,026	387.04
Total	383,443	202,298	1,753,751	13,061,808	7,430

Table - 2: Top 25 Countries from where NEPRA Website was accessed during FY - 2017-18

Countries	Pages	Hits	Bandwidth (GB)
Pakistan	67,452	737,186	201.20
United States	15,952	162,362	46.72
China	9,352	41,848	21.76
India	4,529	33,981	10.39
Netherlands	881	2,024	2.03
Great Britain	781	9,644	1.91
United Arab Emirates	624	6,396	1.74
Hungary	613	7,052	2.84
Russian Federation	613	2,282	0.95
Canada	527	4,527	0.93
South Korea	479	6,493	1.8
Germany	453	5,494	2.95
South Africa	413	4,098	2.28
Poland	386	1,000	1.25
Japan	364	3,880	2.41
Ukraine	340	1,025	0.11
France	303	1,785	2.45
Philippines	252	1,799	4.98
Saudi Arabia	250	3,640	0.97
Italy	248	967	0.29
Australia	240	2,799	0.76
Turkey	213	1,553	0.29
Malaysia	173	1,443	0.78
Singapore	150	2,507	1.32
Brazil	139	392	81.65
Others	2875	21613	0.08
Total:	108,602	1,067,790	5,700

9.8 Goals for 2018-2019

- Migration of existing physical servers running on tower based hardware to Dell blade servers in a virtual environment creating physical servers to virtual environment including Sharepoint 1 (USOA), Sharepoint 2 (NEPRA Dashboard), DHCP, Bio-Metric and Exchange Server (New Server)
- Further enhance internet connectivity to increase redundancy and to keep up with growing demand for bandwidth
- Strengthen the policy and rule set on the external firewall
- Improve technology support by taking proactive steps including additional training, documentation, software updates and enhanced configuration to minimize the support needed by the employees
- Integrate additional regional offices with the head office



ANNEXURES



ANNEX-I

Licensees

Conventional Power Plants

Pakistan Atomic Energy Commission (PAEC) for its Coal Fired Power Plant at KCP Complex, Khushab
Jauharabad Sugar Mills Limited
Two Star Energy (Private) Limited
ICI Pakistan Limited
Punjab Thermal Power (Pvt) Ltd
Premier Industrial Chemical Manufacturing Company (Private) Limited

Renewable Energy (Wind, Solar and Bagasse)

Zhenfa Pakistan New Energy Company (Private) Limited
Noor Solar Energy (Private) Limited
Gul Ahmed Electric Limited
Metro Wind Power Limited
Nasda Green Energy (Private) Limited
Meridian Energy (Private) Limited
HNDS Energy (Private) Limited
HELIOS Power (Private) Limited
Indus Wind Energy Limited
Zorlu Solar Pakistan (Private) Limited
Sheikhoo Power (Private) Limited
Mehran Energy Limited
Siachen Energy Limited
Hamza Sugar Mills Limited
HSM Energy Limited
Master Green Energy Limited
Norinco International Thatta Power (Pvt.) Limited Phase-II
Ghotki Power (Private) Limited
Lakeside Energy (Private) Limited

Hydel Energy

Gugera Hydro Power Company (Private) Limited
Mandi-Baha-Ud-Din Energy Limited
Trident Power GR (Private) Limited (TPGPL)
Mehar Hydropower (Private) Limited
The Sarhad Rural Support Corporation (Generation) Limited
Blue Star Energy (Private) Limited

Modifications in Existing Licenses

Hi-Tech Pipe & Engineering Industries (Private) Limited
Huaneng Shandong Rui (Pakistan) Energy (Private) Limited
Lucky Electric (Private) Limited
Monno Energy Limited
Quetta Textile Mills Limited
Lucky Energy (Private) Limited
NC Electric
K-Electric Limited
Zurlu Solar Pakistan (Private) Limited
Hunza Power (Private) Limited
Northern Power Generation Co. Ltd. (NPGCL) GENCO-III
Port Qasim Electric Power Company (Private) Limited
Shaheen Renewable Energy 1 (Private) Limited
ICI Pakistan PowerGen Limited
Northern Power Generation Co. Ltd. (NPGCL) GENCO-III



ANNEX-II

Financial Audited Report



RSM Avas Hyder Liaquat Nauman
Chartered Accountants

Suite F-10, 1st Floor
AKLASC Plaza, G-10 Markaz
Islamabad, Pakistan

T: +92 (51) 235 6041-2
F: +92 (51) 235 6040

islamabad@rsm-pakistan.pk
www.rsm-global/pakistan

AUDITORS' REPORT TO THE MEMBERS

Opinion

We have audited the financial statements of National Electric Power Regulatory Authority (the "Authority"), which comprise of statement of financial position as at June 30, 2018, income and expenditure account, statement of other comprehensive income and statement of cash flows, statement of changes in funds for the year then ended, along with notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effect of the matters described in Basis for Qualified Opinion paragraph, the accompanying financial statements present fairly, in all material respects the financial position of the Authority as at June 30, 2018, and its financial performance, and its cash flows for the year then ended in accordance with approved accounting and reporting standards as applicable in Pakistan.

We conducted our audit in accordance with the International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our audit report. We are independent of the Authority in accordance with the International Ethic Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan, and we have fulfilled our other ethical responsibilities in accordance with the code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Basis for qualified Opinion

- a) As explained in note 6.1 that the provision has not been made against long outstanding fee receivables of Rs. 97.59 million. Had the full amount of provision been made against this balance, balance of fee receivable at the year end would have decreased by Rs. 97.59 million with corresponding decrease in federal consolidation fund by Rs. 68.72 million and decrease in the balance of deferred tax liability at the year end by Rs. 29.28 million.
- b) As stated in note 8.1, no provision has been made in these financial statements for tax amounting to Rs. 290 million relating to tax years 2003 through 2007. Had the tax provision of Rs. 290 million been recognized in these financial statements, balance of due to Federal Consolidation Fund would have decreased by Rs. 290 million with corresponding decrease in the balance of advance tax by the same amount.

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

Other Offices at:
Karachi : 92 (21) 3565 5975-6
Faisalabad : 92 (41) 854 1165/854 1965
Islamabad : 92 (51) 235 6041-2
Quetta : 92 (81) 282 9809
Peshawar : 92 (91) 527 8310/527 7205
Kabul : 93 (799) 058155

RSM Avas Hyder Liaquat Nauman is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.





- c) The current tax expense has been understated by the amount Rs. 34.13 million. Had that expense been recorded in these financial statements, profit after tax and balance of payable to federal consolidation fund would have been reduced by Rs. 34.13 Million with corresponding increase in provision for taxation by the same amount.
- d) The tax provision of previous years has been understated by Rs. 70.67 Million. Had the tax provision been fully made in those financial statements, balance of tax refund due from government would have decreased by Rs. 70.67 million with corresponding decrease in payable to federal consolidation fund by the same amount.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Management is responsible for the preparation and fair presentation of the financial statements in accordance with the approved accounting and reporting standards as applicable in Pakistan, and for such internal controls as the management determines is necessary to enable the preparation of the financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Authority or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Authority financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statement.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis of our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statement or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Rsm Rsm Avasi Hyder Liaquat Nauman
RSM AVAIS HYDER LIAQUAT NAUMAN
CHARTERED ACCOUNTANTS

Date: 18 Nov 2018

Place: Islamabad


Engagement partner: Syed Naveed Abbas




National Electric Power Regulatory Authority
Statement of Financial Position
As at June 30, 2018

		2018	2017
	<i>Note</i>	Rupees	Rupees
NON CURRENT ASSETS			
Property plant and equipment	3	638,123,476	701,920,454
Intangible assets	4	-	4,764,232
Loan to employees	5	29,185,305	21,718,383
		667,308,781	728,403,069
CURRENT ASSETS			
Current portion of employees' loans	5	19,253,976	15,487,320
Fee receivable	6	123,574,993	102,340,577
Advances, deposits, prepayments and other receivables	7	31,669,834	23,843,623
Tax refund due from government	8	464,580,320	454,047,616
Advance paid to Federal Consolidation Fund (FCF)	9	16,420,289	60,710,478
Cash and bank balances	10	273,311,916	179,081,151
		928,811,328	835,510,765
CURRENT LIABILITIES			
Accrued and other liabilities	11	(339,656,977)	(315,422,381)
Provision for taxation	12	(59,900,314)	(43,157,289)
Current portion of long term loans	13	(750,592)	(750,592)
		(400,307,883)	(359,330,262)
		528,503,445	476,180,503
NON CURRENT LIABILITIES			
Long term loan	13	(26,270,935)	(27,021,527)
Deferred liabilities	14	(38,255,201)	(46,275,955)
		(64,526,136)	(73,297,482)
		1,131,286,090	1,131,286,090
REPRESENTED BY:			
Capital contribution by Government of Pakistan	15	131,286,090	131,286,090
Building Reserve Fund	16	1,000,000,000	1,000,000,000
CONTINGENCIES AND COMMITMENTS			
	17	-	-
		1,131,286,090	1,131,286,090

The annexed notes 1 to 27 form an integral part of these financial statements.


MEMBER



CHAIRMAN


National Electric Power Regulatory Authority
Income and Expenditure Account
For the year ended June 30, 2018

	Note	2018 Rupees	2017 Rupees
Fee income	18	1,163,426,585	1,026,418,714
Administrative expenses	19	(1,013,511,826)	(935,618,449)
Finance cost	20	(3,954,132)	(4,018,191)
Other income	21	34,803,617	29,361,038
Surplus for the year before tax		180,764,244	116,143,112
Taxation	22	(53,217,788)	(43,787,191)
Surplus for the year after tax		127,546,456	72,355,921

Rm

The annexed notes 1 to 27 form an integral part of these financial statements.



MEMBER

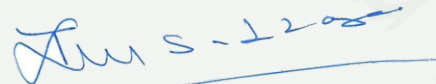

CHAIRMAN

**National Electric Power Regulatory Authority
Statement of Other Comprehensive Income
For the year ended June 30, 2018**

	2018 Rupees	2017 Rupees
Surplus for the year after tax	127,546,456	72,355,921
Other comprehensive income for the year		
Experience adjustment on Defined benefit obligation [(Note 2.2.5) (iii)]	(16,210,673)	(15,099,864)
Experience adjustment on unfunded gratuity scheme	972,403	187,313
Tax effect of remeasurement (gain) / loss on employees retirement benefits	(281,997)	(56,194)
	(15,520,267)	(14,968,745)
Total comprehensive income for the year	<u>112,026,189</u>	<u>57,387,176</u>

The annexed notes 1 to 27 form an integral part of these financial statements.


MEMBER


CHAIRMAN

National Electric Power Regulatory Authority
Statement of Cash Flows
For the year ended June 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Surplus for the year before tax

Adjustments for:

- Provision for gratuity and earned leave
- Depreciation
- Finance cost
- Mark up income
- Gain on sale of fixed assets

Working capital changes:

- Increase in loans to employees
- (Increase)/ decrease in advances, deposits, prepayments, and other receivables
- (Increase) in tax refund due from government
- Increase in accrued and other liabilities

Net cash generated from operations

Payment made for earned leaves and gratuity fund

Interest paid on long term loan

Tax paid

Net cash generated from operating activities

CASH FLOWS FROM INVESTING ACTIVITIES

Capital expenditure during the year

Cash received against sale of fixed assets

Investments made during the year

Proceeds from encashment of investments

Interest received during the year

Net cash generated from investing activities

CASH FLOWS FROM FINANCING ACTIVITIES

Repayment of loans

Amount paid to Federal Consolidation Fund

Net cash used in financing activities

Net cash & cash equivalents during the year

Cash and cash equivalents at beginning of the year

Cash and cash equivalents at end of the year

2018
Rupees

2017
Rupees

180,764,244

116,143,112

72,723,310

71,890,779

86,140,009

85,505,686

3,954,132

4,018,191

(33,608,954)

(28,811,599)

(1,194,663)

(469,339)

128,013,834

132,133,718

(11,233,578)

(8,172,662)

(29,060,627)

20,508,897

(10,532,704)

(22,134,837)

29,803,316

24,947,466

(21,023,593)

15,148,864

287,754,485

263,425,694

(93,196,939)

(44,333,650)

(3,984,779)

(4,018,191)

(45,080,228)

(66,831,748)

(142,261,946)

(115,183,589)

145,492,539

148,242,105

(20,623,534)

(28,658,040)

4,239,398

3,239,170

(5,000,000)

(777,770,000)

5,000,000

777,770,000

33,608,954

28,811,599

17,224,818

3,392,729

(750,592)

(750,592)

(67,736,000)

(157,790,945)

(68,486,592)

(158,541,537)

94,230,765

(6,906,703)

179,081,151

185,987,854

273,311,916

179,081,151

The annexed notes 1 to 27 form an integral part of these financial statements.

MEMBER

CHAIRMAN

National Electric Power Regulatory Authority
Statement of Changes in Funds
For the year ended June 30, 2018

	Note	Capital Contribution by Government of Pakistan	Building Reserve Fund	Accumulated surplus	Total
		Rupees			
Balance as at June 30, 2016		131,286,090	1,000,000,000	-	1,131,286,090
Total comprehensive income for the year		-	-	57,387,176	57,387,176
Transferred to Federal Consolidation Fund	9	-	-	(57,387,176)	(57,387,176)
Balance as at June 30, 2017		131,286,090	1,000,000,000	-	1,131,286,090
Total comprehensive income for the year		-	-	112,026,189	112,026,189
Transferred to Federal Consolidation Fund	9	-	-	(112,026,189)	(112,026,189)
Balance as at June 30, 2018		131,286,090	1,000,000,000	-	1,131,286,090

The annexed notes 1 to 27 form an integral part of these financial statements.

MEMBER

CHAIRMAN

**National Electric Power Regulatory Authority
Notes to the Financial Statements
For the year ended June 30, 2018**

1 NATURE AND STATUS OF OPERATIONS

National Electric Power Regulatory Authority (the Authority) was established as a body corporate under Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 for the regulation of power sector in the country. The Authority operates through Head office located in NEPRA Tower Attaturk Avenue (East), Sector G-5/1, Islamabad and three offices across Pakistan.

2 STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board as adopted by Institute of Chartered Accountants of Pakistan. The Authority is not required to comply with the requirements of IFRSs. However, to follow the best practices the Authority has adopted approved accounting standards as applicable in Pakistan as a framework for preparation of Financial Statements.

2.1 BASIS OF PREPARATION

These financial statements have been prepared under historical cost convention except for certain financial instruments which are measured at fair value and employee retirement benefit funds including staff compensated absences which are measured at their present values as determined under the provisions of IAS-19, "Employee Benefits".

2.1.1 Functional and presentation currency

These financial statements are presented in Pakistani Rupees, which is the Authority's functional and presentation currency. Amounts presented in Pakistani Rupees have been rounded off to nearest rupees, unless otherwise indicated.

2.2 SIGNIFICANT ACCOUNTING POLICIES

2.2.1 Property Plant and equipment

Property plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost comprises purchase price and other directly attributable costs. Capital work-in-progress is stated at cost less impairment, if any.

Depreciation is charged on straight line method to write off the depreciable amount of each asset over its estimated useful life. Rates are specified in note 3 to the financial statements.

Depreciation on additions is charged from the day on which the asset is put to use and on disposals up to the date of disposal.

Normal repairs and maintenance are charged to income and expenditure account as and when incurred, whereas major improvements and modifications are capitalized.

Gains and losses on disposals of property plant and equipment are taken to the income and expenditure account.

The Authority reviews the useful lives and residual values of property plant and equipment on a regular basis. Any change in estimates in future years might affect the carrying amounts of the respective items of property and equipment with a corresponding effect on depreciation charge and impairment.

2.2.2 Intangible assets

Intangible assets are stated at cost less accumulated amortization and impairment except for intangible assets under development which are stated at cost less impairment, if any. Amortization on intangible assets having finite useful life is calculated on straight-line basis at rates specified in note 4 to the financial statements.

Rm

National Electric Power Regulatory Authority
Notes to the Financial Statements
For the year ended June 30, 2018

2.2.3 Loans and receivables

Investments are classified as loans and receivables which have fixed or determinable payments and are not quoted in an active market. These investments are measured at amortized cost using the effective interest method, less any impairment losses.

2.2.4 Investments

Held to maturity investments

The Authority classifies financial assets as held to maturity when it has positive intent and ability to hold the investments to maturity. Held-to-maturity financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses.

2.2.5 Staff benefits

(i) Defined contribution plan - on retirement

The Authority operates a contributory provident fund (CPF) in which equal contributions are made by eligible employees and the Authority. The contributions are made at the rate of 5% or 10% (at the option of employee) of basic salary plus utilities allowance. The Authority's contribution is charged to income and expenditure account currently.

(ii) Earned leaves

The Authority has a policy to provide for encashable leaves to its eligible employees in accordance with respective entitlement on cessation of service or on request of employees during the service period; related expected cost has been included in the financial statements.

(iii) Defined benefit plan - on retirement

The Authority operates funded and unfunded gratuity schemes in respect of all eligible employees. Provision is made annually for funded and unfunded gratuity scheme to cover the Authority's obligations by way of charge to the income and expenditure account.

2.2.6 Revenue recognition

License fee is recognised on accrual basis.

Income from generation and transmission companies is recognised when invoice is raised whereas, the income from distribution companies is recognised when units sold are confirmed by the distribution companies.

Interest income on investment / deposits is recognized on a time proportion basis.

2.2.7 Foreign currency transactions

Transactions in foreign currency are accounted for at the exchange rates prevailing on the date of transactions. All monetary assets and liabilities denominated in foreign currencies at the year end are translated at exchange rates prevailing at the balance sheet date. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Exchange differences are included in income and expenditure account for the year.

2.2.8 Taxation

(i) Current

Provision for current taxation is based on taxable income at the current rate of tax, after taking into account the applicable tax credits, rebates, and exemptions available, if any, and any adjustments to the tax payable in respect of previous years.

Rm

National Electric Power Regulatory Authority
Notes to the Financial Statements
For the year ended June 30, 2018

2.2.8 Taxation (Continued)
(ii) Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all taxable temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in computation of taxable profit.

Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized to the extent it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on the tax rates that have been enacted or substantially enacted by the date of issue of financial statements.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority.

2.2.9 Receivables

Receivables are initially recognised at fair value and subsequently stated at amortized cost. Known impaired receivables are written off while receivables considered doubtful of recovery are fully provided

2.2.10 Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortized cost.

2.2.11 Interest bearing borrowing

Interest-bearing borrowings are recognized initially at cost being the fair value of consideration received, less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowing are stated at original cost less subsequent repayments. Interest expense for the current year is included in income and expenditure account.

2.2.12 Cash and cash equivalents

Cash and cash equivalents comprise of cash-in-hand and bank balances.

2.2.13 Provisions

A provision is recognized in the balance sheet when the Authority has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are determined by discounting the expected future cash flows at a pre tax discount rate that reflects current market assessment of time value of money and risk specific to the liability. The unwinding of discount is recognized as finance cost.

2.2.14 Impairment

The carrying amounts of the Authority's assets are reviewed at each reporting date to determine whether there is any indication of impairment loss. An impairment loss is recognized for the amount by which the asset's fair value less cost to sell and value in use. An impairment loss or reversal of impairment loss is recognized in the statement of comprehensive income.

2.2.15 Off-setting of financial assets and liabilities

A financial asset and a financial liability is set off and the net amount is reported in the balance sheet if the Authority has a legally enforceable right to set off the recognized amounts, and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Rm



National Electric Power Regulatory Authority
Notes to the Financial Statements
For the year ended June 30, 2018

2.2.16 Financial Instruments

Financial assets and financial liabilities are recognized when the Authority become party to contractual provisions of the instruments. These are initially measured at cost, which is the fair value of the consideration given or received. These financial assets and liabilities are subsequently measured at fair value and amortized cost as the case may be. The Authority derecognizes financial assets and liabilities when it ceases to be a party to such contractual provisions of the instruments.

Am

National Electric Power Regulatory Authority

National Electric Power Regulatory Authority
Notes to the Financial Statements
For the year ended June 30, 2018

	Note	2018 Rupees	2017 Rupees
4 INTANGIBLE ASSETS			
Computer softwares	4.1	-	4,764,232
4.1 Computer softwares			
Balance at the beginning		4,764,232	9,527,034
Amortisation charge for the year		(4,764,232)	(4,762,802)
Balance as at June 30, 2018		-	4,764,232
Amortization rate		33%	33%
5 LOAN TO EMPLOYEES			
Opening balance		37,205,703	29,033,041
Loans given during the year	5.1	34,425,903	25,177,866
Amount recovered during the year		(23,192,325)	(17,005,204)
		48,439,281	37,205,703
Current portion of loan to employees		(19,253,976)	(15,487,320)
Long Term Loan to employees		29,185,305	21,718,383
5.1 These represent salary advance and loans given to employees for purchase of vehicles (i.e. car / motorbike). These are interest free and are given for the period of more than 1 year.			
6 FEE RECEIVABLE			
Fee receivable considered good	6.1	123,574,993	102,340,577
6.1 This includes Rs. 97.59 millions (Rs 93.64 million, 2017) which has been outstanding for significant period of time. The management is confident of recovery of this amount and accordingly no provision has been made against this balance.			
7 ADVANCES, DEPOSITS, PREPAYMENTS, AND OTHER RECEIVABLES			
Advances to staff		4,928,848	149,656
Advances to supplier		11,826,793	15,831,174
Security deposits		2,088,388	2,088,388
Prepayments		3,795,921	4,348,117
Accrued Interest		7,495,835	-
Advances against medical bills		341,788	341,788
Advance to provident fund		107,761	-
Other receivables		1,084,500	1,084,500
		31,669,834	23,843,623
8 TAX REFUND DUE FROM GOVERNMENT			
Opening balance		454,047,616	431,912,779
Advance tax deducted during the year		55,612,932	66,831,748
Tax adjusted against provision		(45,080,228)	(44,696,911)
	8.1	464,580,320	454,047,616

Rm

National Electric Power Regulatory Authority
Notes to the Financial Statements
For the year ended June 30, 2018

8 TAX REFUND DUE FROM GOVERNMENT (Continued)

- 8.1** The tax authorities issued notices to the Authority for filing of return of total income for the Tax Years 2003 to Tax Year 2007. The management of the Authority communicated its legal stance through correspondence with the tax authorities. However to comply with the requirements of statutory notices, returns for these years were filed claiming the net income of the Authority exempt from tax. However, the tax authorities amended the assessments of all these years by rejecting the stance taken by the Authority and raised a net tax demand of Rs. 290 million. The Commissioner (Appeals) had also upheld these amendments. The appeals filed with Income Tax Appellate Tribunal [ITAT] against the orders of Commissioner (Appeals) were also rejected by the ITAT by taking reliance on the judgment of the High Court in the case of Pakistan Telecommunication Authority. Whereas amendment for the Tax Year 2003 has been annulled by the ITAT on the legal ground. the Authority has filed reference in the High Court which is pending.

The Authority has made payment of the entire amount of the demand raised by the tax authorities in previous years. However since the matter is being contested by the Authority, no provision for payments of Rs. 290 million for tax years 2003 through 2007 has been made in these financial statements.

	Note	2018 Rupees	2017 Rupees
9 ADVANCE PAID TO FEDERAL CONSOLIDATION FUND (FCF)			
Opening balance Asset/ (Liability)		60,710,478	(39,693,291)
Add: Total comprehensive income for the period		112,026,189	57,387,176
Less: Transferred to FCF account during the year	9.1	(67,736,000)	(157,790,945)
		<u>16,420,289</u>	<u>60,710,478</u>
9.1 According to NEPRA ACT NO. XL of 1997 any surplus, after payment of tax, shall be remitted to Federal consolidation fund.			
10 CASH AND BANK BALANCES			
Cash in hand		527,125	-
Cash at bank:			
Current accounts - Local currency		-	-
Current accounts - Foreign currency		4,571	4,571
Saving accounts	10.1	272,780,220	179,076,580
		<u>272,784,791</u>	<u>179,081,151</u>
		<u>273,311,916</u>	<u>179,081,151</u>
10.1 Saving accounts carry markup ranging from 3.21% to 6.28% (2018: 3.75% to 4.5%) per annum.			
11 ACCRUED AND OTHER LIABILITIES			
Accrued expenses		201,781,807	166,549,730
Payable to funded gratuity fund	11.1	45,558,915	56,368,415
Provision for earned leaves	11.2	75,883,642	70,612,215
Accrued interest and other charges		1,103,242	1,133,889
Payable to provident fund		-	1,491,589
Tax payable		508,834	613,017
Retention money		12,278,747	15,818,954
Other Payables		2,541,790	2,834,572
		<u>339,656,977</u>	<u>315,422,381</u>

Rm

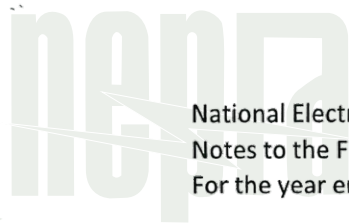
National Electric Power Regulatory Authority
Notes to the Financial Statements
For the year ended June 30, 2018

		2018 Rupees	2017 Rupees
11 ACCRUED AND OTHER LIABILITIES (Continued)	<i>Note</i>		
11.1 Changes in net liability - gratuity fund			
Opening balance as per audited Financials		56,368,415	12,516,159
Charge during the year	11.1.4	29,348,242	28,752,392
Other comprehensive income		16,210,673	15,099,864
Payments made during the year		(56,368,415)	-
Closing balance	11.1.1	<u>45,558,915</u>	<u>56,368,415</u>
11.1.1 Reconciliation of amounts recognized in the balance sheet			
Present value of defined obligations	11.1.2	286,104,270	247,498,307
Fair value of plan assets	11.1.3	(240,545,354)	(191,129,891)
		<u>45,558,916</u>	<u>56,368,416</u>
11.1.2 Movement in Present value of defined obligation			
Present value of defined obligations at beginning of the year		247,498,307	206,312,033
Current service cost		27,163,966	27,844,971
Interest cost		18,466,561	14,424,683
Benefit paid		(18,440,198)	(14,701,771)
Experience adjustment		11,415,634	13,618,391
Obligation at end of the year		<u>286,104,270</u>	<u>247,498,307</u>
11.1.3 Movement in Fair value of plan assets			
Fair value of plan assets at beginning of the year		191,129,891	193,795,874
Contribution during the year		56,368,415	-
Expected return on plan assets		16,282,285	13,517,262
Benefit Paid		(18,440,198)	(14,701,771)
Experience adjustment		(4,795,039)	(1,481,474)
		<u>240,545,354</u>	<u>191,129,891</u>
11.1.4 Charge during the year			
Transitional liability recognized during the year			
Current service cost		27,163,966	27,844,971
Interest cost		18,466,561	14,424,683
Expected return on plan assets		(16,282,285)	(13,517,262)
		<u>29,348,242</u>	<u>28,752,392</u>
11.2 Changes in net liability - earned leaves			
Opening balance		70,612,215	73,201,491
Charge during the year		41,833,090	41,744,374
Payments made during the year		(36,561,663)	(44,333,650)
Closing balance		<u>75,883,642</u>	<u>70,612,215</u>
12 PROVISION FOR TAXATION			
Opening balance		43,157,289	39,258,493
Charge during the year		61,823,253	48,595,707
Adjustment/Payment made during period		(45,080,228)	(44,696,911)
Closing balance		<u>59,900,314</u>	<u>43,157,289</u>

Rm

National Electric Power Regulatory Authority
Notes to the Financial Statements
For the year ended June 30, 2018

	Note	2018 Rupees	2017 Rupees
13 LONG TERM LOAN			
Loan from GoP through IDA		27,021,527	27,772,119
Current portion of long term loan		(750,592)	(750,592)
Non current portion of long term loan		<u>26,270,935</u>	<u>27,021,527</u>
13.1	The Authority had entered into subsidiary Loan Agreement ("Agreement") with Government of Pakistan (GoP) in respect of loan from International Development Association (IDA). Under the agreement, the Authority got US\$ 1 million (equivalent Pak rupees 58 Million) from GoP for capacity building project focused on both employees and institutional development.		
As per Agreement, loan from GoP is repayable from September 15, 2014 to March 15, 2039 semi-annually in Pak Rupees. The loan carries interest at 14% per annum.			
14 DEFERRED LIABILITIES			
Provision for gratuity - unfunded	14.1	3,944,694	3,641,980
Deferred tax	14.2	34,310,507	42,633,975
		<u>38,255,201</u>	<u>46,275,955</u>
14.1 Changes in net liability - gratuity unfunded			
Opening balance		3,641,980	2,435,280
Charge during the year		1,541,978	1,394,013
Other comprehensive income		(972,403)	(187,313)
Payments made during the year		(266,861)	-
Closing balance		<u>3,944,694</u>	<u>3,641,980</u>
14.2 Deferred tax			
Deferred tax liability/(asset) opening		42,633,975	47,386,297
Decrease during the year charged to I & E Account		(8,605,465)	(4,808,516)
Credit recognised in other comprehensive income		281,997	56,194
Closing Deferred tax liability		<u>34,310,507</u>	<u>42,633,975</u>
15 CAPITAL CONTRIBUTION BY GOVERNMENT OF PAKISTAN			
This represents grant received from Federal Government on non-repayment basis for establishment of the Authority.			
16 BUILDING RESERVE FUND			
This represents unfunded reserve created in prior years pursuant to the approval of the Authority for the purpose of the Authority's building.			
17 CONTINGENCIES AND COMMITMENTS			
Contingencies			
There are no contingencies as at June 30, 2018 (2017 : Nil). However, the Authority has been made party in various legal cases and the Authority believes that the outcome of these cases would not result in any financial exposure to the Authority.			
Commitments			
There is no material commitment as at June 30, 2018 (2017 : Nil).			



National Electric Power Regulatory Authority
Notes to the Financial Statements
For the year ended June 30, 2018

	2018 Rupees	2017 Rupees
18 FEE INCOME		
License fee	1,129,835,884	1,012,328,534
Application and modification fee	27,495,096	32,499,252
Tariff petition and others	42,077,871	13,335,837
Gross Fee Income	1,199,408,851	1,058,163,623
Less: Fee and Levies	(35,982,266)	(31,744,909)
Net Fee Income	1,163,426,585	1,026,418,714
19 ADMINISTRATIVE EXPENSES		
Salaries and allowances	512,908,811	487,153,818
Honorarium	81,093,401	52,445,854
Earned leaves	41,833,090	41,744,374
Provident fund contribution	21,457,144	20,335,522
Leave fair assistance and other benefits	119,633,410	115,675,057
Repairs and maintenance	14,222,003	18,579,848
Travelling expenses	21,160,563	17,247,797
Communication	7,786,260	7,986,617
Utilities	13,701,797	13,746,936
Rent expense	4,267,177	3,427,934
Printing and stationery	6,363,222	6,585,121
Training and development	11,215,316	5,662,579
Promotions and ceremonies	596,296	2,213,785
Advertisement	18,135,718	12,687,369
Insurance expense	6,025,390	3,462,546
Legal and professional	34,243,536	30,924,164
Audit fee	297,000	165,000
Vehicle running cost	7,126,291	5,205,976
Depreciation and amortization	86,140,009	85,505,686
Staff Uniform	1,120,237	678,426
Entertainment Expenses	4,185,155	4,184,040
	1,013,511,826	935,618,449
20 FINANCE COST		
Bank charges	122,956	81,931
Markup expense on long term loans	3,831,176	3,936,260
	3,954,132	4,018,191
21 OTHER INCOME		
Markup on investments 21.1	10,675,000	16,275,000
Markup on bank accounts	22,933,954	12,536,599
Gain on sale of fixed assets	1,194,663	469,339
Others	-	80,100
	34,803,617	29,361,038

21.1 This represents markup on investments made in government treasury bills.

Rm



National Electric Power Regulatory Authority
Notes to the Financial Statements
For the year ended June 30, 2018

22 TAXATION

Current tax

- For the year
- Prior year

Deferred tax

- for the year
- due to change in tax rate

2018
Rupees

2017
Rupees

61,823,253	45,080,228
-	3,515,479
61,823,253	48,595,707
(7,184,332)	(3,279,926)
(1,421,133)	(1,528,590)
(8,605,465)	(4,808,516)
53,217,788	43,787,191
180,764,244	116,143,112
30%	31%
54,229,273	36,004,365
38,854,523	39,879,663
(30,600,348)	(35,473,232)
(660,195)	(296,886)
-	4,966,318
-	3,515,479
(7,184,332)	(3,279,926)
(1,421,133)	(1,528,590)
53,217,788	43,787,191

Relationship between accounting profit and tax expenses

Accounting profit before tax

Tax rate

Tax on accounting profit

Tax effect of amount not admissible for tax purposes

Tax effect of depreciation & other items admissible for tax purpose

Tax effect of other items fall under final tax regime

Effect of minimum tax

Prior year

Temporary Difference

Rate change

23 FINANCIAL INSTRUMENTS

The Authority has exposure to the following risks from its use of financial instruments:

- * Credit risk;
- * Liquidity risk; and
- * Market risk.

The Authority members have overall responsibility for the establishment and oversight of the Authority's risk management framework.

The Authority's risk management policies are established to identify and analyze the risks faced by it, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Authority's activities. The Authority, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Members oversee how management monitors compliance with the Authority's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Authority.

Rm

National Electric Power Regulatory Authority
Notes to the Financial Statements
For the year ended June 30, 2018

23 FINANCIAL INSTRUMENTS (Continued)

23.1 Credit risk

Credit risk is the risk of financial loss to the Authority if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Authority's receivables from financial institutions.

The Authority's exposure to credit risk is influenced mainly by the individual characteristics of each counter party including the default risk of the industry and country in which the counter party works. The Authority regularly monitors the status of receivables. Cash at bank is placed with financial institutions with high credit ratings. The Authority assesses the credit quality of the counter parties as satisfactory.

The Authority establishes an allowance for impairment that represents its estimate of incurred losses in respect of receivables. The maximum exposure to credit risk at the reporting date is as follows:

	2018 Rupees	2017 Rupees
Loans to employees	48,439,281	37,205,703
Deposits and other receivables	3,172,888	3,172,888
Fee receivable	123,574,993	102,340,577
Bank balances	272,784,791	179,081,151
	447,971,953	321,800,319

Liquidity risk is the risk that the Authority will not be able to meet its financial obligations as they fall due. The Authority's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Authority's reputation.

The Authority ensures that it has sufficient cash on demand to meet expected cash outflows during its operating cycle. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. The Authority monitors rolling forecasts of cash and cash equivalents on the basis of budgets.

The table below analyses the Authority's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows.

		2018 (Rupees)				
		Carrying Amount	Contractual cash flows	With in 1 year	1 to 5 year	Over 5 years
Accrued and other liabilities:		338,553,735	338,553,735	338,553,735		
Long term loans including markup		28,124,769	64,909,283	4,297,171	16,762,171	43,849,941
		366,678,504	403,463,018	342,850,906	16,762,171	43,849,941

23.2 Liquidity risk

	2017 (Rupees)				
Accrued and other liabilities:	314,288,492	(314,288,492)	314,288,492	-	-
Long term loans including markup	29,656,600	(69,311,536)	4,402,253	16,558,179	48,351,104
	343,945,092	(383,600,028)	318,690,745	16,558,179	48,351,104

Rm

National Electric Power Regulatory Authority
Notes to the Financial Statements
For the year ended June 30, 2018

23.3 Market risk

Market risk is the risk of changes in market prices, such as foreign exchange rates and interest rates. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

a) Interest rate risk

The interest rate risk is the risk that the value of financial instrument will fluctuate due to changes in

the market interest rates. At the reporting date, the Authority's interest rate profile is as follows:

Fixed rate instruments	2018	2017
Cash at bank	272,780,220	179,076,580
Long term loan	(27,021,527)	(27,772,119)
	<u>245,758,693</u>	<u>151,304,461</u>

The Authority does not account for any fixed rate financial assets and liabilities at fair value through Income and expenditure. Therefore a change in interest rates at the reporting date would not affect Income and expenditure.

b) Currency risk

The Authority is not significantly exposed to currency risk.

23.4 Fund management

The Authority's fund management is primarily devised under Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 which requires the Authority to remit any surplus of receipts over the actual expenditure in a year to Federal Consolidation Fund. The members of the Authority monitor the movements in the Federal Consolidation Fund.

23.5 Fair value of financial instruments

The carrying value of financial assets and liabilities reflected in financial statements approximate their fair values.

23.6 Determination of fair values

A number of the Authority's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods:

Non - derivative financial assets

The fair value of non-derivative financial assets is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

24 TRANSACTIONS WITH RELATED PARTIES

The Authority is a statutory body and is a public sector entity. It is a regulatory body of power sector entities and is getting license fee from other government owned power sector entities. Apart from that it has obtained loan from Govt of Pakistan.

Transactions with related parties during the year and balances outstanding at the year end are as follows:

Rm

National Electric Power Regulatory Authority
Notes to the Financial Statements
For the year ended June 30, 2018

24 TRANSACTIONS WITH RELATED PARTIES (Continued)

Remuneration of Chairman and Members

The aggregate amounts charged in these financial statements in respect of remuneration including benefits applicable to the chairman and members of the Authority are given below:

	2018		2017	
	Chairman	Members	Chairman	Members
Managerial Remuneration	3,760,488	15,041,952	3,636,882	11,233,648
Accommodation	676,872	2,707,488	-	568,835
Other allowances	19,725	78,900	56,700	470,566
	4,457,085	17,828,340	3,693,582	12,273,049

Number of Person(s)

1

4

1

4

2018
Rupees

2017
Rupees

Other related party transactions

Contribution made to Gratuity fund

56,368,415

-

Contribution made to provident fund

22,256,819

20,085,522

Balances outstanding at the year end

Due to Gratuity fund

45,558,915

56,368,415

Due to/(Advance to) provident fund

(107,761)

1,491,589

25 NUMBER OF EMPLOYEES

2018

2017

Number of employees

322

320

Average number of employees during the year

320

319

26 DATE OF APPROVAL

These financial statements were approved by the Authority in its meeting held on _____.

27 GENERAL

Figures have been rounded off to the nearest rupees.

Corresponding figures have been re-arranged, wherever necessary for the purpose of comparison.

However, these rearrangements do not have a significant impact on previously reported results.


MEMBER


CHAIRMAN



ANNEX-III

Senior Management Key Contacts

SENIOR MANAGEMENT KEY CONTACTS

Name & Designation	Department	Telephone No.	Email
-	Chairman Office	051-9220902	chairman@nepra.org.pk
Mr. Rehmatullah Vice Chairman/Member	CAD	051-9206887	rehmat1959@gmail.com
Mr. Saif Ullah Chattha Member	Tariff/M&E	051-9207300	suchattha@hotmail.com
Mr. Rafique Ahmed Shaikh Member	Licensing	051-9206797	rafique.ahmed@nepra.org.pk
Syed Insaf Ahmed Sr. Advisor-I	Tariff	051-9203163	sia@nepra.org.pk
Mr. Hussnain Zaigham Sr. Advisor	Technical	051-9217697	zaigham@nepra.org.pk
Mr. Sajjad M. Qureshi Sr. Advisor-II	Tariff	051-9207754	sajjad@nepra.org.pk
Mr. Anwar Malik Director General	Admin / HR	051-9205045	anwar.malik@nepra.org.pk
Ms. Saira Najeeb Ahmed Director General	C&I	051-9205224	ahmednajeedsaira@gmail.com
Mr. Nadir Ali Khoso Director General	M&E/ Standards	051-2013200	engrnadir_khoso@yahoo.com
Syed Safeer Hussain Registrar	Registrar	051-9206500	safeer@nepra.org.pk
Mr. Naweed Illahi Shaikh Addl. Director General	CAD	051-9217673	naweedshaikh@nepra.org.pk
Mr. Imtiaz Hussain Baloch Addl. Director General	Licensing	051-9206527	ihussain@nepra.org.pk
Mr. Qamar uz Zaman Addl. Director General	Finance	051-9206798	qzaman@nepra.org.pk
Mr. Muhammad Shafique Sr. Legal Advisor	Legal	051-2600035	shafiqueadvocate@gmail.com



NEPRA Regional Offices

Karachi

Assistant Director (CAD)
NEPRA Regional Office
1st Floor, Office No. 101
Ballad Trade Center
Plot No. 15/118, Block No.3
Bahar Muslim Housing Society,
Bahadurabad, Karachi
Ph: 021-34893001, 0300-0664525
Email: taqi@nepra.org.pk

Lahore

Sr. Assistant Director (CAD)
NEPRA Regional Office
212, National Tower, Opposite LDA
Plaza, Edgerton Road,
Lahore
Ph: 042-99203483, 0300-0664537
Email: raheelazharbaloch@gmail.com

Peshawar

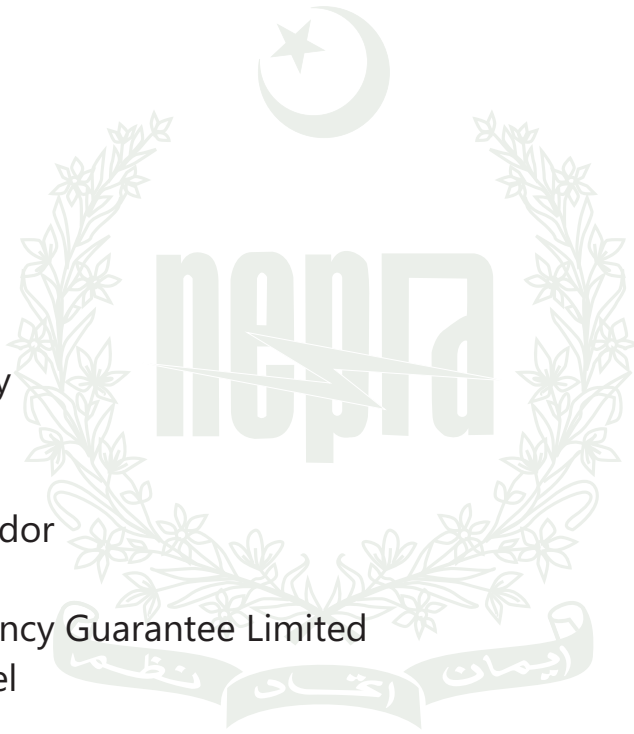
Assistant Director (CAD)
NEPRA Regional Office
6th Saddar Road, 2nd Floor
Tasneem Plaza
Peshawar Cantt
Peshawar
Ph: 091-5271238, 0300-0601767
Email: gul.imtiaz28@gmail.com

Quetta

Assistant Director (CAD)
NEPRA Regional Office
Room#1, 2nd Floor, Rehman Plaza
7A, Opp. NADRA Office, Model Town,
Hali Road, Quetta
Ph: 081-2822036, Fax: 081-2822035
Email: daulatbaloch@gmail.com

Glossary of Acronyms Used

BPC	Bulk Power Consumer
CAD	Consumer Affairs Division
CCI	Council of Common Interests
CDA	Capital Development Authority
CEO	Chief Executive Officer
COD	Commercial Operation Date
CPEC	China Pakistan Economic Corridor
CPP	Captive Power Producer
CPPA-G	Central Power Purchasing Agency Guarantee Limited
DCRP	Distribution Code Review Panel
DG	Distributed Generation
DHCP	Dynamic Host Configuration Protocol
DISCO	Ex WAPDA Distribution Company
ECC	Economic Coordination Committee
ERRA	Energy Regulators Regional Association
ERP	Enterprise Resource Planning
FCA	Fuel Cost Adjustment
FESCO	Faisalabad Electric Supply Company Limited
GENCO	Public Sector Generation Company
GEPCO	Gujranwala Electric Power Company Limited
HESCO	Hyderabad Electric Supply Company Limited
HPP	Hydropower Plant
HR	Human Resources
HVDC	High Voltage Direct Current
IESCO	Islamabad Electric Supply Company Limited
ICTA	Inland Coal Transportation Agreement
IUCN	International Union for Conservation of Nature
KGGTF	Korea Green Growth Trust Fund
KIBOR	Karachi Interbank Offered Rate
KPI	Key Performance Indicator
LESCO	Lahore Electric Supply Company Limited



LIBOR	London Interbank Offered Rate
MEPCO	Multan Electric Power Company Limited
MW	Megawatt
NPCC	National Power Control Centre
NEPRA	National Electric Power Regulatory Authority
NTDC	National Transmission and Dispatch Company
O&M	Operation and Maintenance
PESCO	Peshawar Electric Supply Company Limited
PPP	Power Purchase Price
PSDR	Performance Standards (Distribution) Rules
PSGR	Performance Standards (Generation) Rules
PSTR	Performance Standards (Transmission) Rules
PTPL	Punjab Thermal Power (Private) Limited
PYA	Prior Year Adjustment
QESCO	Quetta Electric Supply Company Limited
RFO	Residual Fuel Oil
RLNG	Re-Gasified Liquefied Natural Gas
SAARC	South Asian Association for Regional Cooperation
SAIFI	System Average Interruption Frequency Index
SAIDI	System Average Interruption Duration Index
SARI/EI	South Asia Regional Initiative for Energy Integration
SEPCO	Sukkur Electric Power Company Limited
SCADA	Supervisory Control and Data Acquisition
SOP	Standard Operating Procedure
SPPRA	Sindh Public Procurement Regulatory Authority
T&D	Transmission and Distribution
TESCO	Tribal Areas Electric Supply Company
USAID	United State Agency for International Development
UOSC	Use of System Charges
USOA	Uniform System of Accounts
WWF	World Wildlife Fund



National ElectricPower Regulatory Authority
NEPRA Tower, Attaturk Avenue (East),
G-5/1, Islamabad
Ph: +92 51 2013200, Fax: +92 51 9210215
E-mail: info@nepra.org.pk,

www.nepra.org.pk