National Electric Power Regulatory Authority

Islamic Republic of Pakistan

Registrar

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

No. NEPRA/TRF-272/FESCO-2014/3158-3160
March 10, 2015

Subject: **Determination of the Authority in the matter of Petition filed by Faisalabad Electric Supply Company Ltd. (FESCO) for the Determination of its Consumer end Tariff Pertaining to FY 2014-2015 [Case # NEPRA/TRF-272/FESCO-2014]**

Dear Sir,

Please find enclosed herewith the subject Determination of the Authority along with Annexure-I, II, III, IV, V, VI & VII (98 pages) in Case No. NEPRA/TRF-272/FESCO-2014.

2. The Determination is being intimated to the Federal Government for the purpose of notification of the approved tariff in the official gazette pursuant to Section 31(4) of the Regulation of Generation, Transmission and Distribution of Electric Power Act (XL of 1997) and Rule 16(11) of the National Electric Power Regulatory Authority (Tariff Standards and Procedure) Rules, 1998.

3. Please note that Order part along with Annex-I, III, IV, V & VII of the Determination needs to be notified in the official Gazette.

Enclosure: As above

(Syed Safeer Hussain)

Secretary
Ministry of Water & Power
'A' Block, Pak Secretariat
Islamabad

CC:

1. Secretary, Cabinet Division, Cabinet Secretariat, Islamabad.
2. Secretary, Ministry of Finance, 'Q' Block, Pak Secretariat, Islamabad.

National Electric Power Regulatory Authority

(NEPRA)

PETITION NO: NEPRA/TRF-272/FESCO-2014

TARIFF DETERMINATION

FOR

FAISALABAD ELECTRIC SUPPLY COMPANY

(FESCO)

DETERMINED UNDER

NEPRA TARIFF (STANDARDS AND PROCEDURE) RULES - 1998

Islamabad

10th March, 2015

Abbreviations

CpGenCap	The summation of the capacity cost in respect of all CpGencos for a billing period minus the amount of liquidated damages received during the months
CPPA	Central Power Purchasing Agency
DISCO	Distribution Company
DM	Distribution Margin
FY	Financial Year
GOP	Government of Pakistan
GWh	Giga Watt Hours
KV	Kilo Volt
kW	Kilo Watt
kWh	Kilo Watt Hour
MW	Mega Watt
NEPRA	National Electric Power Regulatory Authority
O&M	Operation and Maintenance
PPP	Power Purchase Price
PYA	Prior Year Adjustment
RAB	Regulatory Asset Base
RORB	Return on Rate Base
SRO	Statutory Regulatory Order
T&D	Transmission and Distribution
TOU	Time of Use
USCF	The fixed charge part of the Use of System Charges in Rs./kW/Month

DETERMINATION OF THE AUTHORITY IN THE MATTER OF PETITION FILED BY FAISALABAD ELECTRIC SUPPLY COMPANY (FESCO) FOR THE DETERMINATION OF ITS CONSUMER END TARIFF

CASE NO. NEPRA/TRF-272/FESCO-2014

PETITIONER

Faisalabad Electric Supply Company Limited (FESCO), West Canal Road, Abdullahpur, Faisalabad.

INTERVENER

1. Pakistan Cotton Ginners Association
2. Mr. Muhammad Ihsanullah Khan represented by M/s Anwar Kamal Law Associates

COMMENTATOR

1. Pakistan Hosiery Manufacturers & Exporters Association

REPRESENTATION

1. Rashid Ahmed Aslam, Chief Executive Officer
2. Muhammad Iqbal Ghori, Chief Financial Officer
3. Ehsan Mohammad Siddiqi, Director (HR&A)
4. Haroon Rashid, Chief Engineer (T&G)
5. Muhammad Anwar, Chief Engineer (Operation)
6. Rana Tariq Pervaiz, Addl; DG Finance (CP&C)
7. Masood Salah Ud Din, Company Secretary
8. Aziz Ahmed, Addl: D.G (IS)
9. Sheikh Mohammad Ali, Legal Advisor

The Authority, in exercise of the powers conferred on it under Section 7(3) (a) read with Section 31 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997, Tariff Standards and Procedure Rules, 1998 and all other powers enabling it in this behalf, and after taking into consideration all the submissions made by the parties, issues raised, evidence/record produced during hearings, and all other relevant material, hereby issues this determination.

10.3.15
(Khawaja Muhammad Naeem)
Member

10/3/15
(Maj (Rtd) Haroon Rashid)
Member

10.3.15
(Himayatuallah Khan)
Member

10/3/2015
(Habibullah Khilji)
Vice Chairman

(Brig(Rtd) Tariq Soddozai)
Chairman

10.03.15

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1. BACKGROUND

1.1 Faisalabad Electric Supply Company Limited (FESCO), hereinafter called "the Petitioner", being a Distribution Licensee of NEPRA filed a petition for the determination of its consumer-end tariff pertaining to the FY 2014-15 in terms of Rule 3(1) of Tariff Standards & Procedure Rules-1998 (hereinafter referred as "Rules"). The Petitioner has sought the following relief:

- That it may be benefited by the timely determination and immediate application of the proposed tariff to ensure its financial viability and reliable supply of electricity to it consumers.
- NEPRA may please allow consistent application of the tariff and formulas and sufficient time may be allowed to recover the cost .
- Determination of tariff on the basis of anticipated sale of 10,123 M kWh, to recover the revenue requirement as mentioned in the petition including:-
    - Distribution Margin of Rs. 19,894 Million; and
    - Prior Year Adjustment of Rs. 8,604 Million
- Allowing Investment plan of Rs. 9,673 Million.
- Allow other periodical adjustments as per determinations of NEPRA
- Allow adjustment of cost of Working Capital against other income.
- Exclusion of Surcharge on late payment from the head of Other Income as it represents a cover of short-term financing cost for the Petitioner rather than a source of income.
- Approval for creation of 12 Sub Divisions and 3 Divisions having financial impact of Rs. 570.32 million in the 1st Phase of FY 2014-15.
- Any other relief, order or direction which the Authority deems fit.

2. PROCEEDINGS:

2.1 In terms of rule 4 of the Rules, the Petition was admitted by the Authority on 10th July, 2014. The Authority while considering the request of the Petitioner of immediate application of the proposed tariff is of the view that since proposed/requested consumer-end tariff was based on some requests which totally ignored the principle decisions of the Authority , thus making it unrealistic tariff for the Authority to implement . In view thereof, the Authority decided not to apply immediate application of the proposed consumer-end tariff. In compliance of the provisions of sub-rules (5) & (6) of the Rule 4 and Rule 5, notices of admission and hearing were sent to the parties which were considered to be affected or interested. An advertisement in this regard was also published in the leading national newspapers with the title and brief description of the petition on 8th August, 2014.

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3. FILING OF OBJECTIONS/ COMMENTS:

3.1 Comments/replies and filing of intervention request, if any, was desired from the interested person/ party within 7 days of the publication of notice of admission, i.e., August 8, 2014 in terms of Rule 6, 7 & 8 of the Rules. In response thereof, neither any reply was filed nor any intervention request was filed received within the prescribed time, however, delayed intervention requests were subsequently filed by Pakistan Cotton Ginners Association and Mr. Muhammad Ihsanullah Khan. The Authority decided to condone the delay in filing of intervention requests and accepted the requests. In addition to that representatives of Pakistan Hosiery Manufacturers & Exporters Association entered appearance on the date of hearing and verbal comments were offered by them. Subsequently they filed written comments.

3.2 Mr. Muhammad Ihsanullah Khan represented by M/s Anwar Kamal Law Associates-Intervener

3.2.1 The Intervention Request from Mr. Ihsanullah Khan was filed on August 21, 2014 through M/s Anwar Kamal Law Associates of Lahore. In the said request, certain information/answers were requested to be provided by the Petitioner. Subsequently on August 23, 2014, the intervener requested for another hearing on the pretext that the "issues" framed for the hearing were not communicated to him timely. The intervener also filed a motion for discovery of certain documents which reportedly were in possession of the Petitioner. Though said request was also barred by time, yet the same was also considered and allowed by the Authority in the interest of justice.

3.2.2 The brief contentions and concerns so raised by Mr. Ihsanullah Khan, in his intervention request are described as under:-

- That the Authority is not properly constituted because it is working without a Chairman
- There is also no provision for "Acting Chairman" nor a Vice Chairman can act as Chairman because of difference of qualifications of the Members and the Chairman.
- There is discrepancy in calculating the average sale rate which as per FESCO is 15.39/kWh whereas in terms of Annexure I & II of the petition, it comes out to Rs. 13.21/kWh.

3.2.3. The concerns of the intervener so gathered from the intervention request and motion for discovery, are described inter-alia as under:-

- There is difference between "Total Revenue" and "total sales revenue" in Form-2.

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- There is a different amount used in the Profit & Loss Statement (Form–2) for depreciation as compared to the amount used in Revenue Requirement on page 5.
- There is a different amount for Operation & Maintenance in Annual Revenue Requirement i.e., Rs.14,758/- million and the amount shown in the Profit & Loss Statement, i.e. Rs.14,741/- million.
- The Deferred Credits and amortization of Deferred Credits need to be explained by the Petitioner
- The justifications for the "Payable to NTDC" shown in the Balance Sheet signify/stand for as this amount is a whopping Rs. 20,455 million.
- The justifications of re-appropriation, if any, in the amounts of tariff already determined by NEPRA.
- The justifications of taking loans by the Petitioner when there is more than Rs.19 billion as "unappropriated profit" available to it and justification for not using such amount in the Investment Plan
- The justifications to pay high rate of interest to the Asian Development Bank as 17%
- The reasons of using a Debt Equity ratio of 80:20 by petitioner when NEPRA has allowed 70:30 only in the past
- Why the Petitioner has shown the figures of "Subsidy" as Nil for all three FYs from 2012 - 2013 to 2014 - 2015 under the Audited, Actual and Projected figures, respectively
- The above also raises the question as to what reference values FESCO is using since NEPRA's Tariff Determination for FY 2013-2014 has not been notified to date by the Federal Government?
- What is the amount of "Subsidy" to be paid by the Federal Government to petitioner for FY 2013-2014 and 2014-2015.
- What are the details of categories/sub-categories of consumers from whom, Petitioner collected General Sales Tax (GST) for Financial years 2012-2013 and 2013-2014 and the gross totals of GST collected for both Financial Years.

3.2.4 As discussed above the intervener also requested for certain information through motion for discovery before the case of the Petitioner is decided. Brief concerns/ recommendation of the intervener are reproduced as hereunder;

- Audit should be conducted to find out whether or not costs approved last year for Petitioner have been prudently incurred.

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- A detailed scrutiny of the costs of installations & investments made by Petitioner during the last year be carried out by NEPRA to find out whether or not investments / installations have been carried out prudently.
- It is generally believed that the figures furnished to NEPRA by the DISCOs are fudged and manipulated to cover up theft, losses & dishonest billing to the consumers. Therefore, an Audit of the figures contained in the Tariff Petition of FESCO may be carried out by an independent Auditor.
- A copy of report on T&D losses of XWDISCO be obtained
- A copy of Auditors report submitted by FESCO to NEPRA , with respect to excessive billing may be furnished.
- A copy of the report regarding the reasons along with the justification for abnormal charging benefits may be furnished to the intervener.
- A copy of explanation submitted by the Petitioner regarding justification on increased charging of provision with its claims of increased recovery may be furnished to intervener.
- A copy of the report with respect to excessive billing submitted by the Petitioner in response to an explanation sought by the Authority may kindly be furnished.
- An in-depth Audit of the repair & maintenance carried out by FESCO may be carried out strictly in accordance with the provisions of Standing Operative Procedure.
- Details of the requested investment plan of Rs. 9,673 million including Rs. 3,250 million from deposit work and capital contribution submitted by the Petitioner be obtained and provided.
- Recruitment during the period under reference, viz 2012-13 and 2013-14, carried out by FESCO in defiance of the explicit instructions of NEPRA be declared void ab initio having been carried out without lawful authority.
- Non-signing of Energy Purchase Agreement (EPA) between GENCOs and NTDC/CPPA and with Petitioner is a matter of convern.
- Non-observance of merit order by The National Power Control Center (NPCC) is a matter of concern.
- The Margin charged by Pakistan State Oil (PSO), which is a fuel supplier of GENCOs, is 2.75% from Northern Power Generation Company Limited (NPGCL), while the Margin charged by the same supplier from Jamshoro Power Generation Company Limited (JPGCL) & Central Power Generation Company Limited is 3.5 %. This disparity in the Margin being charged is illegal

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& amounts to criminal negligence. It is accruing due to the fact that except for NPGCL, the remaining GENCOs have not signed the Fuel Supply Agreement (FSA), and are carrying out financial transactions with PSO whimsically and arbitrarily. This has a direct impact on the Tariff. NEPRA is therefore required to take cognizance of this illegal activity taking place in the process of Sale & Purchase of fuel. The effect of this disparity/dishonest charge should not be allowed to be passed on to the consumers for no fault of theirs.

- Energy Transfer Agreements (ETAS) between the DISCOs are non-existent. Transactions on Energy Transfer to each other (from one DISCO to the other) are being carried out arbitrarily and whimsically between the DISCOs.
- Most of the Power Plants of GENCOs are operating even though their Licenses/Useful Life has expired long ago. Despite that, electricity is being purchased by CPPA at high rates. Operation of Plants on expired License/Useful Life is an unlawful activity & an offense. The passing on of the cost of this unlawful activity i.e. consumption of fuel by Plants with expired Licenses/Useful Life should not be approved & passed on to the consumers by NEPRA.
- The Power Plants of some of the GENCOs consume energy due to auxiliary consumption in a 'Stand-by' mode. The cost on this account cannot be passed on to the consumers. Energy consumed by these Power Plants due to auxiliary consumption during 'Stand-by' mode consumes electricity beyond limits. The costs/loss on this account are very high and run in millions of Rupees and have adverse financial effect on the consumers, again for no fault of theirs.
- Bill delivery in time at the door steps of consumers is the prime responsibility of Petitioner but it badly failed in performing this basic duty.
- The request of Petitioner for allowing them to create 12 Sub Divisions and 3 Divisions having financial impact of Rs. 570.32 million in the 1st Phase of FY 2014-15 is unrealistic and imprudent.

3.2.5 The concerns raised by the intervener were communicated to the Petitioner who filed its response on September 3, 2014 to the following effect:-

- Total Sales Revenue includes revenue from sale of electricity, whereas total revenue is the revenue after adding other income in sales revenue.
- Depreciation in form-2 is calculated on re-valued cost of fixed assets as per requirement of IAS-16 (property plant and equipment) whereas , the amount of depreciation as part of revenue requirement appearing at page 5 of the tariff petition is calculated on the original cost of fixed assets as required by the Authority.

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- The total requirement of Operation & Maintenance cost as shown in Annual Revenue Requirement is Rs.14,758 million. In the profit & loss statement an amount of Rs.16 million as bank charges has been shown under Finance Cost. By adding the amount of bank charges the Operation & Maintenance Expenses comes to Rs.14,758 million as shown in the revenue requirement of the company. Bank charges are paid to banks for preparation of drafts, clearances of cheques, issuance of cheque books, etc.

- The source of deferred credit is consumer financing (capital contribution and deposit works) for new connections. The deferred credit is further amortized @ 3.5% (useful life of equipment) every year and booked to other income which is further adjusted by the Authority against the Distribution Margin of the company in the annual tariff determination. These transactions are being dealt on the analogy of IAS 20.

- This is projected payable amount to CPPA/NTDC on account of purchase of power.

- The type of variation is not pointed out by the intervener. The Petitioner is clarifying that the tariff components determined by the Authority are not subject to any re-appropriation.

- The amount of Rs.19 billion as "un-appropriated profit" is the projected figure for the FY 2014-15 based on existing tariff determined by the Authority for the FY 2012-13 and notified by GOP on 11th October, 2013. This is subject to correction/ adjustment on the basis of implementation of tariff determined by the Authority for the FY 2013-14. The company has accumulated losses of Rs. 8,545 million ended June 30, 2013.

- Consumers are not being paid directly the rate of interest of 17% to ADB. The Authority determines Return on Rate Base (RORB) on the basis of Weighted Average Cost of Capital (WACC) as under:

  RORB=Rate Base x WACC

  NEPRA is the final authority for deciding WACC. The cost of debt allowed by NEPRA in tariff determination of FY 2012-13 and 2014-15 was only 9.10% (post tax). The loan has been granted by Asian Development Bank to Government of Pakistan (GOP) which has been re-lent to FESCO for Power Distribution Enhancement Investment Program (PDEIP).

- For justification of HR recoupment Para 2.2.1.1 of the tariff petition is referred. Shortage of staff is compromising compliance of performance standards.

- The debt equity ratio of 80:20 is used by the Authority since FY 2012-13 being final authority in this regard.

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- In the balance sheet ended June 30, 2013, the amount of Tariff Differential subsidy has been incorporated in current assets under Other Receivables. Copy of relevant page of Audited Financial Statements is attached for reference. For the actual/provisional and projected amount of subsidy for the FY 2013-14 and 2014-15 Form 2 of the tariff petition is referred.
- The Petitioner is clarifying that the reference values of the existing notified tariff determined for the FY 2012-13, has been used.
- Subsidy claimed during FY 2012-13 is as follows:

Consumers	T & D subsidy amount (Rs. in Millions)	Subsidy (Rs./KWh)
Residential	24,038	6.35
Commercial	2,154	4.73
Industrial	16,316	4.90
Bulk	1,404	4.95
Agricultural	3,589	5.00
Public lighting	15	2.23
Residential Colonies	10	2.93
Total	**47,526**	**5.54**

- Subsidy claimed during FY 2013-14 was Rs. 34,589 Million and for July 2014 (2014-15) Rs.2,798 Million.
- GST charged during FY 2012-13 and 2013-14 is given below:

Consumer Category	2012-13	2013-14
	Rs. In million	
Domestic	4,277	5,459
Commercial	1,065	1,359
Industrial	3,174	5,006
Bulk	472	650

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Agriculture	1,316	1,481
Public Lighting	20	22
Residential Colonies	8	10
Total	**10,332**	**13,987**

3.3 **<u>Pakistan Cotton Ginners Association– Intervener</u>**

3.3.1 The concerns raised by Pakistan Cotton Ginners Association precisely is given as under:-:

- The increase in O&M cost requested by the Petitioner is not fair as the quantum of sale of electricity is decreasing from last years.
- The Petitioner has requested for increase in electricity rate, however, the price for industrial consumers should be decreased in order to help the ailing industrial sector to survive.
- The Petitioner charges 25% seasonal charges on Ginning and Oil mills in winter. This seasonal charge should be decreased to 10% and should only be charged on variable charges and not on fixed charges.

3.4 **<u>Pakistan Hosiery Manufacturers & Exporters Association -Commentator</u>**

3.4.1 The Commentator stated the following concerns:

- Hosiery Garments Industry, being largest job provider and highest value addition sector, should be either totally exempted from load-shedding or the duration should be reduced.
- In view of outstanding performance of FESCO, with 100% recoveries and less than 1% line losses, it deserves enhancement in allocated quota ceiling in line with Supreme Court of Pakistan's decision to encourage best performer DISCOs.
- Unscheduled load-shedding and unnecessary intervention from any provincial or federal authority in load-shedding management of any DISCO should be strictly discouraged.
- Significantly high tariff of electricity has made cost of business uncompetitive. The Current bill of July 2014 shows sudden increase of 24% in cost. Any further increase should be stopped and tariff be brought to normal position of last year.

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4. FRAMING OF ISSUES

4.1 Following issues were framed to be considered during the hearing and for presenting written as well as oral evidence and arguments:-

i. Whether the Petitioner has complied with the direction of the Authority passed in the last year's tariff petition?
ii. Whether the concerns raised by interveners and commentators justified?
iii. Whether the Petitioner's projected purchases of 11,381GWhs and sales of 10,123GWhs units for the FY 2014-15 is reasonable?
iv. Whether the Petitioner's proposed transmission and distribution losses of 11 % for the FY 2014-15, are justified?
v. Whether the Petitioner's projected power purchase cost of Rs.127,343 million (Rs.11.19/kWh) for the FY 2014-15 is justified as against provisional cost of Rs.10.62/kWh for FY 2013-14?
vi. Whether the Petitioner's projected O&M cost of Rs.14,758 million (Rs.1.46/kWh) for the FY 2014-15 after accounting for inflation/increments, is justified?
vii. Whether the Petitioner proposed depreciation charge of Rs.2,106 million (0.21 /kWh) for the FY 2014-15 is justified?
viii. Whether the Petitioner projected Return on Regulatory Asset base of Rs.3, 963 million (Rs.0.39 /kWh) for FY 2014-15, is justified?
ix. Whether the Petitioner's projected other income of Rs.933 million (Rs.0.09/kWh) for the FY 2014-15, is reasonable?
x. Whether the Petitioner's plea to adjust working capital amounting to Rs. 1,546 million from other income and exclusion of late payment surcharge from other income merits consideration?
xi. Whether the Petitioner's proposed Investment plan of Rs.9, 673 million for the FY 2014-15 is justified?
xii. Whether the proposed revenue requirements of Rs. 155,841 at an average sale rate of Rs.15.39/kWh for the FY 2014-15 is justified?
xiii. Whether the Prior Year Adjustment calculated by FESCO is accurate?
xiv. Whether Petitioner's request to allow creation of 12 sub-divisions and 3 divisions with financial impact of Rs. 570.32 million in FY 2014-15 merits consideration?
xv. What are the concerns of Petitioner on changing terms and conditions of lifeline consumers and Residential consumers?
xvi. What are the concerns of the Petitioner on TOU metering of cellular company connections and similar connections?

4.2 In addition to above, the Authority has decided to form an issue pertaining to the future tariff determination methodology in the matter of the Petitioner.

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5. HEARING

5.1 The pleadings so available on record were examined by the Authority in terms of rule 9 of the Tariff Rules; accordingly in order to arrive at a just and informed decision, it was decided to conduct a hearing in the matter on 22nd August, 2014. In compliance of Rule 5 of the Tariff Rules notice of admission/hearing were sent to the concerned parties and published in the leading newspapers on 8th August, 2014. In compliance thereof, the hearing was conducted on 22nd August, 2014 at Serena Hotel, Faisalabad. During the hearing, the Petitioner was represented by Mr. Rashid Ahmed, Chief Executive Officer of the Petitioner along with his financial and technical team. The Interveners, commentators and general public also participated in the hearing.

5.2 On the basis of pleadings, evidence/record produced and arguments raised during the hearing, issue-wise findings are given as under:

6. Issue #1. Future tariff determination methodology with respect to the consumer end tariffs of XWDISCOs.

Tariff Methodology for the FY 2014-15.

6.1 As per the Petitioner's petition and existing Tariff Methodology, the Authority has decided to continue with the determining of revenue requirement on annual basis and continue with the practice of projecting monthly PPP references, for the FY 2014-15 as;

- lesser revenue is generated in winter which is compensated by higher revenue generated in the summer;
- changes in generation mix resulting in lower PPP in wet seasons (with greater hydel generation) compensating high PPP in winter (with greater generation reliance on RFO);
- there is huge variation in T&D Losses due to seasonal fluctuation.

6.2 However, certain adjustments like impact of losses, variation in capacity transfer price and UoSC, impact of extra or lesser purchases of units would be made on quarterly basis for the FY 2014-15, as per the existing practice. Thus, following components of tariff are subject to annual assessment for the FY 2014-15;

- Assessment of T&D losses target.
- Assessment of Sales target.
- Impact of Consumer mix variance.
- Month wise assessment of reference values with respect to PPP (including energy, capacity & transmission charges).

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- Impact of extra and lesser units purchased.
- Assessment of Distribution Margin, and ;
- Assessment of prior period assessment, if any.

6.3 The Petitioner may file a review on the Authority's assessment as per Rules.

Quarterly Adjustments

6.4 The quarterly adjustments would also be done for the FY 2014-15 as per the following scope. Thus, the scope of quarterly adjustments would be limited to;

1. The adjustments pertaining to the capacity and transmission charges.
2. The impact of T&D losses on the components of PPP.
3. Adjustment of Variable O&M as per actual.

Monthly Fuel Adjustments

6.5 The existing practice with respect to the adjustments on account of variation in fuel cost component of PPP on monthly basis would continue for the FY 2014-15. This adjustment reflects in the consumers' monthly bill as Fuel Adjustment Charge.

6.6 In view of any abnormal changes the Authority may review these references along with any quarterly adjustment. Here it is pertinent to mention that PPP is pass through for all the DISCOs (variable cost) and its monthly references would continue to exist irrespective of the financial year, unless the new Schedule of Tariff (SOT) is notified by the GOP. The recovery of fixed cost Distribution Margin & Prior Year Adjustment (DM & PYA) would also be done on the currently notified regulated sales.

Future Tariff Methodology for the FY 2015-16 and onwards .

6.7 The Authority is in the process of notifying the future tariff methodology pertaining to the FY 2015-16 and onwards. The Authority, while devising the aforementioned , has used a participatory approach whereby the process was started in December, 2013 . The first draft of the methodology was uploaded on the website for comments on 20th February, 2014 inviting all the stakeholders to submit their comments. After incorporating the relevant comments, the Authority again uploaded the revised version of the draft on 12th August , 2014 for any additional comments/concerns . An advertisement in this regard was also published on 12th August , 2014, intimating all the stakeholders about the uploading of the document on NEPRAs website. Further, individual letters were also send to all the stakeholders considered to be affected, seeking their comments on the document.

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6.8 The Authority after going through all the available documents and record , has finalized the aforementioned document and is in the process of notifying it , All the XWDISCOs are directed to submit their future tariff petition in accordance with the notified tariff methodology.

7. <u>Issue #2. Whether the concerns raised by the Interveners and commentators are justified?</u>

Response of the Authority on the Intervention request filed by Mr. Muhammad Ihsanullah Khan represented by M/s Anwar Kamal Law Associates

7.1 Having gone through the concerns so raised qua the response given by the petitioner, it may be observed at the very outset that for filing an intervention request, the time period prescribed in terms of rule 6 of the Rules is 7 days from the date of publication of notice of admission. It is also the requirement of said rule that the intervention request should contain the objections, the manner in which such person is likely to be affected by the determination, the contentions of the person, the relief sought and the evidence, if any, in support of the case. On the basis of the pleadings, the issues are to be framed to be considered during the course of hearing. Now once the prescribed time is lapsed and on the basis of available record, issues are framed, then any delayed filing of intervention request does merit dismissal and it is also not possible to share the issues, as per stance taken by the intervener in the present case. Further that instead of providing grounds and justifications in the intervention request, raising the questions is nowhere provided in the Rules. In case the petitioner requires any information, it may either approach the petitioner directly or may file a motion of discovery in terms of rule 10 of the Rules. Though the intervener subsequently filed such motion but that motion was also barred by time because it was filed after the closure of evidence. However the Authority directed the concerned to provide the requested information to the intervener.

7.2 Notwithstanding the delayed filing of the intervention request, the concerns so raised in the intervention request as well as in the motion for discovery were considered by the Authority in the light of reply given by the petitioner. The observations/findings of the Authority is as under:-

7.3 **Response on Intervention Request**

- The Section 5(2) of the Act specifies that for the Authority to function and decide on a matter, the quorum shall be formed by 3 members. It does not specify that a chairman is required to decide upon each matter. Consequently, the intervener is informed that the tariff determination process is being approved with the authorized number of members, and consequently, the fora is legislatively authorized to undertake decisions and the same are binding.

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- The average sale rate computed by Petitioner in the Petition is an indicative figure and the Authority re-assesses the sale rate based on the approved cost. Therefore, the error, if any, has no impact on the final approved tariff.

Response on information required from the Petitioner and motion for Discovery

7.4 The Petitioner was directed to provide the desired information to the intervener. According the same was provided by the Petitioner to the intervener on 19th December, 2104 vide its etter # 5525 FD/FESCO/CPC. Although the Petitioner provided the required information to the intervener , yet there are few concerns of the intervener which require Authority's response;

- The questions raised by the intervener to the Petitioner are in respect of information submitted with the tariff petition and as already explained the figures are indicative and the Authority while making its assessment considers the audited accounts of the Petitioner and the previous assessment.
- The audited accounts of any DISCO present its actual expenditure incurred during any financial year, however the prudence of same is decided by the Authority, through its determination. in accordance with Rule 17 of Tariff Standards and Procedure Rules-1998. In view thereof the Authority does not allow that the actual /audited expenditure of any DISCO. The Authority makes independent assessment under the corresponding cost head.
- As regards the request for detailed scrutiny of costs of installations and investments to be carried out by the Authority, it may be noted that the Authority while assessing the investments does its own due diligence. Here it is pertinent to mention that the audited accounts of any DISCO present the actual investments undertaken by any DISCO during a certain period. The prudence of same is ensured and governed by the Authority through setting regulatory assessment, e.g., if a Petitioner has to meet the losses target set by the Authority, it has to make investments in ELR and DOP. Further, while allowing the impact of investments in DISCOs return, the Authority does consider available five year investment plans of DISCOs and their respective PC-1s. If the Authority still feels the intervener's request in this regard can be considered on the basis of specific terms of reference submitted by the intervener.
- The intervener's concern with respect to the figures furnished by DISCOs to NEPRA being fudged and manipulated as without any basis and rational. The Authority considers that if the intervener should clearly indicate clearly extent it wants the audit to be carried out.
- The intervener's concern regarding justification on increased charging of provision for doubtful debts is not relevant from the Authority's point of view

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as the Authority has not allowed provision for doubtful debts in tariff. Here it is pertinent to mention that the Petitioner, in its response has provided its justification in this regard.

- The Authority considers that the intervener's request to carry out in-depth audit of repair and maintenance cost incurred by the Petitioner is valid. In order to address the intervener's concern, the Petitioner need to provide the detailed response along with justification in the next petition. The Authority allows only prudently incurred cost which it deems necessary to maintain the system and the assessment in this regard is usually different from what the Petitioner is actually spending under this head.
- In response to Authority's direction the Petitioner has provided Energy Transfer Agreement between DISCOs & CPPA. Accordingly the intervener's concern in this regard have been addressed.
- The intervener's concern regarding creation of circles is discussed with detail under issue no. 15 below.
- While appreciating the intervener concern regarding Recruitments by the Petitioner during the period FY 2012-13 and 2013-14, the Authority considers it appropriate to mention that it has never allowed any " additional recruitment" to the Petitioner which it has failed to justify and which is not supported by a comprehensive / justifiable recruitment plan. The same is discussed with more detail in para 14.2 of instant tariff determination.
- The Intervener concern regarding the absence of any Energy Purchase Agreement (EPA) between GENCOs and CPPA, non observance of merit order, absence of Fuel Supply Agreement (FSA) between certain GENCOs and PSO and the concern regarding passing on the cost of operation of Power Plants of GENCOs after the expiry of their Licenses/Useful Life, have been considered carefully by the Authority. The Authority considers that most of the issues raised by the Intervener are not relevant in the instant case. Absence of any Energy Purchase Agreement (EPA) between GENCOs and CPPA although is an irregularity but the GENCO has a Generation Licence as well as the Authority's determined tariff. On the basis of this irregularity the available capacity in the system can not be excluded from the system particularly in the scenario of power shortage and prevailing load shedding in the country. As regards the observance of merit order the CPPA provides monthly a certificate that while dispatching the power plants merit order was observed in accordance with the generation rules. The concern with respect to absence of FSA between certain GENCOs and PSO although is valid to some extent but due to non-payment in accordance with the terms of FSA, the GENCO may be required to pay penalty. The penalty so paid to the PSO may have more

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financial implication as compared to the 1% extra margin paid to the fuel supplier. In the present scenario the GENCOs without FSA would be saving more. As regards the expiry of licence useful life pertaining to some plants in the GENCOs, the Authority is aware of the fact and has already excluded some of the plants from GENCOs licence through Authority, Proposed Modification while in other cases it intends to intiate the modification process accordingly.

- The Intervener concern on the inclusion of Late payment surcharge in the "other income" of FESCO is valid and the same is being addressed by the Authority in respect of all DISCOs. The matter is addressed with detail in issue no. 11 of the instant decision.

Response on the concerns of Pakistan Cotton Ginners Association

7.5 The Authority considered the concerns of the intervener and is of the view that:-

- The Petitioner's request for increase in O&M cost is never approved upfront, rather a detailed analysis is performed and only prudently incurred cost which is justified by Petitioner from evidence and arguments is allowed.
- Any prudent increase in cost of electricity has to be passed on to all the consumers judiciously. If one consumer category is exempted from the increase it means that the other consumer category has to be burdened unjustifiably. Again which is not permitted by the Rules as the Authority while setting the consumer end tariff tries to minimize the cross subsidies. In view thereof, the request is unjustified and denied.
- The intervener while proposing the rate of 10% instead of 25% for the seasonal connections has not substantiated it with any rationale or justification. Further, the request of making it single part tariff instead of two part tariff is also without any logic or reasoning . Hence , the Authority is constrained to decline the interveners request in this regard.

Response on the concerns of Pakistan Hosiery Manufacturing Association

7.6 The Authority considered the contentions of the commentator and the response to commentator's concerns as below:

- While appreciation the contribution being made by the Pakistan Hosiery Industry in provision of jobs, the Authority considers that if only Hosiery Sector is exempted from load shedding it would mean increased load shedding for other industrial sectors, which would be unjust.
- The commentator's request for increase in 'allocated quota ceiling' would mean depriving the other parts of the country from electricity to that extent, which again would be discriminatory and unjust . However, the commentator's concern with respect to the paying customers, is valid. The

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Authority has taken an initiative whereby XWDISCOs are allowed to enter into bilateral contracts directly with the power generators. The Authority feels that this initiative would improve the situation in terms of load shedding particularly in an areas where paying customers are available.

- The increase in the past was primarily owing to the increase in cost of generation of electricity and with the decrease in prices of fuel in the international market, a decreasing trend in the electricity tariffs is also expected. As regard, the increase in bills for the month of July , if the Petitioner feels it is aggrieved, it may file a complaint in the Consumer Complaint Division of the Authority for redressal.

8. <u>Issue #3 . Whether the Petitioner has complied with the directions of the Authority passed in the last year's tariff petition?</u>

8.1 The Authority issued several directions in the tariff determination for the FY 2013-14. The compliance of which are discussed under relevant heads. However, few of the directions are discussed below;

TOU Meters

8.2 During the hearing the Petitioner has presented the following position of installation of TOU meters as at 31st July, 2014;

Customer Category	Total No. of Connections for Installation of TOU Meters	Connections with TOU meters installed up to July 2014	% installed	TOU meters yet to be installed
Residential	23,715	5,664	24%	18,051
Commercial	11,376	7148	63%	4,228
Industrial	33,871	27,292	80%	6,570
Bulk Supply	175	127	72%	48
Agricultural	33,994	33,994	100%	-
Total	**103,131**	74,225	72%	28,906

8.3 Subsequently, the Petitioner submitted the following updated position of number of TOU meters installed vide letter no. 1013/CEx./M(CS)/DMC dated 29th October, 2014;

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Customer Category	Total No. of Connections for Installation of TOU Meters	Connections with TOU meters installed up to October 2014	% installed	TOU meters yet to be installed
Residential	23,715	5,837	25%	17,878
Commercial	11,376	7,196	63%	4,180
Industrial	33,871	27,531	81%	6,340
Bulk Supply	175	127	73%	48
Agricultural	33,994	33,994	100%	-
Residential colonies attached to industrial premises	78	0	0	0
Total	103,209	74,685	72%	28,524

8.4 Last year the Petitioner, vide its letter no. 3089/CEx./M(CS)/DMC/NEPRA dated 16th May, 2013 communicated that all S.Es have been advised to make all out efforts to replace remaining TOU meters. During the hearing of the instant petition, the Petitioner committed that 100% installation of meters will be completed by the end of this year. The Petitioner vide its letter no. 3089/CEx./M(CS)/DMC/NEPRA dated 16th May, 2013 communicated that all S.Es have been advised to bring out all efforts to replace remaining TOU meters. During the hearing of the instant petition, the Petitioner committed that 100% installation of meters will be completed by the end of this year and presented following updated status of TOU meters installation:

Customer Category	Total No. of TOU Connections	Connections with TOU meters installed	% installed	Connections pending installation of TOU meters
Residential	21,264	13,524	64%	7,740
Commercial	10,063	7,833	78%	2,230
Industrial	30,551	23,928	78%	6,623
Bulk Supply	162	145	90%	17
Agricultural	31,085	31,085	100%	0
Residential colonies attached to industrial premises	75	59	79%	16
Total	93,200	76,574	82%	16,626

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8.5 The Authority noted with great concern that the Petitioner's reported figure of number of installed connections has decreased when compared with the last year's reported figures. It appears that the Petitioner has been providing incorrect information to the Authority by reporting different figures at different times. This act of the Petitioner rises serious doubts about the reliability of the other information as well. The Petitioner needs to explain the reasons for the aforesaid discrepancies. The Petitioner is accordingly directed to send its response not later than 31st March 2015.

8.6 Based on the available record , it is further observed that in three months of August, September and October, 2014, the Petitioner has just installed 460 additional meters. In view of aforementioned , the Authority can construe that the Petitioner has not shown any seriousness in implementing the Authority's directions.

8.7 Keeping in view the non-seriousness attitude of the Petitioner, in implementing the Authority's decision the Authority has decided not to give any deadline for its compliance and it has further decided to initiate proceedings against the Petitioner under the penal sections of the relevant Regulations.

Excessive billing

8.8 The Petitioner was directed in the tariff determination for FY 2012-13, to submit comprehensive compliance report on excessive billing by 30th April, 2013. Further while deciding the tariff petition for the FY 2013-14, the Authority decided that it will take a separate presentation on the subject of efforts to overcome overbilling by the Petitioner that how come existing TOU meters cannot be used in AMR system, compatibility of handheld units with existing energy meters in fields etc.

8.9 The Petitioner vide its letters no. 8389/CCO/M(CS)/DMC/NEPRA dated 7th February, 2013 and letter no. 3080/CEx./M(CS)/DMC dated 16th May, 2013 communicated the steps it has taken to counter excessive billing. In due course some other DISCOs including Peshawar Electric Supply Company (PESCO) gave presentation on the same subject and the issue was deliberated at length with the Authority. The representatives of PESCO informed that it has adopted a software designed by the young professionals of the University of Engineering and Technology, Peshawar, which facilitates the printing of snapshot of meter reading on the electricity bills of the consumers . With these bills, the consumers are more satisfied and the overbilling complaints and instances have significantly reduced.

8.10 The Authority after careful evaluation of the solution provided by PESCO considers that such a measure if adopted would not only enhance the level of confidence of the consumers but would also create a quality check on the Meter Reader's effectively. Consequently, the Authority directed all the XWDISCOs including the Petitioner vide its letter dated 17th October, 2014 to adopt the software and print bills accordingly

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The Petitioner should implement the said software and print bills with the snap shots of meter readings (both previous and current) not later than 30th April, 2015. In addition, IESCO & MEPCO in their separate petitions requested the cost of hand handled meter reading units under the head of investments. The Authority also considered the arguments of the representatives of the said DISCOs it is convinced on the perceived benefits of the said investments in terms of improving DISCOs operation. In view thereof , the Authority has principally decided to allow the cost of the hand handled meter reading units to the Petitioner and directs it to submit its investment requirements for the implementation of the said plan along with the completion timelines along with its next tariff petition.

Concrete Recovery Plan, Issue of Subsidy with GoP and Increased charging of Provision against doubtful debts

8.11 Although the Authority determines Petitioner's tariff on 100 % recovery basis yet considering the ongoing circular debt situation , the Authority decided to analyze the receivables of the Petitioner and the recovery plan submitted by it. Having gone through the said plan the Authority observed that the recovery plan was very brief and failed to reflect the results obtained by implementation of the plan. Consequently, the Authority feels that the Petitioner should resubmit a concrete recovery plan for its consideration. Also, the Authority noted that abnormally high provision has been charged by the Petitioner against receivables as compared to the previous years which requires proper justification for excess provision. Additionally, the Authority noted significant balance appearing as receivable from GoP in the head of subsidy; the Petitioner to take up the same with GoP and report in this regard should be submitted to the Authority not later than 31st March, 2014.

8.12 The Petitioner submitted that it has already communicated a comprehensive plan vide letter dated 16th May, 2013. The Petitioner, during the hearing submitted that its recovery ratio remained 100% during the FY 2013-14. With regard to subsidy from GoP, the Petitioner stated that it has written a letter and reminder to Secretary Finance, Government of Punjab for recovery of subsidy of Rs. 2,212.56 million and as yet no amount has been recovered.

8.13 On the issue of recovery plan, the Petitioner was expected to submit a revised recovery plan of the receivables whereby an aging and nature of the receivables would identify the potential area of recovery along with a comprehensive plan of the Petitioner ensuring their recovery. For the matter of record an updated position of the Petitioner's receivables are reproduced as hereunder ;

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Rs. in million

Description	2010-11	2011-12	2012-13	2013-14
Trade Debtors- Considered good	9,034	12,116	7,517	9,509
Trade Debtors- Considered doubtful	268	835	2,266	1,221
Trade Debtors- Total	9,302	12,951	9,783	10,730
Provision for bad debts	268	835	2,266	1,221
Net Receivables	9,034	12,116	7,517	9,509

8.14 The Authority considers that the net receivables have increased and one of the reasons apparent from the financial statements, is the reversal of excess provision charged in the last financial year to the tune of Rs. 1,045 million. It appears that the Petitioner instead of explaining the reasons of the excess provisioning has decided to reverse it. Yet again, if the Petitioner 's claim of having 100% recovery for the FY 2013-14, is accepted, the amount of receivables appearing the Petitioner's Balance sheet primarily pertains to the previous periods (excluding the impact of spill over , if any). In view thereof, the required recovery plan mentioned above becomes more relevant. Further, the Petitioner's previous claims of 100% recovery also become debatable. Consequently, the Petitioner is directed to provide break-up along with the nature of receivables and a concrete plan of their recovery not later than 31st March, 2015.

8.15 With regard to subsidy, the review of audited financial statements reveals that subsidy receivable from GoP has decreased to Rs. 6,393 million from Rs. 31,028 million. This reduction is primarily achieved by off-setting of subsidy from payable to CPPA. The Petitioner is encouraged to recover the remaining from GoP as well.

9. <u>Issue # 4. Whether the petitioner's projected purchases of 11,381 GWhs and sales of 10,123 GWhs units for the FY 2014-15, is reasonable?</u>

9.1 As per the Petitioner, the projected units purchased for the FY 2014-15 shall be 11,381 GWh and units sold will be 10,123 GWh. The Petitioner stated that it estimated the growth in sales units to be 4.35% based on the actual historic increase in number of consumers for the last 7 years. The Petitioner also presented the following historic data with respect to sales and purchases;

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Years	Purchase of units in GWh	Percentage Growth	Sale of units in GWh	Percentage Growth
2011	9,686	4.25%	8,596	3.16%
2012	9,632	(0.56%)	8,580	(0.19%)
2013	9,634	0.02%	8,586	0.07%
2014 (provisional)	**10,929**	**13.44%**	**9,701**	**12.99%**
2015 (projected)	**11,381**	**4.014%**	10,123	**4.35%**

9.2 Although, there is an inbuilt mechanism for adjusting actual variation in sales against the estimated sales, yet in order to avoid unnecessary fluctuations in the consumer-end tariff it is appropriate to make realistic assessment of the purchases and sales. Moreover, it is also important for the realistic assessment of monthly reference fuel cost for making monthly fuel cost adjustment pursuant to Section 31(4) of Regulation of Generation, Transmission and Distribution Act (XL 1997). In view thereof, the Authority has carried out a detailed exercise for estimating station wise generation pertaining to the FY 2014-15. An increase of 0.78% has been assumed over the actual generation pertaining to the FY 13-14, as generation growth. Here it pertinent to mention that the actual generation for the FY 2013-14 was 9% more than the actual generation for the FY 2012-13. After incorporating all the upcoming additional generation, it is estimated that in the FY 2014-15 the overall system generation will be about 95,892 GWh. After adjusting for the permissible transmission losses of 3.0% about 93,015 GWh are expected to be delivered to the distribution companies; the estimated share for the Petitioner from the pool for the FY 2014-15, is accordingly assessed as 10,938 GWh as against 11,381 GWh projected by it. After incorporating the T&D losses target for the FY 2014-15 (discussed below) the sales target in the instant case for the same period worked out as 9,899 GWhs.

10. Issue #5. Whether the Petitioner's proposed transmission and distribution losses of 11% for the FY 2014-15, are justified?

10.1 The Petitioner requested a T&D losses target 11% for the FY 2014-15. The Petitioner in its petition submitted that the Authority has to determine the difference between the units procured and units sold within the distribution service territory that includes the technical as well as administrative losses.

10.2 As per the Petitioner, it requested for losses target of 10.83% for the FY 2013-14, against which the Authority assessed target of 9.13%. Subsequently it filed a review

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motion against the decision. Here it is pertinent to mention that while deciding the motion for leave for review, the Authority revised its set target of T&D losses to 9.50% for the FY 2013-14.

10.3 The Petitioner submitted that the impact of load growth, addition in distribution network and number of consumers may not be ignored on mere ground of impact of investment. It was further stated that village electrification is another major contributing factor of continued T&D losses. But despite the aforementioned reasons, the Petitioner contended that it has managed its level of T&D losses at a level of 10.83% for the last 2 years i.e. during the FY2011-12 & FY2012-13.

10.4 The Petitioner requested for a losses target of 11% for FY 2014-15 based on the provisional actual losses of 11.2% for the FY 2013-14. The Petitioner also gave the following break-up of losses in its tariff petition;

Type of Losses	FY 2014-15 (Projected)	FY 2013-14 (Actual / Estimated)
Transmission Losses	1.8%	1.9%
Distribution Losses	9.2%	9.3%
Total	11.0%	11.2%

10.5 As per the Petitioner, it has drawn a road map to achieve this target which includes revamping of secondary transmission (66, 132 KV) lines, augmentation of HT & LT lines, provision of T&P items, induction of low loss transformers, theft detection by enforcement agencies and replacement of meters, with static meters and its subsequent up gradation into Automated Meter Reading (AMR) and Advanced Metering Infrastructure (AMI).

10.6 The Petitioner classify village electrification as a critical factor in the losses figure. As per the Petitioner, in the past, the load was not critically analyzed before grid stations and circuits were added/ extended in the system that resulted in imprudent village electrification, which has caused the utility with numerous negative impacts such as:-

- Low voltage at consumer's end
- Increase in line losses
- Decreased reliability
- Trend of power theft
- Enhanced maintenance cost.
- Low revenue turn-over
- Over loading of the system
- Increased and un-economical operating cost etc.

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10.7 The Petitioner further stated that voltage drop in a distribution system is the difference at any instant between the voltages at the source and utilization ends of a circuit, branch circuit, or the transformer which should not vary more than ± 5 percent as per the contractual agreement. However, the liberal extension of HT & LT circuits for the purpose of rural electrification results in inflating the technical losses as well as making the distribution system more vulnerable to frequent breakdown and outages. Furthermore, the Petitioner explained theft in rural areas as another problem since the down turn in purchasing power and tariff hike. The Petitioner also explained administrative issues with village electrification and stated that frequent and long traveling by the utility's staff for attending faults and maintenance of the distribution system in rural areas, has increased the cost of maintenance exorbitantly. On top of that the revenue earning from rural area is far less than one from urban settlements. The Petitioner stated that IRR of the investment has never been taken into account while making decisions for projects of village electrification.

10.8 The Petitioner submitted that the financial loss per annum occasioned by conductors of electricity is made up of:-

a. Interest on the capital cost of the conductors, plus an allowance for depreciation.

b. The cost of energy wasted by virtue of the ohmic resistance of the conductor

10.9 During the hearing, the Petitioner presented the following history of actual T&D losses over the last few years;

Years	Transmission losses in %	Distribution losses in %	T&D Losses in %
2010	1.28%	9.69%	10.85%
2011	1.63%	9.77%	11.24%
2012	1.12%	9.76%	10.78%
2013	1.30%	9.61%	10.78%
2014 (Provisional)	1.94%	9.50%	11.26%
2015 (Projected)	1.80%	9.20%	11.00%

10.10 The Petitioner also stated during the hearing that it has conducted a study of its technical losses with the help of available software (FDRANA) as per which the proposed breakup of losses for the FY 2014-15 is as below;

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Description	Losses
LT Losses (0.4KV, 0.2KV)	3.00%
Cable, Metering Losses	1.00%
Transformer Losses	1.50%
HT Losses	2.80%
Admin / Commercial Losses	0.90%
Transmission Losses	1.80%
Total	11.00%

10.11 The Petitioner has raised similar arguments of load growth, addition in distribution network, number of consumers and imprudent village electrification in the tariff petitions pertaining to the FY 2012-13 and FY 13-14. (discussed by the Authority at para 9.2 of the determination pertaining to the FY 2012-13 & para 11.10 of the tariff determination for the FY 2013-14). The Authority rejected the Petitioner's argument load growth, addition in distribution network and number of consumers as these are the phenomenon of normal business cycle which the Petitioner was supposed to plan well in advance and must cater through its routine investment plans, which the Petitioner has been carrying out each year. Now if the desired results are not achieved, it could be construed that the Petitioner may not be utilizing the investments effectively which is a failure on the part of Petitioner. Further, on the argument of imprudent village electrification, the Authority again consider it failure on the part of Petitioner, if it was not planned properly in the past, it does not mean that the consumer would bear the burden of Petitioner's inefficiency. In the instant tariff petition, although the Petitioner has stated that the impact of load growth, addition in distribution network and number of consumers may not be ignored on mere ground of impact of investment, however has not substantiated its statement with any working or any new rationale which would convince the Authority to change its decision in this regard.

10.12 The Authority has noted very erratic behavior of transmission losses, which does not reflect true state of affairs. Moreover, according to the breakup of losses provided by the Petitioner in the Petitioner's area the administrative losses appear to be 0%. Similarly the trend of distribution losses indicates no improvement despite the sizable investments made each year. In view thereof the losses indicated by the Petitioner in the table on the face of it can not be relied upon. The Authority has also observed that

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the Petitioner while justifying its request of 11.00% has totally ignored the Authority's directions passed to the Petitioner , in the previous determinations and has not even referred the background and arguments which formed the basis of the Authority's assessment of 9.50% level of T&D losses in the matter of Petitioner, pertaining to the FY 2013-14. Since the arguments and background are very critical in the assessment of the instant case as well, hence for the matter of record, the Authority considers it necessary that the Petitioner 's arguments submitted at different points of time along with the Petitioner's arguments are reproduced in the following para.

10.13 While deciding the tariff petition of the Petitioner pertaining to the FY 2012-13, NEPRA directed to carry out technical study of its T&D losses and submit its TORs along with its completion timelines by 15th April 2013. The direction was aimed at identifying the technical and administrative loss breakup and the potential areas for improvement. The issue of overbilling was also a matter of concern for the Authority. While deciding the tariff petition for the FY 2013 -14 in the matter of the Petitioner , the status of the compliance was not that encouraging as it was still not clear when the study would start. It was further observed that the administrative losses of the Petitioner increased from 0.90% (during the FY 2012-13 as reported by the Petitioner) to 1.70%(during the FY 2013-14 as reported by the Petitioner). The Authority while determining the annual determination for the FY 2013-14, viewed that it would be unfair to pass on the impact of inefficiency to the consumers and decided to exclude the level of administrative losses (as reported by the Petitioner) from the reported actual level of T&D losses of the Petitioner pertaining to the FY 2012-13. The same figure worked out as 10.83% (actual level of T&D losses) - 1.70% (administrative losses as reported by the Petitioner) = 9.13%. The Petitioner filed a motion for leave for review against the Authority's assessment in this regard. Again the Petitioner did not give any firm date for the study of T&D losses.. The Authority rejected the arguments of the Petitioner and clarified that by administrative losses the Authority meant theft. It was also pointed out that the Petitioner's definition of administrative losses fails to draw the line between technical losses and administrative losses as some parameters which the Petitioner is classifying as administrative, may be technical from the assessment point of view. Further, the Petitioner during the hearing of review motion was directed to submit the standard source of the presented definition, yet till today nothing has been submitted in this regard. However, realizing the fact that even the Petitioner's reported administrative losses were without an independent study and the Petitioner's unclear view on the categorization of administrative losses, the Authority carried out an in-house technical study of the Petitioner's T&D losses

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allowed 9.50% T&D losses. Thus, an increase in T&D losses was incorporated in the consumer-end tariff to the extent of increase only.

10.14 The Petitioner for the last two years has been presenting the following breakup of its actual T&D losses ;

Description	Losses in FY 2011-12 (%)
Technical Losses	8.9
Administrative Losses	0.9
Transmission Losses	1.1
Total Losses	10.9%

Description	Losses in FY 2012-13 (%)
Technical Losses	9.13
Administrative Losses	1.70
Total Losses	10.83%

10.15 In the instant petition , the Petitioner neither in its petition nor during the hearing, submitted any breakup of its T&D losses specifically showing the level of administrative losses. The only breakup submitted was with respect to the proposed T&D losses of 11%, derived through without administrative/commercial losses. As per the provided information, if the technical losses are kept at the Petitioner 's own reported level of 9.13% (for the FY 2012-13) the administrative losses for the FY 2013-14 , as per the actual reported figure works out around 2% . Which means the Petitioner's level of administrative losses has further increased from the last year's figure of 1.7%. Here it is also pertinent to point out Petitioner's different stance on its reported level of Technical losses at different point of time.

10.16 In view of aforementioned discussion , it appears that the Petitioner is constantly changing its statements in order to mislead the Authority . The Petitioner was expected to give the Authority a firm date of the compliance of the direction which was passed two years ago. But instead of doing that, the Petitioner, came up with a new calculation of its T&D losses . Yet till today , no firm date of the completion of the independent study has been communicated by to the Authority in this regard .

10.17 As regard the Petitioner's calculation of T&D Losses through the software (FDRANA) the Authority cannot rely on the information provided by the Petitioner in this regard, as the Petitioner has refuted its own reported figure at different points of time. Further, the direction of the Authority is very clear to complete the study of its entire

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system including 132 KV, 11 KV and below from an independent consultant. Unless the direction is complied with the Authority is constrained to rely on its own assessment in this regard. In view thereof, the Authority has decided to keep the assessment of T&D losses at a level of 9.50% in the matter of Petitioner. The Authority may review its assessment on the basis of findings of the study for future assessments .

10.18 In addition to the aforementioned, the Authority has decided to initiate proceedings for non compliance of directions under the relevant law. Further, is directed the Petitioner to monetize all the incremental costs which cause them additional losses and incorporate these as a part of project cost while calculating the IRR or NPVs for any village electrification project, in future.

11. <u>Issue #6. Whether the Petitioner's proposed Investment plan of Rs 9,673 million for the FY 2014-15, is justified?</u>

11.1 The Petitioner has requested Rs. 9,673 million to execute its development/ investment plan for the FY 2014-15 in the areas of Distribution of Power (DOP), Energy Loss-Reduction (ELR), Secondary Transmission & Grid (STG), Enterprise Resource Planning (ERP),Power Distribution Enhancement Investment Program (PDEIP) program and consumer financing. The break-up of proposed investment provided by the Petitioner is as under:

Particulars	Rs. In Million
Distribution of Power (DOP)	1,241
- Cost as per PC-1	1,041
- Cost of enterprise Resource Planning (ERP)	200
Energy Loss Reduction (ELR)	1,287
- Cost as per PC-1	1,287
Secondary Transmission & Grid (STG)	1,795
Sub-Total	4323
Power Distribution Enhancement Investment Program (PDEIP)	2,100
Asian Development Bank Loan	1,600
Own Sources	500
Consumer Financing	3,250

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Deposit Works	1,400
Capital Contribution	1,850
Total	**9,673**

11.2 The Petitioner plans to fund the aforementioned investments through;

Asian Development Bank Loan	Rs. 1,600 million
Own Resources	Rs. 4,823 million
Government Grant	Rs. 1,400 million
Consumer Contribution	Rs. 1,850 million
Total	Rs.9,673 million

11.3 The Petitioner has submitted the details of requested investment as below:

11.3.1 **Distribution of Power (DOP)**

i. PC-1: The Petitioner has submitted relevant PC-I for 5 years from 2010-11 to 2014-15 giving details of expenditure to be incurred on new connections, transmission lines and transformers, shifting of 11 kV lines and on purchase of Bucket trucks. The major expenditure on new connections, lines and transformers projected to be incurred in FY 2013-14 as per PC-1 is Rs. 1,040.64 million. The cost/benefit analysis submitted with PC-1 mentions Cost benefit ratios , NPV & IRR.

*ii. **ERP:*** The Petitioner has estimated an amount of Rs 200 million with respect to the ERP system. The Petitioner submitted that Authority approved an amount of Rs. 200 million for ERP system in the tariff determination for the FY 2013-14, however, due to the lengthy process of hiring of consultant, the amount could not be utilized in last financial year. In view of the aforementioned, the Petitioner has requested the Authority to roll over the amount of Rs. 200 million for ERP in FY 2014-15. As per the Petitioner the Contract for implementation of ERP has been awarded to M/s Abacus Consulting, Lahore being the successful bidder. The Petitioner has also stated that it shall take 390 days to implement ERP and following modules shall be implemented during the FY 2014-15;

- Financial information system.
- Material Management system.
- Project Management and Project Costing system.

The Petitioner has also submitted the payment schedule of cost of these modules.

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11.3.2 **Energy Loss Reduction (ELR)**

i. PC-1: The Petitioner has submitted relevant PC-I for 5 years from 2010-11 to 2014-15 providing details of expenditure to be incurred on the Rehabilitation of feeders and replacement of meter. The expense projected to be incurred in FY 2013-14 as per PC-1 is Rs. 1,287 million. The cost/benefit analysis submitted with PC-1 mentions Cost benefit ratios , NPV & IRR.

11.3.3 **Secondary Transmission & Grid (STG)**

The Petitioner has submitted a summary of works to be submitted under STG amounting to Rs. 1,795 million. As per the Petitioner, the works include new 132 kV grid stations at Lundian Wala, Kot Shakkat, Mamu Kanjan, Aminpur, Chenab Nagar, Sargodha-III and Usman-e-Ghani. Further, there are proposals for conversion of 66 kV Grid stations to 132 kV, extension of line Bays, Extension of Transformer bays, augmentation of Grid stations and transmission lines and certain ancillary civil works.

11.3.4 **Power Distribution Enhancement Investment** Program (PDEIP)

The Petitioner has estimated Rs. 2,100 million under the (PDEIP) project to be financed by Rs. 1,600 million (76%) as a foreign loan and Rs. 500 million (24%) from local sources. As per the Petitioner, the works to be completed under this project are the completion of Tranche-III project estimates and purchase of 20 transformers of different calibrations.

11.3.5 The Authority after careful consideration of the Petitioner's submitted information is of the view that although the Petitioner has provided PC-1s of several investments that mentions IRRs, NPVs and CB ratios for these investments however, it fails to provide a concrete reconciliation whereby the Petitioner would claim in advance that after carrying out the aforementioned investments, it would achieve a certain efficiency level with respect to T&D losses and customer service in terms of meeting Authority's set Performance standards.

11.3.6 Despite the aforementioned, the Authority cannot ignore the importance of the investments which ensures smooth and reliable supply of electricity to the consumers. For the matter of record, the Authority while allowing the return on Regulatory Asset Base had taken an impact of investments to the tune of Rs.6,350 million and Rs. 6,700 million for the FY 2012-13 and FY 2013-14 respectively. However, based on the audited accounts of the Petitioner, it has incurred a capital expenditure of of Rs. 4,987 million & Rs. 4,205 million during the FY 2012-13 and FY 2013-14 respectively . The aforementioned amounts include the impact of consumer contribution to the extent of Rs. 2,364 million & Rs. 2,123 million respectively. Thus, net capital expenditure carried out through loans and own resources, works out as Rs. 2,623 million and Rs. 2,082 million during the FY 2012-13 and FY 2013-14 respectively.

11.3.7 Based on the available record, arguments, evidence and the fact that these allowed investments indirectly affect the annual Return on Rate Base (RORB) for a DISCO,

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hence, while allowing investments for any control period the Authority has to keep in view the past trend of investment made by the Petitioner along with its funding arrangements and its previous trend of closing CWIP and transferring of useful assets from CWIP to operating assets. Based on the discussions in preceding paragraphs, it is expected that the Petitioner would be able to undertake the investment of Rs. 7,573 million during the FY 2014-15 (including the impact of consumer contributions of Rs. 3,250 million). Here it is pertinent to mention that the existing mechanism of determining RORB is self adjusting with respect to the benefits of investments, thus any investments beyond Authority's assessment, carried out by the Petitioner during the FY 2014-15 (which is desirable), would be catered for in next year's returns.

12. <u>Issue # 7. Whether Prior Year Adjustment calculated by the Petitioner is accurate?</u>

12.1 The Petitioner, in its petition requested an amount of Rs. 8,604 million under the head of Prior Period Adjustment including Unrecovered Power Purchase Cost, Consumer Mix Variance and Impact of inconsistent application of Multi Year Tariff (MYT). FESCO submitted in the Petition that its request for an amount of Rs. 4,827 million as a result of inconsistent application of MYT has been denied by the Authority without any rationale and reasons. The Petitioner further stated that the MYT was extended by the Authority till FY 2011-12 and the request was never time barred. Consequently, the Petitioner requested the Authority to reconsider the request.

12.2 With Regard to the Petitioner's request for Prior year adjustment relevant to the inconsistent application of MYT, similar request was raised by the Petitioner in the tariff petition for the FY 2012-13 and the same was rejected by the Authority being time barred. (para 11.2 of the decision pertaining to the FY 2012-13). No such request was raised by the Petitioner in the tariff petition pertaining to the FY 2013-14. In the instant petition, the Petitioner has again raised the same request . The Authority Considers that it has already decided the matter; therefore does not merit reconsideration on the same grounds.

12.3 The Authority while deciding the motion for leave for review filed by the Petitioner against the tariff determination of the FY 2013-14, observed a credit entry of Rs. 1,376.675 million under the head of PPP in the financial statements pertaining to the FY 2012-13. The Petitioner was directed to explain the reason thereof and the Petitioner vide its letter no. 4905/FD/FRSCO/CPC dated 21st July, 2014 informed the Authority that the credit adjustment has been made as a result of final / supplementary invoice issued by CPPA for the FY 2011-12. The Petitioner further informed that the said invoice was issued by CPPA after the closure of annual accounts and finalization of financial statements for FY 2011-12, hence the adjustment has been made in the financial statements of FY 2012-13. The Petitioner also states that CPPA raises such invoices on a regular / routine basis.

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12.4 The Authority considers that the clarification given by Petitioner is not sufficient. The Petitioner was expected to explain the reasons for the reduction as to which period it pertains and what has caused CPPA to reduce /revise the final invoice i.e. was it generation or cost or both and why. In view thereof, the Petitioner is directed again to explain the reasons thereof not later than 31st March, 2015. Based thereon necessary adjustment will be made.

12.5 The Authority after careful consideration of the Petitioner's working of PYA, annexed with its petition as Annex -M and the quarter wise working. The Authority has observed that the Petitioner has not correctly calculated the quarterly units sold. Further , the Petitioner while calculating the consumer mix variance has not based its working on the monthly subsidy claims by the Petitioner. In view of aforementioned , the Authority after doing its own due diligence has worked out the following PYA;

		Rs. Million
	Notified reference PPP during the FY 2013-14	103,838
	Assessed Distribution Margin for the FY 2013-14	8,984
	Assessed PYA for the FY 2013-14	(4,657)
Add ;	1st Qrt's PPP adjustment pertaining to the FY 2013-14	3,099
Add;	2nd Qrt's PPP adjustment pertaining to the FY 2013-14	2,744
Add;	3rd Qrt 's PPP adjustment pertaining to the FY 2013-14	2,078
Add;	4th Qrt's PPP adjustment pertaining to the FY 2013-14	5,143
Less ;	Regulated PPP recovery on notified rates during the FY 2013-14	118,355
Less;	Regulated DM recovery on notified rates during FY 2013-14	8,562
Less;	Regulated PYA recovery on notified rates during FY 2013-14	13,079
Less;	Net impact of assessed & actual Other Income for the FY 2013-14	364
Add;	Impact of Consumer – Mix Variance for the FY 2013-14	277
Total Unrecovered/ (Over recovered) Costs for the FY 2013-14		**(18,854)**

13. <u>Issue #8. Whether the Petitioner's projected O&M Cost of Rs 14,758 million (Rs 1.46 /kWh) for the FY 2014-15 is justified?</u>

13.1 The Petitioner requested an amount of Rs. 14,758 million on account of O&M cost. According to the Petitioner its O&M expenses include salary and other benefits, cost of recoupment of HR, repair and maintenance, traveling allowance, vehicle maintenance allowance and other operating costs related to its distribution and supply business. A history of O&M expenses of the Petitioner is provided as here under:

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Rs. In million

Description	2010 Audited	2011 Audited	2012 Audited	2013 Audited	2014 Audited	2015 Requested
Salaries & Other Benefits	4,399	5,327	6,799	9,312	8,618	12,279
Maintenance Expenses	294	339	504	533	418	1,080
Traveling Expenses	145	154	170	205	229	271
Vehicle Running Expenses	219	161	275	210	272	351
Other Expenses	600	680	573	573	771	777
Total	**5,657**	**6,661**	**8,321**	**10,833**	**10,308**	14,758

13.2 Salaries Wages & Other Benefits

13.2.1 The Petitioner in its petition submitted that it has estimated salaries and wages expense based on the actual expense for the FY 13-14 duly enhanced by the following factors:

- Basic pay for FY 2014-15 has been increased @ 5% by giving annual incremental impact of Rs. **72 million** after eliminating last year bonus.
- Increase @ 10% on basic pay as Adhoc Relief for 2014 with financial impact of Rs. 257 Million announced by GoP for said financial year.
- Increase @ 20% on cash Medical allowance with financial impact of Rs. 32 Million announced by GoP for said financial year.
- Increase @ 5% in conveyance allowance with financial impact of Rs. 18 Million announced by GoP for said financial year.
- Increase in free electricity supply by 8.66% as per average increase in consumer price index up to May, 2014.

13.2.2 The Petitioner also submitted following break-up of salaries and wages for the last two years along with the projected expense for the FY 2014-15;

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Rs. In million

Description	2012-13 Audited	2013-14 Actual/Projected	2014-15 Projected
Basic Pay	2,469	2,496	2,568
Allowances	2,527	2,797	3,104
Employee Benefits	416	413	443
Impact of Fresh Recruitment	-	-	548
Total	5,413	5,706	6,664
Percentage Change		5.41%	16.79%

13.2.3 The Petitioner in the Petition has also requested to allow recoupment of human resources. The rational given by the Petitioner in respect of this request is that it's work force and line staff is back bone of its progress. The Petitioner further claimed that its management along with the team is striving hard to ensure an efficient, coordinated and economical operational network in view of increasing load growth and economic activity. The Petitioner also submitted that emerging growth and network expansion needs competent and skilled professionals in technical, finance and customer care area of service.

13.2.4 The Petitioner further stated that in the tariff determination of its consumer end tariff pertaining to the FY 2013-14, the Authority, on the issue of additional recruitment of 1,131 personnel in different cadres of BPS 2 — 17, in Para 14.2.8 of the determination decided that Petitioner could not justify the same viz-a-viz the yard stick approved by Authority. The Petitioner contended that the Authority never approved any yard stick that has been violated. It was further submitted that the existing yard stick and sanctioned strength is approved by WAPDA after observing the due procedure and keeping in view all the parameters. The Petitioner submitted that the same was adopted/approved by its Board of Directors in its 120th/8th meeting held on 31.03.2014. The Petitioner stated that the same information was shared with the Authority vide letter No.748/Secy, dated 11.04.2014. The Petitioner argued that its work force is retiring each year and if their replacements are not made, the Company would not be able to meet the emerging growth and work efficiently and effectively. The Petitioner also linked enhanced T&D losses with the staff strength and stated that one of the factors affecting the administrative losses of the Company, is the dearth of qualified engineers and staff. The Petitioner also claimed that currently it is a staff deficient company (shortage of 17.26% against sanctioned strength) and endeavoring

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to provide reliable, affordable and safe electricity to its consumers with the available less staff.

13.2.5 The Petitioner also submitted a comparison of existing staff strength versus sanctioned strength as shown in the table below. In view of aforementioned arguments the Petitioner requested the Authority to allow recruitment of 2,807 personnel in different cadres of BPS 2-19 during FY 2014-15. The Petitioner also provided a list of intended recruitments.

S. No	Description	Sanctioned Strength	Working Strength				Deficiency	% age
			Reg.	Contract	Daily Wages	Total		
Officers (BPS - 17 and above)								
a.	Technical	327	227	2	-	229	98	29.97%
b.	Non- Technical	142	88	1	-	89	53	37.32%
	Sub- Total	**469**	**315**	**3**	-	**318**	**151**	32.20%
Officials (BPS - 01 to 16)								
a.	Technical	11,630	8,840	767	238	9,845	1,785	15.39%
b.	Non- Technical	6,603	4,764	445	107	5,316	1,287	19.49%
c.	Commercial	576	407	64	0	471	105	18.23%
	Sub- Total	**18,809**	**14,011**	**1,276**	**345**	**15,632**	**3,177**	16.89%
	Total Manpower	**19,278**	**14,326**	**1,279**	**345**	**15,950**	**3,328**	17.26%

13.2.6 The Petitioner also informed the Authority that it has got approval from its Board of Directors for the creation of Post Retirement benefits Fund. Subsequently, the Petitioner vide its letter no. 5360/FE/FESCO/CPC dated 24th October, 2014 informed that it has got the pension fund trust registered with Sub-Registrar at Faisalabad and a copy of Deed was also submitted. However, no details of transfer of any amount to the fund has been provided. In the Petition, the Petitioner requested the Authority to allow provision for retirement benefits amounting to Rs. 5,615 million and re-

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produced more or less the same pleas for requesting this amount as given earlier. (para 7.1 to 7.4 of the Review Motion, 2013-14). The arguments are given as below;

- According to Para 38 of IAS-19 under Post- Employment Benefits, Defined Benefit Plans may be unfunded, or they may be wholly or partly funded by contributions by an entity and sometimes through its employees. The contributions are done into an entity, or fund, that is legally separate from the reporting entity and from which the employee benefits are paid.
- The Petitioner has adopted the International Accounting Standard 19 and maintaining an unfunded post retirement benefit scheme under Defined Benefit Scheme for its employees in pursuance to Section 234 (3) (i) of Companies Ordinance 1984.
- Provident Fund being participatory fund is already funded.
- The Authority directions are contrary to Section 234 (1) of the Companies Ordinance, 1984 which requires that every balance-sheet of a company shall give a true and fair view of the state of affairs of the company as at the end of its financial year, and every profit and loss account or income and expenditure account of a company shall give a true and fair view of the profit and loss of the company for the financial year so, that every item of expenditure fairly chargeable against the year's income shall be brought into account and, in case where any item of expenditure which may in fairness be distributed over several years has been incurred in any one financial year, the whole amount of such item shall be stated, with the addition of the reasons why only a portion of such expenditure is charged against the income of the financial year.
- As per Section 234 (4) of the Companies Ordinance 1984, the Federal Government may, of its own motion or upon application by a company, modify, in relation to that company, the requirements of the Fourth Schedule or the Fifth Schedule for the purpose of adapting them to the circumstances of the company.
- In pursuant to Companies Ordinance 1984 and Securities & Exchange Commission of Pakistan (SECP) requirements, FESCO recognizes retirement liabilities in its Financial Statement whereas NEPRA is not allowing these provisions in its tariff determinations since last 7 years.
- The divergence between the regularity requirements of NEPRA and SECP are de-shaping the financial outlook of ex-WAPDA DISCOs. Especially, when FESCO is being privatized it would rather diminish its net worth and ultimately will hamper its real bid price.

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- Creation of Independent Post Retirement Benefit Funds (Provident and Pension) is, in view of FESCO, not a regulatory requirement and therefore, does not fall in the domain of NEPRA. Such instructions, legitimately, could have been passed by Securities Exchange Commission of Pakistan only who is the corporate Regulator.

Petitioner submitted following details of amount requested in respect of post retirement benefits;

Rs. in million

Description	2012-13	2013-14	2014-15
	Audited	Actual/Projected	Projected
Pension	2,973	3,567	4,281
Medical	192	230	276
Free Electricity Supply	232	278	334
Leave Encashment	503	604	724
Total	**3,899**	**4,679**	**5,615**

13.2.7 The Authority has carefully evaluated Petitioner's concerns with respect to the additional recruitments (new hiring as referred by the Petitioner). The Authority has discussed the new hiring cost requested by the Petitioner with reasonable clarity in the tariff determination for the FY 2013-14. The Petitioner has misquoted the decision of the Authority. The referred relevant extracts of para 14.2.8 of the decision dated 6th February, 2014 are repeated hereunder;

*"that the Petitioner has not quantified the benefits of additional recruitments rather it is relying on the yardstick of WAPDA which was **never** approved by the Authority."*

13.2.8 It appears that the Petitioner has not carefully read the Authority's decision. The new employments requested by the Petitioner in the tariff petition for the FY 13-14 were discussed under para 14.2.3 of the tariff determination and the rationale discussed was in para 14.2.8, wherein the Petitioner was directed to quantify the benefits of additional recruitments in view of improved customer service, losses reduction etc. The statement of Petitioner that the Authority has not given any justification for rejection of new employments is hence incorrect and misleading. The Petitioner in the instant petition has attributed lack of staff as one of the

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factors for higher administrative losses yet again failed to quantify and correlate the reduction of administrative losses with the additional recruitment.

13.2.9 Since the Authority has never accepted WAPDA 's approved yardstick on which the Petitioner was arguing its proposed additional recruitments, the Authority while disallowing the Petitioner's requested new recruitments, directed it in the same tariff determination, to get the strength yard stick for hiring of employees approved by the Authority, based on the proper justification and its quantified benefits along with a comparison of existing state of affairs. The Petitioner rather than getting it approved, has, informed the Authority vide its letter no. 748/Sec dated 11th April, 2014 that its BOD has approved the manpower strength of 19,010 posts in its meeting held on 31st March 2014 and provided a list of staff. No further details/ justification were provided by the Petitioner. In the instant petition, again the Petitioner has not submitted any proposed yard stick substantiating the need for additional recruitments. as a simple comparison of sanctioned strengths (as per WAPDA) against vacant posts won't serve the Authority's purpose in this regard. In view of aforementioned discussion and the fact that the Petitioner has failed to comply with the Authority's direction in this regard; therefore the has decided not to allow the requested additional recruitment of 2,807 personnel having an impact of Rs. 548 million for the FY 2014-15. And again directs the Petitioner to get its strength yard stick approved by the Authority based on proper justifications and its quantified benefits, which would also include a comparison of existing state of affairs. The recruitments pertaining to the creation of new circles is discussed under a separate issue.

13.2.10On the Petitioner's contention that its work force is retiring each year and if their replacements are not made, the Company would not be able to meet the emerging growth and work efficiently and effectively, is valid. The Authority considering the importance of the issue has principally allowed the replacement hiring in the Petitioner's tariff determination pertaining to the FY 2012-13. In this particular scenario no additional / incremental cost would be incurred by the Petitioner. The Petitioner intimated the Authority through its letter # 1441/FD/FESCO/CPC dated 9th January, 2013, that as on 30th June, 2012, the financial impact of recruitments carried out during FY 2009-10 and onwards is Rs. 230.045 million. Since the Petitioner's request was without any supported evidence therefore the Authority directed the Petitioner to get the reported figure verified by its Auditor and if it plans to carryout replacement hiring, a certificate from the Auditor of the Petitioner, certifying that the recruitment is done as replacement hiring with no additional/incremental cost impact. Any other recruitment, over and above the aforementioned, would only be allowed if it is substantiated with proper working and justifications, up to the satisfaction of the Authority. The Petitioner vide its letter dated 9th January, 2014, submitted a

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certificate from its Auditors Ernst & Young Ford Rhodes Sidate Hyder Chartered Accountants. The Authority considered the provided certificate and observed the following deficiencies in it;

- The provided certificate only endorsed staff strength, whereby it was silent on the reported amount of Rs. 230 million.
- Even the mentioned strength specify that the Petitioner had done recruitment over and above the staff retired during the period of July 2009 to June 2012. The impact thereof was not mentioned.

13.2.11 The Authority directed the Petitioner, to correct the aforementioned deficiencies and resubmit the certificate not later than 31st March , 2014. Here it is pertinent to mention that as it was decided in the review motion decision of the Petitioner pertaining to the FY 2013-14, keeping in view the quality of compliance in this regard, the Authority had already issued an audit frame work on the compliance, which is already communicated to the Petitioner vide its letter # NEPRA/R/TRF-100-DISCO/7332-41 dated 30th June, 2014. .The framework was issued after the NEPRA Professional's several meetings with the representatives of different XWDISCOs and Auditor (M/s Deloitte & co). The revised format of report as per the applicable International Standard on Auditing (ISA) was agreed and consequently directions were given to all the XWDISCOs to submit the required certificate as per the agreed ISA and format of certificate, which was also shared with all the XWDISCOs on 30th June, 2014.

13.2.12 The Authority had been deducting this cost in the last two tariff determinations, however, considering the fact that as per the approved future tariff methodology the Petitioner's reference/base expense would be established for a period of three years, the Authority consider it unjust on the part of the Petitioner if the same cost is disallowed again this year. In view thereof , the Authority has decided to allow this cost this year on a provisional basis. At the same time the Authority directs the Petitioner that if the required certificate is not provided before the finalization of the tariff determination pertaining to the FY 2015-16, the referred cost would be disallowed permanently and no further directions would be given to the Petitioner in this regard.

13.2.13 Considering the overall liquidity position in the power sector and in order to ensure that the Petitioner fulfils its legal liability with respect to the post retirement benefits, the Authority directed the Petitioner to create a separate fund in this regard before 30th June 2012 . Subsequently , this deadline was extended by the Authority. The rationale was that the creation of funds would ensure that the Petitioner records it liability more prudently since the funds would be transferred to a separate legal entity. In addition to that these independent funds would generate their own profits, if kept

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separate from the company's routine operations and in the longer run reducing the Distribution Margin and eventually consumer-end tariff. Finally, the Petitioner has complied with the Authority's direction pertaining to creation of fund, however, the Authority has not received any detail of amount transferred to the fund. The Petitioner's argument that the Authority has not been allowing it provision for the last seven years is not correct. The provision for post-retirement benefits were allowed to the Petitioner as a part of O&M cost under multiyear tariff up till FY 2011-12, whereby the O&M cost allowed to it included every cost component under the head of O&M, including provision for post-retirement benefits. However, considering the overall liquidity position of the power sector the Authority directed all the XWDISCOs to create an independent fund so that the Petitioner is able to fulfill its liability. The directions were passed during the FY 2011-12. It was observed that the Distribution Companies were not creating independent fund in order to meet this liability in future. Therefore, the actual amount on account of pension fund was allowed for the last two years only.

13.2.14 The Authority while directing the Petitioner for creation of independent fund also considered the Section 234 (I) of the Companies Ordinance, 1984.

13.2.15 The Petitioner's argument of divergence between regulatory requirements of NEPRA and SECP is not valid as the Authority has never ordered the Petitioner not to recognize any expense in its financial statements. The Petitioner has always been free to present its current state of affairs in its financial statements. It appears that the Petitioner is confused with two different concepts. One is regulatory assessments and the other is financial reporting. The regulatory assessments are for the future period whereby the financial reporting shows the state of affairs of business for a historical period OR the state of affairs on a certain historic date. It is not necessary that both would be same and in the instant case had never been the same. (e.g. Authority does not allow provision for bad debts whereas some DISCOs record it) Thus, the Petitioner has never been stopped from recording its future liabilities. The Petitioner's argument with respect to 234 (4) it is being irrelevant is not accepted.

13.2.16 As regard the Petitioner's concern with respect to the Authority's mandate, the Authority is the custodian of consumer's interest. The provision for post retirement benefits is a legitimate cost and liability of the Petitioner which has been borne by its consumers and any cost which is affecting electricity

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consumers, is the domain of the Authority as per Section 7(3) of the NEPRA Act. If this cost is borne by the consumers of the Petitioner, the Authority wants to ensure that this cost is utilized for the very purpose for which it is allowed. From the arguments of the Petitioner's Representative it appears that it wants its consumers to be burdened on account of provision for retirement benefits and then use the money for some other purpose. In order to safeguard the interests of consumers the Authority has directed the Petitioner to create a separate fund so that the money of the pensioners is safe. In accordance with the provision of NEPRA Act, the Authority has to consider the interests of the end-consumers along with the financial viability of the Distribution Company while determining the revenue requirement for any XWDISCO. Considering the fact that the Authority had been allowing provisions of retirement benefits to the Petitioner in all previous years of multi-tariff regime uptil FY 2011-12 and the Petitioner has a practice of withholding distribution margin (DM) and transferring the remaining amount to CPPA, the claims of the Petitioner that it has to take huge amounts as running finance is baseless.

13.2.17 In view the aforementioned arguments, the Authority has again decided not to allow provision in this regard and has decided to take actual payments as a base expense for future increases. Once the amount equivalent to the provision or otherwise, is transferred to the fund, the same shall be considered and allowed to the Petitioner on actual basis.

13.2.18 In the tariff determination for FY 2013-14, the Authority noted the substantial increase in Petitioner's actual expense in respect of salaries, wages and other benefits in FY 2012-13 as compared to previous year which was primarily owing to 67% increase in provision for retirement benefits. Consequently, the Petitioner was directed to provide reasons along with justification. In response, the petitioner in its petition for FY 2014-15 clarified that the valuation of retirement benefits have been carried out through an independent Actuary, M/s Sidat Hyder Morshid Associates (Pvt) Limited as per IAS-19 and the same has been adopted by the Petitioner. Also, the Petitioner stated that major increase in employee benefits is due to the following reasons:

- Recognition of actuarial loss of Rs. 854 million as at June 30, 2013 against 128 million as at June 30,2012 in pension.
- Recognition of past service cost of Rs. 525 million in accumulated compensated absences as at June 30,2013. As at June 30, 2012 the past service cost was Nil.
- The impact of net increase comes to Rs.1,251 million which is 50% of the total retirement benefits of the previous financial year.

13.2.19 The justification provided was evaluated keeping in audited accounts of the Petitioner pertaining to the FY 2013-14. It was observed that for the FY 2013-14, the Petitioner

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has recorded provision less than what was recorded under the head of provision recorded in FY 2012-13.

13.2.20 On the issue of retired WAPDA employees before 1998, the Authority in its determination dated Jan 10, 2012, decided to hold separate meeting on the subject whereby the arguments of the Petitioner and WAPDA could be heard in the light of available evidences. Pursuant to which a presentation on the subject was given by the Petitioner on 30th May, 2013 and WAPDA's point of view was also heard separately. Subsequently, a final meeting on the subject was held on 22nd January, 2013. The following concluding and implementations points were emerged out of a long brain storming session;

- The matter not only pertains to the Petitioner but also to all the XWDISCOs, and GENCOs.
- In the light of Business Transfer Agreement (BTA) and subsequent Supplementary Business Agreement (SBTA), Pension SOPs 2002 and subsequent changes thereafter, the issue solely pertains between WAPDA , XWDISCOs and GENCOS.
- The issue has two components, one is the accumulated effect till 30th June, 2012 and the other is the subsequent ownership of these retired employees as the SBTA is not clear on it.
- Since aforementioned agreements were signed mutually between WAPDA and Others hence the Authority directed the WAPDA and Other (including Petitioner) to come up clearly on the settlement modality of accumulated costs in this regard till 30th June 2012 and a way forward for the future payments of these retired employees not later than 30th June, 2013.

13.2.21 During the last year's tariff determination the Petitioner along with other XDWDISCOs did not show any progress in this regard . In view thereof, the Authority decided to take the initiative at its own. In order to thrash out the issue, the Authority reviewed the documents (Business Transfer Agreement, Supplemental Business Transfer Agreement, Pension SOPs, Actuarial valuations at the time of unbundling of WAPDA etc) and held a consultative meeting with the representatives of WAPDA, Executive Director Legal, PEPCO and representatives of Ex-WAPDA DISCOs on 26th June, 2014. During the meeting, WAPDA maintained the stance that this cost needs to be borne by XWDISCOs from whose jurisdiction the pensioner is claiming pension, whereas DISCOs pleaded otherwise. During the meeting, representative of WAPDA and PEPCO referred to an Operation & Development Agreement (ODA) which was submitted vide letter no. MF/56/259 on 1st July, 2014.

13.2.22 After reviewing the submitted ODA and the documents mentioned above the Authority identified the following key facts ;

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13.3 **Key Facts of the Case**

The Key Facts of the case are as below;

- That as per the 'Restructuring Reforms and Privatization of WAPDA-Executive Order' 24th October, 1998, WAPDA would only be in charge of water wing and the shares in the companies being set up to control WAPDA's power assets would be in the name of the President of Pakistan. Thus, WAPDA won't be having any interest in the XWDISCOs in the form of investment , once they are privatized.
- That upon unbundling of WAPDA, all the assets were transferred to DISCOs alongwith all related liabilities with the exception of post retirement benefit liability. The Accounting standard relevant to this liability, i.e., IAS-19, was not being implemented by WAPDA at the time of unbundling and its financial statements did not reflect any related obligation. Nevertheless, at the time of unbundling, an actuarial valuation was conducted to determine this post retirement liability of employees. The obligation related to existing WAPDA employees was transferred to XWDISCOs, however, the obligation related to retired employees was missed out and not shown in the financial statements of any XWDISCOs or WAPDA (Hydel).

13.3.1 Based on the principles of natural justice and on the fact that had WAPDA adopted IAS-19 at the time of unbundling , the liability of the retired employees would have been transferred to the XWDISCOs as the referred retired employees have served in the formations that are currently part of XWDISCOs. Further , in future WAPDA won't be having any interest in the form of investments, from where it would be generating any additional revenues. In view thereof , it can be fairly concluded that this cost needs to be borne by XWDISCOs.

13.3.2 Here it is pertinent to mention that since XWDISCOs has not booked the said cost in their financial statements. In view thereof, the Authority has principally decided that all cost of the XWAPDA retired employees up to 30th June, 2014, would be borne by WAPDA. However, any cost after 30th June, 2014 would be borne by XWDISCOs. Thus, the Petitioner is directed to submit its next tariff petition accordingly.

13.3.3 While assessing the Salaries, wages & other benefits (including post retirement benefits as discussed above), the GOP's recent announcement of 10% increase as adhoc allowance, the impact of replacement hiring carried out during FY 2009-10 and onwards (as discussed above), 5% annual increment, increase in Medical Allowance by 20% for employees in BPS 1-15 and the increase in Conveyance Allowance by 5% for employees in BPS 1-15, along with its effect on other benefits like inflationary increase on free electricity supply to employees has been accounted for.

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13.3.4 Based on the discussion made in the preceding paragraphs, incorporating all the aforementioned increases, the Authority has assessed Rs. 7,441 million on account of salaries, wages and other benefits for the FY 2014-15.

13.4 Maintenance Expenses

13.4.1 The Petitioner requested Rs. 1,080 million on account of repair and maintenance, an increase of 1.6 times over last year's audited expense of Rs. 418 million. The Petitioner, while justifying the request, explained that the adherence to service standards and improvement of customer service is only possible through continuous repair and maintenance of the distribution network. The Petitioner further stated that timely repair and maintenance is vital for continuous and reliable supply of electricity and not less important to control the increase in tariff. The Petitioner also claimed that system breakdowns not only impede industrial and agricultural production but also damage the distribution network. The Petitioner has accumulated the expense on distribution of compact fluorescent lamps under Prime Minister's Energy Savers Program funded through loan amounting to Rs. 616 million with the Repair and Maintenance expense and shown an amount of Rs. 1,325 million as expense on Repair and maintenance in the FY 2013-14 in the Petition.

13.4.2 The Petitioner further submitted a maintenance plan of distribution transformers and Grid System Operation (GSO) on which the proposed expenditure will be incurred. As per the plan, expense is requested for following heads;

i. **Purchase Plan for the Procurement of Material for TRW during FY 2014-15** - Under this head, the Petitioner has submitted a list of items to be purchased in respect of which the total cost amounts to Rs. 320.545 million.

ii. **Purchase Plan for the Procurement of Material in respect of GSO circle during FY 2014-15** - Under this head, the Petitioner has submitted a list of items to be purchased in respect of which the total cost amounts to Rs. 250.669 million.

iii. **Purchase Plan for the Reclamation of** Irreparable Damaged Transformers through **outsourcing during FY 2014-15** - Under this head, the Petitioner has explained that it demanded tenders for repair and supply of irreparable damaged transformers that total 1,632 in number. The Petitioner further stated that two firms participated in the tender and an in-house committee analyzed the cost details of the firm that quoted the lowest cost. On the basis of cost analysis, the Petitioner explained that the total cost of work order comes to be Rs. 197.271 million and the case was referred to procurement committee of BOD for approval.

13.4.3 An analysis of the financial statements of the Petitioner reveals that the actual expense under this head has decreased by 110 million (21%) in the FY 2013-14 vis-a-vis FY 2012-13. The Petitioner was allowed an expense of Rs. 580 million in the FY 2013-14,

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against which it undertook an expense of Rs. 418 million. A comparison of the Authority allowed and actual expenses incurred by the Petitioner for the last two years is given as here under ;

Rs. in Million

	FY 2012-13	FY 2013-14
Authority's Assessment of Maintenance Expense	555	580
Actual Cost carried by the Petitioner under the head of Maintenance expense (as per audited statements)	528	418
Difference	53	163

13.4.4 From the analysis it is evident that the Authority has been allowing the Petitioner more than what it is actually spending under the head of repair and maintenance so that the smooth and reliable supply of electricity is ensured. Here it is pertinent to mention that the Petitioner in its petition has included the cost of distributing compact fluorescent lamps under Prime Minister's Energy Savers Program under the head of Repair & Maintenance . The cost does not fall under the head of repair and maintenance therefore the same is not clubbed with repair and maintenance in the Petitioner's financial statements.

13.4.5 The Authority has carefully evaluated Petitioner's submitted details pertaining to the maintenance plan for distribution transformers and Grid System Operations. The Authority while scrutinizing the available record also examined the provided procurement plans and other documents annexed along the petition. The Authority has observed that the Petitioner while submitting the requested cost, has not at all differentiated between what it requires for routine maintenance and what it is requesting in addition to that. Since no rationale or justification is attached with the provided documents the Authority cannot understand the reason/rationale for requesting such a high cost of Rs.1,080 million under the head of repair and maintenance, keeping in view of the audited expense for the last two years of the Petitioner under the same head. Relevance of providing lists of procurement plans is also not provided by the Petitioner as the Authority never allows building of store inventories under this head. It is the expense that is relevant here. Here it is pertinent to mention that some items included in the list are used for routine maintenance and

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their requirement for the whole period is also mentioned. But yet again if these are routine maintenance, then the rationale for the provision of procurement plans is not clear. The Authority has observed that the Petitioner has again requested the cost of special repair and maintenance of damaged and sick transformers in the last two financial years' tariff petition, however, the Authority had been declining the same being capital in nature and has already been allowed under DOP and ELR as investments. The Petitioner's request for allowing any special or extra cost (if any) under the head of repair and maintenance at such a large scale makes it's statement doubtful whereby it claimed that it has carried out investments over the years to maintain the existing systems and because of that it has managed to reduce its T&D losses in the past and has managed it at a level of 10.88%. Any such request makes actual expense already incurred over the years under the head of repair and maintenance costs, debatable. In view of aforementioned, the Authority disallows any special cost which is over and above the Petitioner's routine maintenance, which the Petitioner is carrying out even less then what the Authority is allowing over the last two years. But having said that the Authority cannot negate the importance of routine maintenance for the Petitioner. Thus, keeping in view the impact of inflation, variation in the gross assets in operation due to addition of new consumers, new investments, past trend of actual costs and comparison with other DISCOs, the Authority has assessed repair and maintenance cost to the tune of Rs. 480 million for the FY 2014-15..

13.5 Traveling Expenses

13.5.1 The Petitioner in its Petition requested an amount of Rs. 271 million for the FY 2014-15. The requested amount is 19 % more than the audited figure for the FY 2013-14. As per the Petitioner, the request is based on an increase of 8.66% (worked out keeping in view the average change in CPI up to May 2014) over last year's actual expenditures.

13.5.2 The Petitioner, while requesting the amount of Rs. 271 million for the FY 2014-15, has not substantiated its request with any evidence or details of the actual TA claims, designation wise, pertaining to the last year to justify its requested increase under this head. In view thereof , the Authority is constrained to rely on available record.

13.5.3 Based on the comparison with other DISCOs, Petitioner's submissions and its actual results in this regard, the Authority has decided to allow this cost to the tune of Rs 239 million for the FY 2014-15.

13.6 Vehicle Running Expenses

13.6.1 The Petitioner requested Rs. 351 million under the head of vehicle running expense for the FY 2014-15.The requested amount is 29% more than the audited expense for the FY 2013-14. As per the Petitioner, the request is based on an increase of 8.66%

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(worked out keeping in view the change in CPI up to May 2014) over last year's audited expenditures.

13.6.2 The Authority hereby brings on record that vehicle maintenance cost is not only affected by the fuel prices but also with the variation in the number of vehicles of the Petitioner, which in turn is dependent on the distribution area of the Petitioner. In view of the aforementioned arguments, available evidence/information, past trend, fuel price fluctuations and comparison with other DISCOs, the Authority has decided to allow this cost to the tune of Rs. 248 million.

13.7 Other Expenses

13.7.1 The Petitioner requested Rs. 777 million for the FY 2014-15, pertaining to the expenses like rent, rates & taxes, power, light and water, bills collection charges, postage, telephone, office supplies, insurance expense, overhead expenses, Auditor's remuneration, NEPRA fee and charges, advertisement & publicity, provision of obsolete stores, miscellaneous expenses etc. The requested amount is almost equal to the audited expense for the FY 2013-14. The audited expense for the FY 2013-14 is 56% more than the audited expense for FY 2012-13. This increase is primarily owing to an expense of Rs. 105 million recorded in respect of Advertisement expenses as against last year's actual expense of Rs. 4 million. The Petitioner while justifying the basis for its request stated that all other expenses have been worked out after giving an increase of 8.66% (the average change in CPI up to May 2014) over last year actual /projected expenditures except bill collection charges which have been increased by 4.61%.

13.7.2 After careful examinations of the Petitioner's pleadings and the audited expense in this regard, the Authority hereby directs the Petitioner to provide reason for the higher expense in respect of advertisements.

13.7.3 Based on arguments, available evidence/information, past trend and comparison with the other DISCOs, the Authority has assessed the cost of Rs. 704 million on account of other expenses for the FY 2014-15.

14. <u>Issue # 9. Whether the Petitioner's proposed depreciation charge of Rs 2,106 million (Rs 0.21 /kWh) for the FY 2014-15, is justified?</u>

14.1 The Petitioner in its petition requested a depreciation charge of Rs. 2,106 million for the FY 2014-15 submitting that as per company policy building and civil works are depreciated @ 2%, feeders and grid & equipments @ 3.5 %, other plant/equipment and vehicles @ 10%. The Petitioner further stated that the depreciation expense has been estimated on the original cost of the revalued assets.

14.2 The depreciation expense allowed to the Petitioner for the FY 2013-14 amounted to Rs. 1814 million.

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14.3 In order to make fair assessment, the Authority keeps in view the investments approved by it for the year. The Authority considers that after taking into account new investments, the Gross Fixed Assets in Operation for the FY 2014-15 will be Rs.59,879 million. Accordingly the depreciation charge for the FY 2014-15 is assessed as Rs. 1,997 million.

14.4 After carefully examining the relevant details and information pertaining to the deferred credit and amortization as per the accounts for the FY 2012-13 & FY 2013-14, the Authority has projected amortization of deferred credit to the tune of Rs.1,003 million for the FY 2014-15. Accordingly, the consumers would bear net depreciation of Rs. 994 million.

15. <u>Issue # 10. Whether the Petitioner's projected Return on Regulatory Asset base of Rs 3,963 million (Rs 0.39 /kWh) for the FY 2014-15 is justified?</u>

15.1 The return requested by the Petitioner for FY 2014-15 is Rs. 3,963 million using a Rate of Return of 18.29%. The Petitioner has also submitted working of WACC, whereby it has assumed the Risk free rate as 12.83% as against the Authority's assessed rate of 9.2% for the FY 2013-14. Furthermore, the Petitioner has estimated cost of debt as 17% as against the interest rate of 14% used in the matter of other XWDISCOs by the Authority in the tariff determination of FY 2013-14. The debt to equity ratio is taken by the Petitioner as 80:20 as determined by the Authority. Additionally the Petitioner has taken no impact of tax in computation of Cost of debt and submitted that Corporate tax has been treated as a pass-through item. The Petitioner explained that according to NEPRA tariff regime, taxes are a pass through item and are not absorbed by the Company and therefore, there is no tax shield effect and it is paying the same cost of debt as given above i.e., 17%. The Petitioner additionally stated that tax rate reduction can only be used when tax is a liability of a Company and it gets a tax shield benefit on interest payment which is not the case with the Petitioner whose effective cost of debt is not lowered by tax rate. Here it is pertinent to mention that the issue of tax shield on the cost of debt was initially raised by the USAID PDP Team in the matter of all the XWDISCOs.

15.2 The Petitioner has used 10 years PIB Bond Yield of 12.83% as a risk free rate instead of Authority's assessed rate of 9.2%. The same rate was used by the Petitioner in previous year's tariff petition and the Authority clarified the Petitioner that when a 10 year PIB Bond Yield is taken, it is used keeping in view a maturity period of 10 years and the Authority keeps on monitoring its trend in the secondary markets (along with the historic data from the reference point) in order to assess the ongoing money market conditions. The Authority has consequently, decided not to revise the rate considering the tight liquidity conditions and informed the Petitioner that from next year it might think of matching the

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duration of risk free rate instrument with the duration of the tariff determination. In view thereof, the Authority has decided to reassess the risk free rate of return based on rate of return of Market Treasury bills having a maturity of one year as published by State Bank of Pakistan. The revised rate is 9.45%. As regard the cost of debt, the Petitioner requested the Authority to revise the cost of debt in previous year's tariff petition as well which the Authority denied based on the fact that the review of available financial statements of Petitioner revealed that he has not started making payments of loan and failed to provide term sheet of loan to justify the request. In the instant petition the Petitioner has provided the relevant documents . The Authority has reviewed the details of loan re-payments submitted with the petition in the forms and audited financial statements of FY 2013-14 of the Petitioner. After careful evaluation of the same , the Authority has accepted the request and re-worked the cost of debt based on the weighted average cost of debt of all the loans appearing in the financial statements of the Petitioner. Consequently, the rate has been revised to 16.67%. Furthermore, the Authority had been taking post tax cost of debt based on the fact that any tax to be paid by Petitioner will be considered as pass through and would be adjusted as per actual payments made on this account. However, since the Petitioner is not taking any benefit of tax shield, the cost of debt to be taken in working shall be without any impact of tax shield i.e., 16.67%.

15.3 All the other factors remaining the same, the WACC has been re-worked as below;

$$\begin{aligned} ke &= RF + (RM - RF) \times \beta \\ &= 9.45\% + (8\% \times 1.33) \\ &= 20.09\% \end{aligned}$$

The cost of debt is taken as pre tax;

$$kd = 16.67\%$$

$$WACC = [ke \times (E / V)\} + [kd \times (D / V))$$

Where E / V and D / V are equity and debt ratios respectively taken as 20% and 80%;

$$WACC = \{20.09\% \times 20\%\} + \{16.67\% \times 80\%\} = 17.36\%$$

15.4 The Authority reiterates that in its opinion the Rate of Return should be reasonable enough to assure the confidence in the financial soundness of the utility company, and should be adequate to maintain and support its credit and enable it to raise money necessary for the proper discharge of public service. From the investor's or the company's point of view it is important that there be enough revenue not only for operating expenses but also for the capital cost of the business including the

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service of its debt. The Authority further considers that return to the equity should be commensurate with the return on investment of other enterprises having comparable risks. Thus, using the **Plain vanilla WACC of 17.36%**, the Authority has assessed Rs. 3,469 million as return on rate base as per the following calculations:

Description	Rupees in Million	
	FY 2013-14 Audited	FY 2014-15 Projected
Opening fixed assets in operation	49,842	54,542
Assets Additions during the year	4,537.75	5,763
Closing Fixed Assets in Operation	**54,379.62**	**60,305**
Less: Accumulated Depreciation	17,226.59	19,036
Net Fixed Assets in operation	**37,153.03**	**41,270**
+ Capital Work in Progress (Closing)	5,863.41	7,475
Total Fixed Assets	43,016.44	48,744
Less: Deferred Credit	24,702.16	27,047
Total	**18,314.28**	**21,697**
Average Regulatory Assets Base		19,988
Return on Rate Base @ 17.36%		3,469

15.5 The Authority had, in the last year's tariff determination, noted that the opening balance of land — freehold and Building on free hold land (Note 15.3) differed from the closing balance appearing on the same note corresponding to the audited accounts pertaining to the FY 2011-12. The Authority directed the Petitioner, to get the clarification on this matter from its auditors not later than 31st March, 2014. In response thereof, the petitioner vide its letter No. 3627/FD/FESCO/CPC dated 25th March, 2014 submitted to the Authority the following explanation given by Auditors;

'*The fresh revaluation of Land, Building, 11 kV feeders and Grid & Equipments was carried out during the year ended 30th June 2013. Previously the revaluation was carried out during the year ended 30th June 2005 for land and Buildings only. The disclosure given in note 15.3 to the financial statements for the year ended 30th June 2013 reflects the cost, accumulated depreciation and book values of all those assets which have been re-valued on 30th June 2013. As regards, the disclosure given in note 15.3 to the financial statements for the year ended 30th June 2012, it has been rectified in the financial statements of 30th June 2013.*'

Additionally, the Petitioner stated that the Authority takes in to account the Gross Fixed Assets in operation of the Petitioner less Revaluation Surplus while assessing the Regulatory Asset Base (RAB), hence it does not affect the RORB.

15.6 The Authority accepts the explanation submitted by the Petitioner that the two

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balances vary as Petitioner has carried out a fresh revaluation in FY 2012-13. Additionally, the Authority brings on record that it calculates the RORB for the Petitioner based on the historic cost of assets and the re valued amount is ignored at the time of computation of RORB and depreciation charge.

16. **Issue # 11. Whether the Petitioner's projected Other Income of Rs 933 million (Rs 0.09 /kWh) for the FY 2014-15 is reasonable?**

16.1 The Petitioner has projected Rs. 933 million as other income for the FY 2014-15. The Petitioner stated that other Income includes markup on bank deposits, amortization of deferred credit and income from other sources. Explaining the basis for projection, the Petitioner submitted that since there is no clear trend found in this income during the past, hence, the other income has been increased by taking average of last three financial years except for the amortization of deferred credit which has been calculated @ 3.5% on the accumulated balance of contributions against connection installed/ deposit works. The Petitioner further stated that Late Payment charge has been excluded from the Total Other Income of FY 2014-15 as it represents a cover of short term financing cost for the Petitioner. This is used to finance the additional cost borne by the Petitioner for non-fulfilling its obligations towards CPPA, SPPs/CPP etc. A detailed breakup as submitted by the Petitioner is as follows:

Rs. In million

Description	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	Actual				Act./Est	Projected
Profit on bank deposits	451	708	380	486	463	498
Meter /Service rent	48	47	47	49	48	48
Reconnection fee	3	5	9	16	16	17
Miscellaneous. income including sale of scrap	291	208	300	121	164	195
Gain on installation of new connections	231	301	296	269	274	280
Late payment charge	593	833	683	849	921	-
Repair ,testing and	64	107	80	97	108	108

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inspection fee						
Recovery of late delivery charges	44	27	91	89	57	79
Service fee on collection of electricity Duty and PTV license fee	106	114	118	138	127	128
Quarter rent FESCO colonies	3	2	3	4	4	4
Amortization of deferred credits	701	765	860	943	1,029	1,115
Total	2,535	3,184	2,896	3,061	3,211	2,479
Less: Cost of working capital	-	-	-	-	-	(1,546)
Net other Income	-	-	-	-	-	933

16.2 The XWDISCOs have been requesting to eliminate Late Payment charges from other income in the assessment. The request was based on the rational that the Authority has been disallowing markup on delayed payments to IPPs, at CPPA level, yet on the other hand late payment charges were included in the DISCO's other income passing on the benefit to this extent to the consumers affecting the DISCOs liquidity adversely. XWDISCOs requested to offset the two markups against each other. The Authority declined the request on the grounds that each company is different legal entity and in the absence of any bilateral agreements which govern the issue, the request cannot be accepted. Accordingly XWDISCOs were directed to enter into bilateral agreements with CPPA. The set deadline was passed and nothing concrete was on the ground. The Authority took an initiative whereby GEPCO was directed to draft a proposed agreement which was complied with by GEPCO and the same was sent to all the XWDISCOs for their comments. XWDISCOs rather than giving their comments on the draft submitted the Electricity Supply Agreement signed between DISCOs and WAPDA on 29th June, 1998. As per XWDISCOs , a novation of the same agreement was also signed between individual DISCOs and NTDC. The Authority after going through the claimed agreement observed some clauses which were required to be revisited.

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16.3 In view of aforementioned , the Authority decided to nominate a committee to be constituted from NEPRA professionals in order to conduct a brain storming session on draft PSA in the tariff determinations for FY 2013-14. Two brain storming sessions were conducted during the current year. The brain storming sessions were attended by nominees of XWDISCOs and CPPA and it was mutually agreed by CPPA and XWDISCOs in the final session that the existing Electricity supply agreement dated 29th June, 1998 is valid and the same shall be implemented in letter and spirit. As regard the improvements if any, the same would be incorporated at a later stage. As per the clause 9.3(d) of the agreement, the XWDISCOs shall be obliged to pay CPPA late payment charge on delay payments of invoice.

16.4 The clause 9.3 (d) of the agreement deals with Late Payment charge as below:

"Late Payments by WAPDA or the Company, as the case may be, shall bear mark-up at a rate per annum equal to the Base Rate plus four percent (4%) per annum compounded semi-annually, and shall be computed for the actual number of Days on the basis of a three hundred sixty-five (365) Day Year."

16.5 In view of aforementioned, the Authority hereby decides that the late payment charge recovered from the consumers on utility bills shall be offset against the late payment invoices raised by CPPA against respective DISCO only .i.e. CPPA cannot book late charge over and above what is calculated as per the relevant clause of the agreement to a respective DISCO only. The Petitioner is, therefore, directed to share the details of late payment charges recovered from consumers and any invoice raised by CPPA under the head of mark up on delayed payments for the FY 2014-15. The information must be submitted before the next tariff petition is filed. Here it is pertinent to mention that any remaining LPC, (i.e. after the off set) shall be adjusted from the revenue requirement of FY 2015-16 and in the event of non-submission of evidence of payment to CPPA, the entire amount of Late Payment charge recovered from consumers shall be made part of other income (and deducted from revenue requirement) in the FY 2015-16. As regard the cost of working capital shown by the Petitioner as deduction from other income, the same is discussed under the relevant head .

16.6 In the light of above discussion, the Authority has assessed Rs. 2,502 million as Other Income which does not include late payment charge and includes amortization of deferred credit.

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17. **Issue # 12. Whether the Petitioner's plea to adjust working capital amounting to Rs. 1,546 million from other income and exclusion of late payment surcharge from other income merits consideration?**

17.1 The Petitioner submitted that during the FY 2013-14, it requested to exclude late payment charge from the other income as it represents a cover of short term financing cost rather than a source of income or allow cost of working capital. The Authority at Para 17.4 of the referred tariff determination decided that till the time brainstorming session the Power Sale Agreement with the stakeholders is done. The amount of Late Payment Surcharge would be made part of the other income. It was further submitted by the Petitioner that the Authority at para 18.6 of the same decision has declined the request for working capital on the grounds that the Petitioner's working was not in accordance with the international practices and principles, rather it was abnormally high, which would adversely affect the consumers.

17.2 In the instant petition, the Petitioner submitted that it is of the view that the billing to consumers and its payment (Billing Cycle) takes 45 days, whereas the cost of power and other obligatory payments like O&M are to be settled within a month. Further, lesser revenue is generated in winter with high power purchase price (with greater generation reliance on RFO). Based on these grounds, the Petitioner pleaded that managing the cash flow in such adverse conditions becomes difficult, which ultimately end up in compromising the reliable and consistent supply of electricity and creates circular debt. The Petition and submitted following working of working capital;

Description	Values
Receivables (Projected)	Rs. 10,457 million
O&M Expenses (Projected)	Rs. 1,230 million
Total working capital required	Rs. 11,687 million
Rate of Interest	13.23%
Interest on Working Capital	Rs. 1,546 million

17.3 The Authority having considered the Petitioner's request observed that it has already addressed the matter of late payment charge which, as per the Petitioner, would cater its need of required working capital. As regard the instant working of the Petitioner it is noted that while claiming the 45 days cycle, the Petitioner failed to correlate its date of invoice from CPPA and its billing to the consumers. In view thereof, the Authority rejects the Petitioner's request in this regard. Further, since the issue of late payment

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charge is resolved , the Authority does not see any need of working capital for the Petitioner . The same is also endorsed by the Petitioner.

18. Issue # 13. Whether the proposed revenue requirement of Rs. 155,841 million at an average sale rate of Rs 15.93 /kWh for the FY 2014-15 is justified ?

18.1 Annual Revenue Requirement comprises of the following:

1. Power Purchase Price
2. Impact of T&D Losses
3. Distribution Margin
   i) O&M Expenses
   ii) Depreciation, RORB and Other Income
4. Prior Year Adjustment

18.2 For the assessment of annual revenue requirement each component of average tariff is discussed in detail in the previous paragraphs. However, the remaining components are discussed below;

18.3 Power Purchase Price (PPP)

18.3.1 The Petitioner has requested for a Power Purchase Price (PPP) of Rs. 12.57/kWh (Rs. 11.18/kWh unadjusted). As per the Petitioner, the projection is based on an increase of 5% over the Power Purchase Price of the previous financial year. The Petitioner submitted the component wise detail as below:

Description	FY 14-15 (Projected)	
	Amount Rs. In million	**Rate in Rs./kWh***
Energy Transfer Charges	95,818	8.42
Capacity Transfer Charges	28,685	2.52
Use of System Charges	2,840	0.25
PPP	**127,343**	**11.19**

* Rate is unadjusted price /kWh

18.3.2 All the power generated from different sources is procured by the Central Power Purchasing Agency (CPPA) on behalf of DISCOs at the rates as per the Power Purchase Agreements (PPAs) as per the Authority's determination. The overall power purchase cost constitutes a pool price which is transferred to the DISCOs according to

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a mechanism prescribed by the Authority and notified by the Federal Government in the Official Gazette. The Power Purchase Price has been projected, which in turn formulates the reference values for the monthly fuel adjustments & quarterly adjustments with respect to Capacity and Transmission Charges.

18.3.3 From all the available sources i.e. hydel, thermal-gas, RFO, nuclear, coal and imports, a total gross of 95,892 GWh power is expected to be generated during the FY 2014-15. The estimated/projected source-wise generation and cost of electricity is given in the following table:

Description	Generation		Energy Charges	
	GWh	Share	Rs. Million	Share
Hydel	32,294	34%	3,224	0.46%
Coal	112	0.12%	419	0.06%
HSD	1,653	2%	32,888	5%
Thermal - RFO	37,277	39%	541,622	77%
Thermal - Gas	18,341	19%	101,684	14.50%
Nuclear	4,402	5%	5,820	0.83%
Mixed	1,108	1%	11,283	1.61%
Import from Iran	419	0.44%	4,416	0.63%
Wind	263	0.27%	0.5879	0.0001%
Bagasse	23	0.02%	143	0.02%
Total	93,015	100%	701,499	100%
Capacity Charge			228,145	
Total Generation Cost			929,644	

18.3.4 Here it is pertinent to mention that the aforementioned energy charge includes variable O&M charges. But as per the tariff methodology, variable O&M charges would not be made part of monthly fuel adjustment and would be adjusted as part of quarterly adjustment. From the above table it is clear that 39% of total generation is expected on Residual Fuel oil (RFO) but its share in overall energy cost is expected to be around 77%, which means that variation in generation mix and oil prices will have great impact on the cost of generation and will ultimately affect the consumer-end tariff. The RFO prices over the last year have shown a highly decreasing trend. During the FY 2013-14, the RFO price was projected at an average of Rs. 80,748 [excluding Sales Tax and including freight] per metric ton, whereby the RFO prices during the five months of the FY 2014-15 have remained an average of Rs. 69,610 [excluding Sales Tax and including freight] per metric ton and touched a low of Rs. 59,392 per metric ton. The RFO prices in Pakistan are not only affected by the international market but also by the Pak Rupee devaluation. Based on the international market condition, it can

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be presumed that this lower trend shall continue in the next seven months to come, consequently, for the FY 2014-15, RFO prices have been assumed on an average of Rs. 65,769 per metric ton [excluding Sales Tax and including freight] after incorporating the possible determinants of RFO prices. Following the previous generation trend, approximately 2% generation is expected to be generated on HSD due to the ongoing shortage of gas supply. The aforementioned generation is assumed in the light of ECC decision in the matter of Sapphire, Halmore, Orient and Saif whereby one turbine of these plants would run on HSD throughout the year. For the FY 2014-15, the HSD prices are being assumed on an average of Rs. 93.45 per litre [excluding Sales Tax]. The actual HSD price in first five months of FY 2014-15 remained on average Rs. 93.17 per litre. The gas prices are projected to increase by 30% w.e.f., July, 2014 based on an upcoming notification of OGRA that has been delayed due to unrest political situation in the Country. Consequently, the gas prices have been increased by 30% to Rs. 634.70/MMBTU for the entire FY 2014-15.

18.3.5 The generation cost is transferred to the DISCOs according to the Transfer Price Mechanism (TPM) as prescribed by the Authority in its latest determination with respect to NTDC.

18.3.6 NTDC shall charge the DISCOs formed consequent to the unbundling of WAPDA (termed as XWDISCOs) and K-Electric a transfer charge for procuring power from approved generating companies (termed as CPGENCOs) and its delivery to DISCOs for a billing period as under:

XTC = XCTC + XETC

Where:

XTC = Transfer charge to XWDISCOs & KESC

XCTC = Capacity Transfer Charge to XWDISCOs & KESC

XETC = Energy Transfer Charge to XWDISCOs & KESC

$$XCTC = \frac{CpGenCap + USCF}{XWD}$$

Where:

(i) CPGenCap = the summation of the capacity cost in respect of all CPGencos in Rs for a billing period minus the amount of liquidated damages received during the month.

(ii) XWD = the sum of the maximum demand of the XWDISCOs & KESC in kW recorded during a billing period at all the delivery metering points

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			at which power is received by the XWDISCOs & KESC.
(iii)	USCF	=	the fixed charge part of the use of system charges in Rs per kW per month.
	XETC	=	CpGenE (Rs) / XWUs (kWh)

Where:

(i)	CPGenE	=	the summation of the variable charge rate (Rs per kWh) approved for each of the CPGenCOs times the energy in kWh procured from the respective CPGENCO during the billing period.
(ii)	XWUs	=	the summation of the energy units (kWh) recorded at the delivery metering point of all the XWDISCOs & KESC during a billing period.

Energy transfer charge shall be calculated on the basis of units delivered after adjusting target transmission losses up to a maximum of 3%. NTDC shall, for the purpose of clarity intimate to all DISCOs the generation part of the Transfer Charge during a billing period by deducting from the Transfer Charge the Transmission Charge or Use of System Charges.

18.3.7 According to the above mechanism Rs. 28,380 million and Rs. 2,551 million is the share of the Petitioner on account of CpGenCap and USCF respectively for the FY 2014-15. The overall fixed charges comprising of CpGenCap and USCF in the instant case works out as Rs. 30,931 million, which translate into Rs. 1,242 /kW/month or Rs. 2.83/kWh.

18.3.8 The annual PPP for the FY 2014-15 in the instant case works out as Rs. 113,415 million. With the projected purchase of 10,938 GWh for the same period the average PPP turns out to be as Rs. 10.37/ kWh (Annex – IV). On the basis of 9.50% T&D losses, the PPP per kWh is assessed as Rs. 11.46/kWh.

18.3.9 Considering the timing of the determination the Authority has decided to include quarterly adjustment pertaining to the first quarter of the FY 2014-15. In the matter of Petitioner the 1st quarters PPP adjustment works out as Rs. 797 million .

18.4 Distribution Margin (DM)

18.4.1 The assessment of O&M Cost, Other Income, depreciation and RORB has been

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assessed in the preceding paragraphs.

18.5 Revenue Requirement

18.5.1 Based on the assessments made in the preceding paragraphs the Revenue Requirement for the FY 2014-15 is assessed as per the following details;

1.	Power Purchase Price		Rs. 113,415 Million
	CpGenE	Rs. 82,484 Million	
	CpGenCap	Rs. 28,380 Million	
	USCF	Rs. 2,551 Million	
2.	Distribution Margin		Rs. 12,075 Million
	O&M Cost	Rs. 9,112 Million	
	Depreciation	Rs. 1,997 Million	
	RORB	Rs. 3,467 Million	
	Gross DM	Rs. 14,577 Million	
	Less: Other Income	Rs. 2,502 Million	
	Net DM	**Rs. 12,075 Million**	
	Prior Year Adjustment		Rs. (18,854) Million
	1st Qrt PPP Adj		Rs. 797 Million
	Total Assessed Revenue Requirement		**Rs. 107,434 Million**

18.5.2 Based on the projected sales of 9,899 GWh for the FY 2014-15, the Petitioner's average sale rate works out as Rs. 10.85/kWh, consisting of Rs. 11.46/kWh of adjusted PPP, Rs. 1.22/kWh of DM, Rs. 0.08/kWh of PPP Adjustment and Rs. (1.90) /kWh of Prior Year Adjustment.

18.5.3 This revenue would be recovered from the consumers during the FY 2014-15, through the projected units of 9,899 GWh, as per Annex – II.

19. Issue # 14. Whether the Petitioner has complied with Authority's direction given in the decision of Review Motion to explain the credit entry of Rs. 1,376.675 million under the head of PPP pertaining to the last year to make necessary adjustments in PYA?

19.1 The matter has been discussed and addressed under Issue no. 7 above.

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20. **Issue # 15. Whether the Petitioner's request to allow creation of 12 sub-divisions and 3 divisions with financial impact of Rs. 570.32 million, merits consideration?**

20.1 The Petitioner, in the instant petition submitted that the issue of bifurcation/creation of operation sub-divisions, divisions and circles was raised by it in the Tariff Petition for the FY 2013-14 with detailed justifications. The Petitioner further informed that the Authority considered the same and decided to put the decision on hold till such time the Petitioner gives a separate presentation on the subject.

20.2 Accordingly, the Petitioner was given an opportunity to present its case in a separate meeting held on 9th July, 2014. The Petitioner gave a detailed presentation and build up its case by stating that the excessive number of consumers merit creation of new circles. The Petitioner also presented the mode of creation of circles and bifurcated it into three phases with each phase having a cost of Rs. 570.32 million, Rs. 555.57 million and Rs. 538.11 million respectively, resulting in a total cost of Rs. 1,664 million. The Petitioner also enlisted following benefits of creation of new circles;

- Better Customer Service;
- Improvement in technical system;
- Decrease in customer complaints;
- Improvement in Power supply continuity;
- Efficiency in utility function and utility practices;
- Reduction in Administrative losses by 1.25% and technical losses by 1%;
- Reduction in work burden on employees;
- Improvement in Recovery;
- Improvement in FESCO image.

20.3 During the presentation , each claimed benefit was discussed at length and was thoroughly evaluated with the technical team of the Petitioner .The Petitioner has also requested for additional manpower for the new circles, divisions and sub-divisions. As per the Petitioner it would require 60 staff members (including 47 technical staff members and 13 general) . The Petitioner also submitted yard stick for any additional technical / field staff on a certain length of line. In a subdivision the requirement of commercial staff was also argued on a number of meter readers/bill distributor required per consumer. On a Divisional level 28 new staff members would be required 45 new staff members at RO Office and 30 new staff members for Operation circle.

20.4 The Authority after careful evaluation of the Petitioner's proposal considers it beneficial for both .i.e. for the Petitioner's own operational management and for its consumers as well. In view thereof, the Authority sent the same proposal to all the XWDISCOs for their comments. Based upon the feedback from all XWDISCOs and the Authority's ongoing commitment to improve customer service, the Petitioner's

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proposal is accepted initially to the extent of Phase - I only. The Authority also notes that this project of Petitioner shall be closely monitored by the Authority to check if it is achieving the claimed advantages. Consequently, the Petitioner is directed to send quarterly report of progress made on creation of new circles w.e.f., 31st March, 2015.

21. <u>Issue # 16. Whether the existing financial, administration and technical powers concentrated at different layers of hierarchy is required to be developed in order to provide better services from the door step of the consumer?</u>

21.1 In the meeting held on creation of new circles, the Petitioner requested the Authority to consider its proposal for dissolution of powers to lower hierarchy of employees so that responsibility can be shared and delays in processing can be avoided. The Authority made the creation of new circles proposal and the instant proposal a separate issue in the tariff petition hearings of all DISCOs to get comments of DISCOs and other stakeholders.

21.2 The Petitioner was also directed to give complete proposal on the delegation of Financial and administrative powers vide letter no. NEPRA/R/TRF-272/12548 dated 3rd October, 2014 and reminder was sent on 15th October, 2014. In response thereof, the Petitioner sent proposal of delegation of administrative, commercial and financial powers duly approved by BOD in the minutes vide letter no. 6909 dated 16th October, 2014.

21.3 The proposal is under consideration and comments are sought from other XWDISCOs to decide on the matter in the next year's tariff determination.

22. <u>Issue # 17. What are the concerns of the Petitioner on changing terms and conditions of lifeline consumers and Residential consumers?</u>

22.1 The matter of changing terms and conditions of lifeline and residential consumers was raised by Islamabad Electric Supply Company (IESCO) in the tariff petition for the FY 2012-13 and the Authority took comments of all XWDISCOs on the matter during the tariff determination process for the FY 2013-14. All the XWDISCOs agreed to the concern of IESCO and consequently, the Authority decided to conduct a separate hearing on this issue, ensuring that all the stakeholders are taken on board.

22.2 The hearing on this matter was scheduled on 8th July, 2014, inviting all the stakeholders, under a suo motto proceedings initiated by the Authority . The hearing was attended by representatives of IESCO and LESCO. The representatives of IESCO reiterated their stance and requested the Authority to modify the terms and conditions in the interest of well being of the consumers. No comments / intervention against the proposal were received. Consequently, the Authority proposes following modification to the terms and conditions of lifeline and residential consumers in Annex-V;

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- The criteria for Lifeline consumers is modified to only those residential consumers having single phase electric connection with a limited sanctioned load upto 1 kW and consumption of less than 50 units.
- A floating average of six months consumption of lifeline consumers should not exceed 50 units.
- In case of detection billing under the category of lifeline consumers 1 year average floating billing must be less than 50 units.
- All government offices, educational institutes and mosques should be removed from the category of residential consumers.

22.3 Although the Authority has completed its consultative process but it still feels that before modifying the Terms & Conditions further analysis as to how much consumers will be reduced on monthly basis along with it financial implication from the Petitioner needs to be obtained. Accordingly the Petitioner is directed to give comments on the proposal before the next year's tariff petition for the settlement of this issue and also to share the financial impact of revision of criteria of lifeline consumers on its revenue.

23. <u>Issue # 18. What are the concerns of the Petitioner on TOU metering of cellular company connections and similar connections?</u>

23.1 The matter of TOU Metering of cellular companies and the resulting losses claimed by DISCOs was raised by IESCO in the tariff petition for the FY 2012-13 and the Authority took comments of all XWDISCOs on the matter in the tariff determination hearings of FY 2013-14. All the XWDISCOs agreed to the concern of IESCO and consequently, the Authority decided to conduct a separate hearing on this issue, ensuring that all the stakeholders are taken on board.

23.2 Based on the Authority's decision, a hearing was held on 8th July, 2014, under a suo motto proceedings, inviting all the stakeholders. The hearing was attended by representatives of IESCO and legal representatives of Cellular Companies. The representatives of IESCO reiterated their stance and requested the Authority to discontinue the installation of TOU meters on these connections. Whereas, the legal representatives of Cellular companies objected to the proceedings and demanded that evidence of losses being faced by XWDISCOs should be produced and reviewed by cellular companies before they give any justification / evidence on the matter. The legal representatives further objected to the suo motto proceedings and named it as a brain storming session which needs to be followed by examination of evidence by cellular companies and further hearing opportunity. The legal representatives of IESCO objected to the concerns of cellular companies' representatives and offered to present all the facts to the Authority. The Authority, during the hearing, directed both

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XWDISCOs and cellular companies to provide their evidences in this regard to the Authority for consideration.

23.3 The parties to the proceedings have failed to submit any evidence before the Authority in support of their claim both during and after the hearing. The Cellular companies like Telenor, Mobilink and Ufone through their Counsel, M/s Aqlal Advocates later on submitted Motions in the matter of Suo moto proceedings vide letter dated 25th July, 2014 and made the following submissions;

- The respondent is unable to file proper evidence without the pleadings and summary of evidence of IESCO being shared with them;
- Contrary to Authority's understanding, there is no technical capability in the network operations centre (NOC) of the respondents to measure and record the peak vs off-peak consumption of the BTS sites;
- The consumption data as submitted with the motion shows lower consumption in peak hours and is available with IESCO. Consequently, Authority is requested to seek such data from IESCO and share the same with the Respondents for them to be able to file counter-comments thereon before the Authority proceeds to accept and act upon such IESCO data.
- Rule 9(9) and 9(15) of the Tariff Standards and Procedure Rules, 1998 provides for establishing a detailed schedule for the orderly disposition of the proceeding, entailing, inter alia, for filing of interrogatories, discovery motions, objections and responses to objections and other procedural matters. Thus the instant proceedings have been conducted without summaries of evidence, any discovery, interrogatories or pleadings of the parties which precludes the Respondents from meaningful participation in the proceedings by presenting their case properly and effectively.

23.4 Based on aforementioned , the Petitioner sought the following relief;

- A detailed schedule for the orderly disposition of the proceeding, inter alia, for filing of interrogatories, discovery motions, objections and responses to objections and other procedural matters be established before further proceedings;
- After collection of all requisite evidence and giving adequate opportunities to the parties to consider and, if required, object to such evidence, declare close of evidence before the next hearing.

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23.5 Although some initial information was provided by one on the Telecom sector company, however most of them went to the higher courts against the suo motto proceeding initiated by the Authority. The Honorable Islamabad High Court, dismissed their petition and the same was challenged before the Supreme Court of Pakistan. The decision of the Honorable Supreme Court is reproduced as here under given as hereunder;

> " This petition is, therefore, converted into appeal and is allowed. Consequently the impugned judgment dated 22.07.2014 is set aside. This however shall not prevent NEPRA from furnishing the information relevant to the notice issued in the press and to proceed with the hearing after adhering to the National Electric Power Regulatory Authority (Tariff Standards and Procedure) Rule, 1980."

23.6 In view of aforementioned, the Authority would proceed on the matter, in accordance with the decision of the Honorable Supreme Court.

24. Tariff based on Cost of Service Study model

24.1 The Power Development Program (PDP) of USAID has conducted a cost of service study for few DISCOs (IESCO, MEPCO, FESCO, LESCO and GEPCO) named as Fully Allocated cost of service study. This cost of service study is based on computation of cost of providing electricity to each consumer class and thereafter allocating the cost to each category and computation of tariff thereof. This study is based on international best practices and aims to map all the consumers of each DISCO with the cost centres and power distribution levels. The purpose of this study is to arrive at cost reflective tariffs giving proper price signals to the customers and to standardize the tariff-setting methodology and make it more understandable and agreeable.

24.2 The cost allocation model is based on certain standard assumptions as below;

- Energy Cost is 100% allocated on the basis of each customer class share in the total energy (kWh) received by DISCO at CDP points;
- Capacity Cost and Transmission cost is 100% allocated in the ratio of each customer class peak demand (kW) to the DISCO's computed peak demand.
- O&M cost to the extent of Repair and Maintenance, Depreciation, working capital (if any) and Other income is allocated to each level of power distribution (132/66kV, 11kV, 0.4/0.2kV) in accordance with the proportionate share of assets deployed to provide service at that voltage level divided by the total assets deployed for power distribution.

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- Advertising expense and bill collection charges are allocated 100% on the basis of proportionate number of Customers in each customer class to the total number of customers.
- Remaining heads of O&M cost, i.e., Salaries, wages and other miscellaneous expenses are allocated to each level of power distribution (132/66kV, 11kV, 0.4/0.2kV) based on the allocated distribution margin (excluding advertising, bill collection and administrative expenses) for that voltage level divided by DISCO's total distribution margin (excluding advertising, bill collection and administrative expenses).
- Other income and amortization of deferred credit is allocated to each level of power distribution (132/66kV, 11kV, 0.4/0.2kV) based on the allocated distribution margin (excluding administrative expenses) for that voltage level divided by DISCO's total distribution margin (excluding administrative expenses).
- Prior year adjustment is allocated on the basis of respective share of each customer category in every functionally classified item.

24.3 Based on these assumptions and actual data, a model has been worked out by PDP team and shared with NEPRA to assess the tariff based on cost of service. FESCO has also submitted the consumer end tariff computation based on this model.

24.4 The Authority has carefully evaluated the study conducted by the PDP Team and appreciates its efforts in this regard. The Authority sees that the Petitioner has complied with the directions of the Authority. This cost of service will be used to assess consumer category wise cross subsidization , which would help in minimizing tariff distortions if any , among the consumer categories.

25. **Explaining the amount of Rs. 15,279** million recorded as Other Income .

25.1 A review of audited financial statements of the Petitioner for the FY 2013-14 revealed that it has recorded an income of Rs. 15,279 million in respect of share of GoP subsidy of FY 2004-09 in the profit and loss account. The relevant note in the financial statements of this amount is note 20.1 which state as follows;

'As advised by Pakistan Electric Power Company Limited (PEPCO), the Company has adjusted the above payable against the allocation of non-cash subsidy towards FESCO. The amount allocated to FESCO is Rs. 15,278 million (net of mark up of Rs. 1,376 million) which has been credited to profit and loss account.

The back ground of the above subsidy is that, during the year ended 30 June 2009, GoP decided to remove the bank borrowings (along with mark ups) that were on the books of power companies (PEPCO, GENCO, CPPA, NTDC, DISCOs, WAPDA) as a consequence of GoP's unpaid subsidy from FY 2004-05 through FY 2008-09. In

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pursuance of decision of GoP, TFCs amounting to Rs 11,501 million were transferred to PHPL. For the settlement of all such loans, PEPCO was to allocate subsidy against losses for FY 2004 to FY 2009. However, timing of such allocation and quantum of such subsidy due towards FESCO was not determined which has now been quantified during the current financial year.'

25.2 Since the same amount has not been recorded by any other XWDISCO , the Authority cannot reconcile the note appearing in the financial statements of the Petitioner . The Authority considers that this a serious matter and requires more deliberation with the stakeholders particularly PEPCO, CPPA and NTDC. In view thereof this adjustment is not being considered in the instant case.

26. Summary of Directions

26.1 The summary of all the directions passed in this determination are reproduced hereunder;

- To explain the reasons of varying reported numbers of installed TOU meters, not later than 31st March, 2015.
- To print bills with the snap shots of meter readings (both previous and current) not later than 30th April, 2015.
- To submit its investment requirements for the implementation of Hand Handled Units (HHU) along with its completion timelines with its next tariff petition.
- The Authority had directed DISCOs vide Registrar's letter dated 21.12.2012 to submit their plans regarding introduction and expansion of Automatic Meter Reading System (AMR). DISCOs were also required to submit progress reports on NEPRA's directions. Subsequently vide letter No. NEPRA/R/L/LAD-21/9016-26 Dated 7th August 2014, the Authority also directed DISCOs to install AMR and Automatic Metering Infrastructure (AMI) at all of their Common Delivery Points (CDPs). It is noted that except for initiating certain pilot projects, DISCOs have not been able to show serious efforts on the installation of AMR and AMI systems.
  - The Authority considers that one of the key reasons for high transmission and distribution losses in DISCOs is absence of any mechanism for tracking of electricity flow from the points of their electricity purchases (CDP) down to the final consumer. A reliable metering and recording system at every voltage level starting with the 132 kV grid, at the 11 kV and to 400 and 230 volts is therefore critical for not only elimination of theft, unaccounted for electricity and

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diagnosing technical problems, such systems would also enable NEPRA in analyzing DISCOs' genuine investment requirements. Consequently reduction in losses would help save billion of rupees annually and support GOP's efforts in eliminating circular debt. Reportedly the results through the model projects have been quite encouraging and noticeable reductions in the losses have been observed.

- The Authority therefore directs all DISCOs as follows:
    - To install AMR and AMI at all of their CDPs by December 31, 2015.
    - To install AMR and AMI on the receiving end of at least 30% of their 11 kV feeders (as existing on 30 June 2014) by 31st December 2015 and remaining 70% till June, 2016.
    - To initiate and install AMR/AMI at the consumer level in at least 10 of their high loss making subdivisions by 31st December, 2015 and remaining 70% by 30th June 2016.

- To provide break-up of receivables with aging and nature of receivables and a concrete plan of their recovery not later than 31st March, 2015.
- To monetize all the incremental costs which cause them additional losses and incorporate these as a part of project cost while calculating the IRR or NPVs for any village electrification project, in future.
- To get its strength yard stick approved by the Authority based on proper justifications and its quantified benefits
- To share the details of late payment charges recovered from consumers and any invoice raised by CPPA under the head of mark up on delayed payments for the FY 2014-15. The information must be submitted before the next tariff petition is filed
- The Petitioner is directed to give comments on the proposal of lifeline consumers before the next year's tariff petition. and also to share the financial impact of revision of criteria of lifeline consumers on its revenue.
- To explain the amount of Rs. 15,279 million .
- To complete installations of TOU metering .
- To complete study of its Transmission and Distribution losses on 132 KV , 11KV and below .
- To submit the details of investment expense undertaken in the FY 2013-14.

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- To transfer amount in the post retirement benefit fund and claim the amount so transferred from the Authority in the next year's tariff determination by submission of evidence of transfer of amount.
- To submit a recruitment plan for the requested hiring of staff containing cost/benefit analysis based on best practices.
- To submit the certificate of replacement hiring before the finalization of the tariff determination pertaining to the FY 2015-16
- To send quarterly report of progress made on creation of new circles w.e.f., 31st March, 2015.

27. ORDER

From what has been discussed above, the Authority hereby determines the tariff of the petitioner Company for the Financial Year 2014-15 as under:-

I. Faisalabad Electric Supply Company (FESCO) is allowed to charge its consumers such tariff as set out in the schedule of tariff for FESCO annexed to the determination.

II. The actual variation in fuel cost component of power purchase price against the reference fuel cost component shall be adjusted on monthly basis without taking into account the T&D losses. The monthly fuel price adjustment shall be based on the actual information submitted by CPPA.

III. FESCO is allowed to charge the users of its system a "Use of system charge" (UOSC) equal to:

i) Where only 132 kV system is involved

$$UOSC = DM \times \frac{(1-L)}{(1-0.01)} \quad Paisa/kWh$$

ii) Where only 11 kV distribution systems is involved.

$$UOSC = DM \times \frac{(1-L)}{(1-0.05)} \quad Paisa/kWh$$

iii) Where both 132 kV and 11 kV distribution systems are involved.

$$UOSC = DM \times \frac{(1-L)}{(1-0.06)} \quad Paisa/kWh$$

Where:

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Distribution Margin for FY 2014-15 is set at Rs 1.22/kWh. 'L' will be the overall percentage loss assessment for the year set at 9.50% or FY 2014-15.

IV. The residential consumers will be given the benefit of only one previous slab.

V. The Order part, Annex-I, III, IV,V & VII annexed with determination is intimated to the Federal Government for notification in the official gazette under Section 31(4) of the NEPRA Act.

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Annex-I

FUEL PRICE ADJUSTMENT MECHANISM

Actual variation in fuel cost component against the reference fuel cost component for the corresponding months will be determined according to the following formula

Fuel Price variation = Actual Fuel Cost Component - Reference Fuel Cost Component

Where:

Fuel Cost Component would include Energy Charge without Variable O&M.

Fuel Price variation is the difference between actual and reference fuel cost component

Actual fuel cost component is the fuel cost component in the pool price on which the DISCOs will be charged by CPPA in a particular month; and

Reference fuel cost component is the fuel cost component for the corresponding month projected for the purpose of tariff determination as per Annex-IV of the determination;

The fuel price adjustment determined by the Authority shall be shown separately in the bill of the consumer and the billing impact shall be worked out on the basis of consumption by the consumer in the respective month.

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Faisalabad Electric Supply Company (FESCO)
Estimated Sales Revenue on the Basis of New Tariff

Annex-II

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Description	Sales GWh	Sales Mix	Tariff (NEPRA) Fixed Charge Rs./kW/ Month	Tariff (NEPRA) Variable Charge Rs./ kWh	Revenue (as per NEPRA) Fixed Charge Rs.Million	Revenue (as per NEPRA) Variable Charge Rs.Million	Revenue (as per NEPRA) Total Rs. Million
Residential							
Up to 50 Units	360	3.63%		4.00	-	1,439	1,439
For peak load requirement less than 5 kW							
01-100 Units	1971	19.91%		9.00	-	17,737	17,737
101-300 Units	1533	15.49%		10.20	-	15,637	15,637
301-700Units	388	3.92%		14.00	-	5,438	5,438
Above 700 Units	99	1.00%		16.00	-	1,577	1,577
For peak load requirement exceeding 5 kW)					-		
Time of Use (TOU) - Peak	3	0.03%		16.00	-	54	54
Time of Use (TOU) - Off-Peak	18	0.18%		10.00	-	176	176
Total Residential	**4,372**	**44.16%**			**-**	**42,058**	**42,058**
Commercial - A2							
For peak load requirement less than 5 kW	311	3.14%		15.00	-	4,669	4,669
For peak load requirement exceeding 5 kW							
Regular	12	0.12%	400.00	14.50	19	179	198
Time of Use (TOU) - Peak	42	0.42%		16.00	-	668	668
Time of Use (TOU) - Off-Peak	175	1.77%	400.00	10.00	334	1,752	2,085
Total Commercial	**541**	**5.46%**			**353**	**7,268**	**7,621**
Industrial							
B1	286	2.88%		13.00		3,712	3,712
B1 Peak	27	0.28%		16.00	-	439	439
B1 Off Peak	158	1.60%		10.00	-	1,582	1,582
B2	112	1.14%	400.00	12.50	147	1,405	1,552
B2 - TOU (Peak)	213	2.15%		16.00	-	3,408	3,408
B2 - TOU (Off-peak)	1229	12.41%	400.00	9.60	1,881.09	11,797	13,678
B3 - TOU (Peak)	125	1.27%		16.00		2,006	2,006
B3 - TOU (Off-peak)	816	8.25%	380.00	9.50	784	7,754	8,538
B4 - TOU (Peak)	92	0.93%		16.00		1,468	1,468
B4 - TOU (Off-peak)	610	6.17%	360.00	9.40	495	5,738	6,232
Total Industrial	**3,669**	**37.07%**			**3,307**	**39,309**	**42,616**
Single Point Supply for further distribution							
C1(a) Supply at 400 Volts-less than 5 kW	0	0.00%		13.50	-	5	5
C1(b) Supply at 400 Volts-exceeding 5 kW	7	0.07%	400.00	13.00	7	92	99
Time of Use (TOU) - Peak	2	0.02%		16.00		31	31
Time of Use (TOU) - Off-Peak	9	0.09%	400.00	10.00	11	89	99
C2 Supply at 11 kV	74	0.75%	380.00	12.80	64	949	1,014
Time of Use (TOU) - Peak	7	0.07%		16.00		112	112
Time of Use (TOU) - Off-Peak	33	0.34%	380.00	9.60	35	321	356
C3 Supply above 11 kV	57	0.58%	360.00	12.70	40	725	765
Time of Use (TOU) - Peak	21	0.22%		16.00		342	342
Time of Use (TOU) - Off-Peak	105	1.06%	360.00	9.50	89	995	1,084
Total Single Point Supply	**316**	**3.19%**			**246**	**3,661**	**3,907**
Agricultural Tube-wells - Tariff D							
Scarp	54	0.54%		13.00	-	698	698
Agricultual Tube-wells	16	0.17%	200.00	12.50	10	206	216
Time of Use (TOU) - Peak	132	1.33%		16.00		2,113	2,113
Time of Use (TOU) - Off-Peak	786	7.94%	200.00	9.50	559	7,468	8,028
Total Agricultural	**988**	**9.98%**			**569**	**10,485**	**11,054**
Public Lighting - Tariff G	8	0.08%		14.00	-	106	106
Tariff H - Residential Colonies attached to industries	5	0.05%		14.00	-	72	72
Sub-Total	**13**	**0.13%**			**-**	**178**	**178**
Total Revenue	**9,899**	**100.00%**			**4,475**	**102,959**	**107,434**

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SCHEDULE OF [illegible]
FOR FAISALABAD E[illegible]

A-1 GENERAL SUPPL[illegible]

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	
a)	For Sanctioned load less than 5 kW			
i	Up to 50 Units	-	4.00	
	For Consumption exceeding 50 Units			
ii	001 - 100 Units	-	9.00	
iii	101 - 300 Units	-	10.20	
iv	301 - 700 Units	-	14.00	
v	Above 700 Units	-	16.00	
b)	For Sanctioned load 5 kW & above			
			Peak	Off-Peak
	Time Of Use	-	16.00	10.00

As per the Authority's decision residential consumers will be given the benefits of only one previous sl[illegible]

Under tariff A-1, there shall be minimum monthly charges at the following rates even if no energy is consumed.

a) Single Phase Connections: Rs. 75/- per consumer per month
b) Three Phase Connections: Rs. 150/- per consumer per month

A-2 GENERAL [illegible]

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	
a)	For Sanctioned load less than 5 kW	-	15.00	
b)	For Sanctioned load 5 kW & above	400.00	14.50	
			Peak	Off-Peak
c)	Time Of Use	400.00	16.00	10.00

Under tariff A-2, there shall be minimum monthly charges at the following rates even if no energy is consumed.

a) Single Phase Connections; Rs. 175/- per consumer per month
b) Three Phase Connections: Rs. 350/- per consumer per month

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SCHEDULE OF ELECTRICITY TARIFFS
FOR FAISALABAD E[illegible]

B- INDU[illegible]

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	
B1	Upto 25 kW (at 400/230 Volts)	-		13.00
B2(a)	exceeding 25-500 kW (at 400 Volts)	400.00		12.50
	Time Of Use		Peak	Off-Peak
B1 (b)	Up to 25 KW		16.00	10.00
B2(b)	exceeding 25-500 kW (at 400 Volts)	400.00	16.00	9.60
B3	For All Loads up to 5000 kW (at 11,33 kV)	380.00	16.00	9.50
B4	For All Loads (at 66,132 kV & above)	360.00	16.00	9.40

For B1 consumers there shall be a fixed minimum charge of Rs. 350 per month.

For B2 consumers there shall be a fixed minimum charge of Rs. 2,000 per month.

For B3 consumers there shall be a fixed minimum charge of Rs. 50,000 per month.

For B4 consumers there shall be a fixed minimum charge of Rs. 500,000 per month.

C - SINGLE-POINT SUPPLY FOR PU[illegible] AND MIXED LOAD [illegible]SUMERS [illegible]

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	
C -1	For supply at 400/230 Volts			
a)	Sanctioned load less than 5 kW	-		13.50
b)	Sanctioned load 5 kW & up to 500 kW	400.00		13.00
C -2(a)	For supply at 11,33 kV up to and including 5000 kW	380.00		12.80
C -3(a)	For supply at 66 kV & above and sanctioned load above 5000 kW	360.00		12.70
	Time Of Use		Peak	Off-Peak
C -1(c)	For supply at 400/230 Volts 5 kW & up to 500 kW	400.00	16.00	10.00
C -2(b)	For supply at 11,33 kV up to and including 5000 kW	380.00	16.00	9.60
C -3(b)	For supply at 66 kV & above and sanctioned load above 5000 kW	360.00	16.00	9.50

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SCHEDULE OF ELECTRI[illegible]
FOR FAISALABAD ELECTRIC SUPPLY COMPANY [illegible]

[illegible]

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	
D-1(a)	SCARP less than 5 kW	-		13.00
D-2	Agricultural Tube Wells	200.00		12.50
			Peak	Off-Peak
D-1(b)	SCARP and Agricultural 5 kW & above	200.00	16.00	9.50

Under Agriculture tariff, there shall be minimum monthly charges Rs.2000/- per consumer per month, even if no energy is consumed.

Note:- The consumers having sanctioned load less than 5 kW can opt for TOU metering.

[illegible]

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh
E-1(i)	Residential Supply	-	16.00
E-1(ii)	Commercial Supply	-	15.00
E-2	Industrial Supply	-	13.00

For the categories of E-1(i&ii) above, the minimum bill of the consumers shall be Rs. 50/- per day subject to a minimum of Rs.500/- for the entire period of supply, even if no energy is consumed.

[illegible]

125% of relevant industrial tariff

Note:

> ***Tariff-F consumers will have the option to convert to Regular Tariff and vice versa. This option can be exercised at the time of a new connection or at the beginning of the season. Once exercised , the option remains in force for at least one year.***

[illegible]

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh
	Street Lighting		14.00

Under Tariff G, there shall be a minimum monthly charge of Rs.500/- per month per kW of lamp capacity installed.

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Annex-III

SCHEDULE OF ELEC[illegible]
FOR [illegible] AD ELECTRIC [illegible]

H - RESIDENTIAL COLO[illegible]

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh
	Residential Colonies attached to industrial premises	-	14.00

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Annex-IV

FESCO Power Purchase Price

Name	July	August	September	October	November	December	January	February	March	April	May	June	Total
Units Purchased by DISCOs (GWh)	1,045	1,098	1,090	965	851	843	715	756	772	797	995	1,011	10,938

kWh

Fuel Cost Component	6.4933	6.4562	6.4326	7.3369	7.3040	8.1037	9.8670	7.2603	8.0985	7.6273	6.7764	6.8283	**7.271**
Variable O & M	0.2436	0.2429	0.2295	0.2574	0.2667	0.2961	0.3118	0.2901	0.3050	0.2977	0.2762	0.2621	**0.270**
CpGenCap	2.1293	2.0936	2.1094	2.6327	2.7209	2.8796	3.1688	2.9292	2.8124	2.9833	2.6904	2.5396	**2.5946**
USCF	0.2041	0.2052	0.2035	0.2474	0.2435	0.2528	0.2715	0.2469	0.2273	0.2448	0.2436	0.2353	**0.2332**
Total PPP in Rs. /kWh	**9.0704**	**8.9979**	**8.9751**	**10.4744**	**10.5350**	**11.5323**	**13.6191**	**10.7265**	**11.4432**	**11.1531**	**9.9865**	**9.8653**	**10.3689**

Rs in Million

Fuel Cost Component	6,786	7,091	7,013	7,080	6,219	6,834	7,050	5,489	6,253	6,077	6,740	6,902	**79,533**
Variable O & M	255	267	250	248	227	250	223	219	236	237	275	265	**2,951**
CpGenCap	2,225	2,299	2,300	2,540	2,317	2,428	2,264	2,214	2,171	2,377	2,676	2,567	**28,380**
USCF	213	225	222	239	207	213	194	187	175	195	242	238	**2,551**
PPP	9,480	9,882	9,784	10,107	8,970	9,725	9,731	8,109	8,835	8,886	9,933	9,972	**113,415**

It is clarified that PPP is pass through for all the DISCOs and its monthly references would continue to exist irrespective of the financial year, unless the new SOT is revised and notified by the GOP

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Annex-V

TERMS AND CONDITIONS OF TARIFF
(FOR SUPPLY OF ELECTRIC POWER TO CONSUMERS BY DISTRIBUTION LICENSEES)

PART-I

GENERAL DEFINITIONS

The Company, for the purposes of these terms and conditions means Faisalabad Electric Supply Company (FESCO) engaged in the business of distribution of electricity within the territory mentioned in the licence granted to it for this purpose.

1. "Month or Billing Period", unless otherwise defined for any particular tariff category, means a billing month of 30 days or less reckoned from the date of last meter reading.
2. "Minimum Charge", means a charge to recover the costs for providing customer service to consumers even if no energy is consumed during the month.
3. "Fixed Charge" means the part of sale rate in a two-part tariff to be recovered on the basis of "Billing Demand" in kilowatt on monthly basis.
4. "Billing Demand" means the highest of maximum demand recorded in a month except in the case of agriculture tariff D2 where "Billing Demand" shall mean the sanctioned load.
5. "Variable Charge" means the sale rate per kilowatt-hour (kWh) as a single rate or part of a two-part tariff applicable to the actual kWh consumed by the consumer during a billing period.
6. "Maximum Demand" where applicable , means the maximum of the demand obtained in any month measured over successive periods each of 30 minutes duration except in the case of consumption related to Arc Furnaces, where "Maximum Demand" shall mean the maximum of the demand obtained in any month measured over successive periods each of 15 minutes duration.
7. "Sanctioned Load" where applicable means the load in kilowatt as applied for by the consumer and allowed/authorized by the Company for usage by the consumer.
8. "Power Factor" means the ratio of kWh to KVAh recorded during the month or the ratio of kWh to the square root of sum of square of kWh and kVARh,.
9. Point of supply means metering point where electricity is delivered to the consumer.
10. Peak and Off Peak hours for the application of Time Of Use (TOU) Tariff shall be the following time periods in a day:

	* PEAK TIMING	OFF-PEAK TIMING
Dec to Feb (inclusive)	5 PM to 9 PM	Remaining 20 hours of the day
Mar to May (inclusive)	6 PM to 10 PM	-do-
June to Aug (inclusive)	7 PM to 11 PM	-do-
Sept to Nov (inclusive)	6 PM to 10 PM	-do-

* To be duly adjusted in case of day light time saving

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11. "Supply", means the supply for single-phase/three-phase appliances inclusive of both general and motive loads subject to the conditions that in case of connected or sanctioned load exceeding 4 kW supply shall be given at three-phase.

12. "Consumer" means a person of his successor-in-interest as defined under Section 2(iv) of the Regulation of Generation, Transmission and Distribution of Electric Power Act (XL of 1997).

13. "Charitable Institution" means an institution, which works for the general welfare of the public on no profit basis and is registered with the Federal or Provincial Government as such and has been issued tax exemption certificate by Federal Board of Revenue (FBR).

14. NTDC means the National Transmission and Dispatch Company.

15. CPPA means Central Power Purchasing Agency (CPPA).

16. The "Authority" means "The National Electric Power Regulatory Authority (NEPRA)" constituted under the Regulation of Generation, Transmission and Distribution of Electric Power Act (XL of 1997).

GENERAL CONDITIONS

1. "The Company shall render bills to the consumers on a monthly basis or less on the specific request of a consumer for payment by the due date.
2. The Company shall ensure that bills are delivered to consumers at least seven days before the due date. If any bill is not paid by the consumer in full within the due date, a Late Payment Charge of 10% (ten percent) shall be levied on the amount billed excluding Govt. tax and duties etc. In case bill is not served at least seven days before the due date then late payment charge will be levied after 7^{th} day from the date of delivery of bill.
3. The supply provided to the consumers shall not be available for resale.
4. In the case of two-part tariff average Power Factor of a consumer at the point of supply shall not be less than 90%. In the event of the said Power factor falling below 90%, the consumer shall pay a penalty of two percent increase in the fixed charges determined with reference to maximum demand during the month corresponding to one percent decrease in the power factor below 90%.

PART-II

(Definitions and Conditions for supply of power specific to each consumer category)

A-1 RESIDENTIAL AND GENERAL SERVICES

1. This Tariff is applicable for supply to;

    i) Residences,
    ii) Places of worship,
    iii) Approved religious and charitable institutions,
    iv) Government and Semi-Government Offices and institutions,
    v) Government Hospitals and Dispensaries,
    vi) Educational institutions.

2. Consumers having sanctioned load less than 5 kW shall be billed on single-part kWh rate i.e. A-1 (a) tariff.

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3. All new consumers having sanctioned load 5 kW and above shall be provided T.O.U metering arrangement and shall be billed on the basis of tariff A-l(b) as set out in the Schedule of Tariff.
4. All existing consumers having sanctioned load 5 kW and above shall be provided T.O.U metering arrangement and converted to A- 1(b) Tariff by the Company.

A-2 COMMERCIAL

1. This tariff is applicable for supply to commercial offices and commercial establishments such as:

    i) Shops,
    ii) Hotels and Restaurants,
    iii) Petrol Pumps and Service Stations,
    iv) Compressed Natural Gas filling stations,
    v) Private Hospitals/Clinics/Dispensaries,
    vi) Places of Entertainment, Cinemas, Theaters, Clubs;
    vii) Guest Houses/Rest Houses,
    viii) Office of Lawyers, Solicitors, Law Associates and Consultants etc.

2. Consumers under tariff A-2 having sanctioned load of less than 5 kW shall be billed under a Single-Part kWh rate A-2(a)
3. All existing consumers under tariff A-2 having sanctioned load 5 kW and above shall be billed on A-2(b) tariff till such time that they are provided T.O.U metering arrangement; thereafter such consumers shall be billed on T.O.U tariff A-2(c).
4. The existing and prospective consumers having load of 5 kW and above can opt for T.O.U metering arrangement and A-2(c) tariff.
5. All existing consumers under tariff A-2 shall be provided T.O.U metering arrangement by the Company-and converted to-A-2 (c) Tariff.
6. All new connections having load requirement 5 kW and above shall be provided T.O.U meters and shall be billed under tariff A-2(c).

B INDUSTRIAL SUPPLY

Definitions

1. "Industrial Supply" means the supply for bona fide industrial purposes in factories including the supply required for the offices and for normal working of the industry and also for water pumps and tube-wells operating on three phase 400 volts, other than those meant for the irrigation or reclamation of agricultural land.
2. For the purposes of application of this tariff an "Industry" means a bona fide undertaking or establishment engaged in manufacturing, value addition and/or processing of goods.
3. This Tariff shall also be available for consumers having single-metering arrangement such as;

    i) Poultry Farms
    ii) Fish Hatcheries and Breeding Farms and
    iii) Software houses

Conditions

An industrial consumer shall have the option, to switch over to seasonal Tariff-F, provided his connection is seasonal in nature as defined under Tariff-F, and he undertakes to abide by the terms and conditions of Tariff-F and pays the difference of security deposit rates previously deposited and those applicable to tariff-F at the time of acceptance of option for seasonal tariff. Seasonal tariff will be applicable from the date of commencement of the

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season, as specified by the customers at the time of submitting the option for Tariff-F. Tariff-F consumers will have the option to convert to corresponding Regular Industrial Tariff category and vice versa. This option can be exercised at the time of obtaining a new connection or at the beginning of the season. Once exercised, the option will remain in force for at least one year.

B -1 SUPPLY AT 400 VOLTS THREEPHASE AND/OR 230 VOLTS SINGLE PHASE

1. This tariff is applicable for supply to Industries having sanctioned load up to a 25 kW.
2. Consumers having sanctioned load less than 25 kW shall be billed on single-part kWh rate.

B-2 SUPPLY AT 400 VOLTS

1. This tariff is applicable for supply to Industries having sanctioned load of more than 25 kW up to and including 500 kW.
2. All existing consumers under tariff B-2 shall be provided T.O.U metering arrangement by the Company and converted to B-2(b) Tariff.
3. All new applicants i.e. prospective consumers applying for service to the Company shall be provided T.O.U metering arrangement and charged according to the applicable T.O.U tariff.

B-3 SUPPLY AT 11 kV AND 33 kV

1. This tariff is applicable for supply to Industries having sanctioned load of more than 500 kW up to and including 5000 kW and also for Industries having sanctioned load of 500 kW or below who opt for receiving supply at 11 kV or 33 kV.
2. If, for any reason, the meter reading date of a consumer is altered and the acceleration/retardation in the date is up to 4 days, no notice shall be taken of this acceleration or retardation. But if the date is accelerated or retarded by more than 4 days, the fixed charges shall be assessed on proportionate basis for the actual number of days between the date of the old reading and the new reading.
3. The supply under this Tariff shall not be available to a prospective consumer unless he provides, to the satisfaction and approval of the Company, his own Transformer, Circuit Breakers and other necessary equipment as part of the dedicated distribution system for receiving and controlling the supply, or, alternatively pays to the Company for all apparatus and equipment if so provided and installed by the Company. The recovery of the cost of service connection shall be regulated by the NEPRA eligibility criteria.
4. All B-3 Industrial Consumers shall be billed on the basis of T.O.U tariff given in the Schedule of Tariff.

B-4 SUPPLY AT 66 kV, 132 kV AND ABOVE

1. This tariff is applicable for supply to Industries for all loads of more than 5000 kW receiving supply at 66 kV, 132 kV and above and also for Industries having load of 5000 kW or below who opt to receive supply at 66 kV or 132 kV and above.
2. If, for any reason, the meter reading date of a consumer is altered and the acceleration/retardation in the date is up to 4 days, no notice shall be taken of this acceleration or retardation. But if the date is accelerated or retarded by more than 4 days, the fixed charges shall be assessed on proportionate basis for the actual number of days between the date of the old reading and the new reading.
3. If the Grid Station required for provision of supply falls within the purview of the dedicated system under the NEPRA Eligibility Criteria, the supply under this Tariff shall not be available to such a prospective consumer unless he provides, to the satisfaction and approval of the Company, an independent grid station of his own including Land, Building, Transformers, Circuit Breakers and other necessary equipment and apparatus as part of the

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dedicated distribution system for receiving and controlling the supply, or, alternatively, pays to the Company for all such Land, Building, Transformers, Circuit Breakers and other necessary equipment and apparatus if so provided and installed by the Company. The recovery of cost of service connection shall be regulated by NEPRA Eligibility Criteria.

4. All B-4 Industrial Consumers shall be billed on the basis of two-part T.O.U tariff.

C SINGLE POINT (SINGLE-METERING) SUPPLY

"Single-Point Supply" for the purpose of this Tariff, means the supply given at one point:

i) To a licensee converted from a bulk supply status (who was procuring power from FESCO as a consumer prior to grant of license to FESCO) for the purpose of further distribution within its respective exclusive territory and jurisdiction.
ii) To a mix-load consumer not reselling to any other consumer such as residential, commercial, tube-well and others.

General Conditions

If, for any reason, the meter reading date of a consumer is altered and the acceleration/retardation in the date is up to 4 days no notice will be taken of this acceleration or retardation. But if the date is accelerated or retarded by more than 4 days the fixed charges shall be assessed on proportionate basis for actual number of days between the date of old reading and the new reading.

C-I SUPPLY AT 400/230 VOLTS

1. This Tariff is applicable to a consumer having mix-load at a single metering arrangement at 400 volts, having sanctioned load of up to and including 500 kW.
2. Consumers having sanctioned load less than 5 kW shall be billed on single-part kWh rate i.e. C-I(a) tariff'.
3. All new consumers having sanctioned load 5 kW and above shall be provided T.O.U metering arrangement and shall be billed on the basis of Time-of-Use (T.O.U) tariff C-1(c) given in the Schedule of Tariff.
4. All the existing consumers governed by this tariff having sanctioned load 5 kW and above shall be provided T.O.U metering arrangements.

C-2 SUPPLY AT 11 kV AND 33 kV

1. This tariff is applicable to consumers receiving supply at 11 kV or 33 kV at one-point metering arrangement and having sanctioned load of up to and including 5000 kW.
2. The supply under this Tariff shall not be available to a prospective consumer unless he provides, to the satisfaction and approval of the Company, his own Transformer, Circuit Breakers and other necessary equipment as part of the dedicated distribution system for receiving and controlling the supply, or, alternatively pays to the Company for all apparatus and equipment if so provided and installed by the Company. The recovery of the cost of service connection shall be regulated by the NEPRA eligibility criteria.
3. All new consumers shall be provided TOU metering arrangement and shall be billed on the basis of tariff C-2(b) as set out in the Schedule of Tariff.
4. Existing consumers governed by this tariff shall be provided with T.O.U metering arrangement and converted to C-2(b) .

C-3 SUPPLY AT 66 kV AND ABOVE

1. This tariff is applicable to consumers having sanctioned load of more than 5000 kW receiving supply at 66 kV and above.
2. If the Grid Station required for provision of supply falls within the purview of the dedicated system under the NEPRA Eligibility Criteria, the supply under this Tariff shall not be available to such a prospective consumer unless he provides, to the satisfaction and approval

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of the Company, an independent grid station of his own including Land, Building, Transformers, Circuit Breakers and other necessary equipment and apparatus as part of the dedicated distribution system for receiving and controlling the supply, or, alternatively, pays to the Company for all such Land, Building, Transformers, Circuit Breakers and other necessary equipment and apparatus if so provided and installed by the Company. The recovery of cost of service connection shall be regulated by NEPRA Eligibility Criteria.

3. Existing consumers governed by this tariff shall be provided with T.O.U metering arrangement and converted to C-3(b).
4. All new consumers shall be provided TOU metering arrangement and shall be billed on the basis of tariff C-3(b) as set out in the Schedule of Tariff.

D AGRICULTURAL SUPPLY

"Agricultural Supply" means the supply for Lift Irrigation Pumps and/or pumps installed on Tube-wells intended solely for irrigation or reclamation of agricultural land or forests, and include supply for lighting of the tube-well chamber.

Special Conditions of Supply

1. This tariff shall apply to:

   i) Reclamation and Drainage Operation under Salinity Control and Reclamation Projects (SCARP):
   ii) Bona fide forests, agricultural tube-wells and lift irrigation pumps for the irrigation of agricultural land.
   iii) Tube-wells meant for aqua-culture, viz. fish farms, fish hatcheries and fish nurseries.
   iv) Tube-wells installed in a dairy farm meant for cultivating crops as fodder and for upkeep of cattle.

2. If, for any reason, the meter reading date of a consumer is altered and the acceleration/retardation in the date is up to 4 days, no notice shall be taken of this acceleration or retardation. But if the date is accelerated or retarded by more than 4 days, the fixed charges shall be assessed on proportionate basis for the actual number of days between the date of the old reading and the new reading.

3. The lamps and fans consumption in the residential quarters, if any, attached to the tube-wells shall be charged entirely under Tariff A-1 for which separate metering arrangements should be installed.

4. The supply under this Tariff shall not be available to consumer using pumps for the irrigation of parks, meadows, gardens, orchards, attached to and forming part of the residential, commercial or industrial premises in which case the corresponding Tariff A-1, A-2 or Industrial Tariff B-1, B-2 shall be respectively applicable.

D-1 (a)

1. This tariff is applicable to all Reclamation and Drainage Operation pumping under SCARP related installation having sanctioned load of less than 5 kW.

2. Consumers having sanctioned load less than 5 kW shall be billed on single-part kWh rate i.e. D-1(a) tariff given in the Schedule of Tariff.

D-1 (b)

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1. This tariff is applicable to all Reclamation and Drainage Operation pumping under SCARP related installation and other consumers falling under Agriculture Supply having sanctioned load of 5 kW and above.
2. All new consumers having sanctioned load 5 kW and above shall be provided TOU metering arrangement and shall be charged on the basis of Time-of- Use (T.O.U) tariff D- 1(b) given in the Schedule of Tariff.
3. All the existing consumers having sanctioned load 5 kW and above shall be provided T.O.U metering arrangements and shall be governed by D-1(a) for SCARP and D2 for Agricultural Supply, till that time.

D-2

1. This tariff is applicable to consumers falling under Agriculture Supply having sanctioned load less than 5 kW excluding SCARP related installations.

E -1 TEMPORARY RESIDENTIAL/COMMERCIAL SUPPLY

Temporary Residential/Commercial Supply means a supply given to persons temporarily on special occasions such as ceremonial, religious gatherings, festivals, fairs, marriages and other civil or military functions. This also includes supply to touring cinemas and persons engaged in construction works for all kinds of single phase loads. For connected load exceeding 4 kW, supply may be given at 400 volts (3 phase) to allow a balanced distribution of load on the 3 phases. Normally, temporary connections shall be allowed for a period of 3 months which can be extended on three months basis subject to clearance of outstanding dues.

Special Conditions of Supply

1. This tariff shall apply to Residential and Commercial consumers for temporary supply.
2. Ordinarily the supply under this Tariff shall not be given by the Company without first obtaining security equal to the anticipated supply charges and other miscellaneous charges for the period of temporary supply.

E -2 TEMPORARY INDUSTRIAL SUPPLY

"Temporary Industrial Supply" means the supply given to an Industry for the bona fide purposes mentioned under the respective definitions of "Industrial Supply", during the construction phase prior to the commercial operation of the Industrial concern.

SPECIAL CONDITIONS OF SUPPLY

1. Ordinarily the supply under this Tariff shall not be given by the Company without first obtaining security equal to the anticipated supply charges and other miscellaneous charges for the period of temporary supply.
2. Normally, temporary connections shall be allowed for a period of 3 months, which may be extended on three months basis subject to clearance of outstanding dues.

F SEASONAL INDUSTRIAL SUPPLY

"Seasonal Industry" for the purpose of application of this Tariff, means an industry which works only for part of the year to meet demand for goods or services arising during a particular season of the year. However, any seasonal industry running in combination with one or more seasonal industries, against one connection, in a manner that the former works in one season while the latter works in the other season (thus running throughout the year) will not be classified as a seasonal industry for the purpose of the application of this Tariff.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA AUTHORITY

Definitions

1. "Year" means any period comprising twelve consecutive months.
2. All "Definitions" and "Special Conditions of Supply" as laid down under the corresponding Industrial Tariffs shall also form part of this Tariff so far as they may be relevant.

Special Conditions of Supply

1. This tariff is applicable to seasonal industry.
2. Fixed Charges per kilowatt per month under this tariff shall be levied at the rate of 125% of the corresponding regular Industrial Supply Tariff Rates and shall be recovered only for the period that the seasonal industry actually runs subject to minimum period of six consecutive months during any twelve consecutive months. The condition for recovery of Fixed Charges for a minimum period of six months shall not, however, apply to the seasonal industries, which are connected to the Company's Supply System for the first time during the course of a season.
3. The consumers falling within the purview of this Tariff shall have the option to change over to the corresponding industrial Supply Tariff, provided they undertake to abide by all the conditions and restrictions, which may, from time to time, be prescribed as an integral part of those Tariffs. The consumers under this Tariff will have the option to convert to Regular Tariff and vice versa. This option can be exercised at the time of obtaining a new connection or at the beginning of the season. Once exercised, the option will remain in force for at least one year.
4. All seasonal loads shall be disconnected from the Company's Supply System at the end of the season, specified by the consumer at the time of getting connection, for which the supply is given. In case, however, a consumer requires running the non-seasonal part of his load (e.g., lights, fans, tube-wells, etc.) throughout the year, he shall have to bring out separate circuits for such load so as to enable installation of separate meters for each type of load and charging the same at the relevant Tariff.
5. Where a "Seasonal Supply" consumer does not come forward to have his seasonal industry re-connected with the Company's Supply System in any ensuing season, the service line and equipment belonging to the Company and installed at his premises shall be removed after expiry of 60 days of the date of commencement of season previously specified by the consumer at the time of his obtaining new connection/re-connection. However, at least ten clear days notice in writing under registered post shall be necessary to be given to the consumer before removal of service line and equipment from his premises as aforesaid, to enable him to decide about the retention of connection or otherwise. No Supply Charges shall be recovered from a disconnected seasonal consumer for any season during which he does not come forward to have his seasonal industry re-connected with the Company's Supply System.

G PUBLIC LIGHTING SUPPLY

"Public Lighting Supply" means the supply for the purpose of illuminating public lamps.

Definitions

"Month" means a calendar month or a part thereof in excess of 15 days.

Special Conditions of Supply

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA AUTHORITY

The supply under this Tariff shall be used exclusively for public lighting installed on roads or premises used by General Public.

H RESIDENTIAL COLONIES ATTACHED TO INDUSTRIES

This tariff is applicable for one-point supply to residential colonies attached to the industrial supply consumers having their own distribution facilities.

Definitions

"One Point Supply" for the purpose of this Tariff, means the supply given by one point to Industrial Supply Consumers for general and domestic consumption in the residential colonies attached to their factory premises for a load of 5 Kilowatts and above. The purpose is further distribution to various persons residing in the attached residential colonies and also for perimeter lighting in the attached residential colonies.

"General and Domestic Consumption", for the purpose of this Tariff, means consumption for lamps, fans, domestic applications, including heated, cookers, radiators, air-conditioners, refrigerators and domestic tube-wells.

"Residential Colony" attached to the Industrial Supply Consumer, means a group of houses annexed with the factory premises constructed solely for residential purpose of the bona fide employees of the factory, the establishment or the factory owners or partners, etc.

Special Conditions of Supply

The supply under this Tariff shall not be available to persons who meet a part of their requirements from a separate source of supply at their premises.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
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Annex-VI

Summary of Directions for FESCO

The summary of all the directions passed in this determination are reproduced hereunder;

- To explain the reasons of varying reported numbers of installed TOU meters, not later than 31st March, 2015.
- To print bills with the snap shots of meter readings (both previous and current) not later than 30th April, 2015.
- To submit its investment requirements for the implementation of Hand Handled Units (HHU) along with its completion timelines with its next tariff petition.
- The Authority had directed DISCOs vide Registrar's letter dated 21.12.2012 to submit their plans regarding introduction and expansion of Automatic Meter Reading System (AMR). DISCOs were also required to submit progress reports on NEPRA's directions. Subsequently vide letter No. NEPRA/R/L/LAD-21/9016-26 Dated 7th August 2014, the Authority also directed DISCOs to install AMR and Automatic Metering Infrastructure (AMI) at all of their Common Delivery Points (CDPs). It is noted that except for initiating certain pilot projects, DISCOs have not been able to show serious efforts on the installation of AMR and AMI systems.
  - The Authority considers that one of the key reasons for high transmission and distribution losses in DISCOs is absence of any mechanism for tracking of electricity flow from the points of their electricity purchases (CDP) down to the final consumer. A reliable metering and recording system at every voltage level starting with the 132 kV grid, at the 11 kV and to 400 and 230 volts is therefore critical for not only elimination of theft, unaccounted for electricity and diagnosing technical problems, such systems would also enable NEPRA in analyzing DISCOs' genuine investment requirements. Consequently reduction in losses would help save billion of rupees annually and support GOP's efforts in eliminating circular debt. Reportedly the results through the model projects have been quite encouraging and noticeable reductions in the losses have been observed.
  - The Authority therefore directs all DISCOs as follows:
    - To install AMR and AMI at all of their CDPs by December 31, 2015.
    - To install AMR and AMI on the receiving end of at least 30% of their 11 kV feeders (as existing on 30 June 2014) by 31st December 2015 and remaining 70% till June, 2016.
    - To initiate and install AMR/AMI at the consumer level in at least 10 of their high loss making subdivisions by 31st December, 2015 and remaining 70% by 30th June 2016.

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- To provide break-up of receivables with aging and nature of receivables and a concrete plan of their recovery not later than 31st March, 2015.
- To monetize all the incremental costs which cause them additional losses and incorporate these as a part of project cost while calculating the IRR or NPVs for any village electrification project, in future.
- To get its strength yard stick approved by the Authority based on proper justifications and its quantified benefits
- To share the details of late payment charges recovered from consumers and any invoice raised by CPPA under the head of mark up on delayed payments for the FY 2014-15. The information must be submitted before the next tariff petition is filed
- The Petitioner is directed to give comments on the proposal of lifeline consumers before the next year's tariff petition. and also to share the financial impact of revision of criteria of lifeline consumers on its revenue.
- To explain the amount of Rs. 15,279 million .
- To complete installations of TOU metering .
- To complete study of its Transmission and Distribution losses on 132 KV , 11KV and below .
- To submit the details of investment expense undertaken in the FY 2013-14.
- To transfer amount in the post retirement benefit fund and claim the amount so transferred from the Authority in the next year's tariff determination by submission of evidence of transfer of amount.
- To submit a recruitment plan for the requested hiring of staff containing cost/benefit analysis based on best practices.
- To submit the certificate of replacement hiring before the finalization of the tariff determination pertaining to the FY 2015-16
- To send quarterly report of progress made on creation of new circles w.e.f., 31st March, 2015.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
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Annex – VII

List of Interested / Affected Parties to send the Notices of Hearing in the matter of Petition filed by Faisalabad Electric Supply Co. Ltd. (FESCO) for the determination of its Consumer-End Tariff Pertaining to the FY 2014-15

*****

A. Secretaries of various Ministries

1. Secretary
Cabinet Division
Cabinet Secretariat
Islamabad

2. Secretary
Ministry of Industries & Production
'A' Block, Pak Secretariat
Islamabad

3. Secretary
Ministry of Water & Power
'A' Block, Pak Secretariat
Islamabad

4. Secretary
Ministry of Finance
'Q' Block, Pak Secretariat
Islamabad

5. Secretary
Ministry of Commerce
A-Block, Pak Secretariat
Islamabad

6. Secretary
Privatization Commission
EAC Building
Islamabad

7. Secretary
Planning and Development Division
'P' Block, Pak Secretariat
Islamabad

8. Secretary
Ministry of Petroleum & Natural Resources
'A' Block, Pak Secretariat
Islamabad

9. Secretary
Irrigation & Power Department
Govt. of Punjab
Near Old Anarkali,
Lahore

10. Director General
National Tariff Commission
Ministry of Commerce
State Life Building No. 5,
Blue Area Islamabad

B. Chambers of Commerce and Industry & General Public

1. President
The Federation of Pakistan
Chamber of Commerce and Industry
Federation House, Main Clifton
Karachi – 5675600

2. Chief Capital Office
The Federation of Pakistan
Islamabad Chamber of Commerce & Industry
Aiwan-e-Sanat-o-Tijarat Road,
Sector G-8/1, Islamabad.

3. President
Lahore Chamber of Commerce & Industry
11, Shahrah-e-Awan-e-Tijarat
Lahore

4. M/s SHEHRI
206-G, Block – 2, P.E.C.H.S
Karachi – 75400

5. Chairman
All Pakistan Textile Mills Association (APTMA)
APTMA House, 44-A, Lalazar P.O. Box 5446
Moulvi Tamizuddin Khan Road
Karachi

6. Secretary
All Pakistan Textile Mills Association (APTMA)
97-A, Aziz Avenue,
Canal Bank Off Gulberg Road,
Lahore

7. Textile Working Group
30/7, Behind State Bank, Civil Lines,
Faisalabad.

8. Textile Working Group
97-A, Aziz Avenue, Canal Bank off Gulberg Road,
Lahore

9. Chairman
Pakistan Cotton Ginners Association, Karachi
1119-1120, 11th Floor, Uni Plaza,
I.I. Chundrigar Road, Karachi.

10. Secretary General
Pakistan Cotton Ginners Association
PCGA House, MDA Road, Multan

11. Secretary
All Pakistan Textile Processing Mills Association (APTPMA)
213 Main Susan Road, 1st Floor, Ibrahim Plaza
Madina Town, Faisalabad

12. All Pakistan CNG Association
Suite No. 6, 2nd Floor, Al-Mustafa Centre
Near Chandni Chowk, Rawalpindi

13. The Network of Consumer Protection
Flat No.5, 40-A, Ramzan Plaza
G-9 Markaz, Islamabad

14. Kissan Ittehad Mianwali
Khushab

15. Mr. Anwar Kamal
Anwar Kamal Law Associates
1-Turner Road, Lahore Law Associates

16. PTCL
Corporate Head Quarter
Block-E, G-8/4 Islamabad

17. Chief Executive Officer
Mobilink, Mobilink House 1-A, Kohistan Road
F-8, Markaz, Islamabad

18. Chief Executive Officer
Ufone (Emirates Telecommunication Corporation Group),
13-G, F-7 Markaz, Jinnah Supper, Islamabad

19. Chief Executive Officer
Telenor Pakistan (Pvt) Ltd
13.-K, Moaiz Centre Bhittai Roadm
F-7 Markaz, Islamabad

20. Chief Executive Officer
Zong, CM Pak Limited, Kohistan Road
F-8, Markaz, Islamabad

21. Chief Executive Officer
Warid Telecom (Pvt) Ltd
P.O. Box 3321, Lahore

22. Chairman
Pakistan Telecommunication Authority (PTA)
PTA Headquarter Building, F-5/1, Islamabad

23. Chief Executive Officer
Flying Cement Company Ltd
Faisalabad Akbarabad Chowk, Opposite GOR II
Jail Road, Faisalabad

C. Heads of Various Organizations

1. Member Power
WAPDA, 738 – WAPDA House
Shahra-e-Quaid-e-Azam, Lahore

2. Chief Executive
Pakistan Electric Power Company (PEPCO)
721-WAPDA House, Shahrah-e-Quaid-e-Azam
Lahore

3. Chief Operating Officer
CPPA
Room 107 WAPDA House
Shaharah-e-Qauid-e-Azam, LAHORE

4. Managing Registrar
Private Power and Infrastructure Board (PPIB)
House No. 50, Sector F-7/4, Nazimuddin Road
Islamabad

5. President
Institute of Electrical & Electronics Engineers of Pakistan (IEEEP)
4 – Lawrence Road, Lahore

6. President
The Institute of Engineers Pakistan
IEP Roundabout Engineering Centre
Gulberg – III, Lahroe – 54660

7. Chairman
Pakistan Engineering Council
Attaturk Avenue (East), G-5/2
Islamabad

D. Petitioner

1. Chief Executive Officer
Faisalabad Electric Supply Co. Ltd. (FESCO)
Abdullahpur, Canal Bank Road
Faisalabad

National Electric Power Regulatory Authority (NEPRA)

NOTICE OF ADMISSION / HEARING

PETITION FILED BY FAISALABAD ELECTRIC SUPPLY COMPANY LIMITED (FESCO) FOR DETERMINATION OF ITS CONSUMER-END TARIFF PERTAINING TO THE FY 2014-15 BASED ON THE ACTUAL RESULTS OF THE FY 2013-14 AS TEST YEAR

All stakeholders, interested/affected persons and the general public are notified that Faisalabad Electric Supply Company Limited (FESCO) has filed a petition with the National Electric Power Regulatory Authority (NEPRA) for determination of its consumer-end tariff pertaining to the FY 2014-15 based on actual results of the FY 2013-14 as test year.

SALIENT FEATURES OF THE PETITION

1. The petitioner has prayed for the determination of its consumer-end tariff pertaining to the Financial Year 2014-15, approval of Distribution Margin @ 1.965/kWh, investment for Rs.9,673 million, line losses @ 11% and average sales rate/tariff at Rs.15.394 /kWh with the following category-wise tariff:-
2. It is also clarified that the Notice of the petition filed by FESCO pertaining to the Financial Year 2014-15 may not be construed as the approval of tariff by NEPRA.

Description	Requested Tariff for the FY 2014-15		NEPRA Determined Tariff Pertaining to the FY 2013-14	
	Fixed Charges Rs./kW/M	Var. Charges Rs./KWh	Fixed Charges Rs./kW/M	Var. Charges Rs./KWh
Residential -A1				
For Peak Load Requirement less than 5 kW				
Up to 50 Units		4.00		4.00
1-100 Units		13.56		11.09
101-300 Units		16.72		14.00
301-700 Units		18.88		15.00
Above 700 Units		21.04		17.50
For Peak Load Requirement 5 kW				
Time of Day (TOU) - Peak		21.04		17.50
Time of Day (TOU) -Off-Peak		13.92		11.50
Total Residential				
Commercial - A2				
For peak load requirement up to 5kW		21.04		17.50
For Peak load requirement 5 kW & above				
Regular	400	17.28	400	15.00
Time of Day (TOU) -Peak	400	21.04		17.50
Time of Day (TOU) - Off-Peak	400	13.92	400	11.50
Total Commercial				
Industrial				
B1 upto 25 kW (400/230 volts)	-	16.72	-	14.50
B1(b) upto 25 kW (Peak)	-	21.04	-	17.50
B1(b) upto 25 kW (Off-Peak)	-	13.92	-	11.50
B2(a) exceeding 25-500KW (400 volts)	400	16.18	400	14.00
B2(b) - TOU (Peak) (400 volts)	400	21.04	-	17.50
B2(b) - TOU (Off-Peak) (400 volts)	400	13.70	400	11.30
B3 - TOU (Peak) all loads upto 5000KW (11/33 Kv)	380	21.04	-	17.50
B3 - TOU (Off-Peak) all loads upto 5000KW (11/33 Kv)	380	13.59	380	11.20
B4 - TOU (Peak) all loads 66/132 kv and above	380	21.04	-	17.50
B4 - TOU (Off-Peak) all loads 66/132 kv and above	380	13.49	360	11.10

Total Industrial				
Single Point Supply for further distribution				
C-1(a) For supply at 400/230 Volts - less than 5KW	-	16.18	-	15.00
C-1(b) 400/230 Volts - 5 KW and up to 500 kW	400	15.64	400	14.50
Time of Day (TOU) - C-1(c)Peak	400	21.04	-	17.50
Time of Day (TOU) - C-1(c)Off-Peak	400	13.92	400	11.50
C-2(a) Supply at 11KV	380	15.54	380	14.30
Time of Day (TOU) - C-2(b) Peak	380	21.04	-	17.50
Time of Day (TOU) - C-2(b) Off-Peak	380	13.81	380	11.30
C-3(a) Supply above 11 KV	380	15.43	380	14.20
Time of Day (TOU) - C-3(b) Peak	380	21.04		17.50
Time of Day (TOU) - C-3(b) Off-Peak	380	13.70	380	11.20
Total Single Point Supply for further distribution				
Agricultural Tube-wells - Tariff D				
Scarp	-	16.72	-	14.50
Agricultural Tube Well Tariff	200	16.18	200	14.00
Time of Use peak D-1B	200	21.04	-	17.50
Time of Use off peak D-1B	200	13.70	200	11.20
Total Agricultural Tubewell				
Public Lighting - Tariff -G	-	16.18	-	15.00
Housing Colonies Attached to Industrial - H	-	17.28	-	15.00

3. In terms of rules 6 of NEPRA (Tariff Standards & Procedures) Rules, 1998, any interested person who desires to participate in the proceedings may file an intervention request within seven days from the date of publication of this notice. Such intervention request shall state the name and address of the person filing the same, objections and the manner in which such person is or is likely to be substantially and specifically affected by any determination in the proceedings. The intervention request may also contain the contentions of the person making the same, the relief sought and the evidence, if any, in support of the case. In the intervention request, the intervener may specifically admit, deny or explain the facts stated in the petition and may also state additional facts which are relevant and necessary for reaching a just and informed decision in the proceedings. The intervention request shall be signed verified and supported by means of an affidavit in the same manner as in the case of the petition. The intervener shall also serve a copy of the intervention request duly attested as true copy on the petitioner or his authorized representative and the petitioner may file a rejoinder to the intervention request which shall be filed within 7 days of receipt of copy of intervention request.
4. Any person may also file the comments in the matter within 7 days of the publication and the Authority, if deemed fit, may permit participation of such person into the proceedings and also may consider those comments in the final determination.
5. All stakeholders and interested / affected persons are also informed that in order to arrive at a just and informed decision, the Authority has also decided to hold a hearing in the subject matter according to the date, time and venue as mentioned below:

Date: **22nd August, 2014 (Friday)**
Time: **10:30 a.m.**
Venue **Serena Hotel, Faisalabad**

All communications should be addressed to:

Registrar NEPRA
NEPRA Tower Attaturk Avenue (East), Sector G-5/1, Islamabad.
Tele: 051-2013200; Fax 051-9210215
E-mail: office@nepra.org.pk

PID(I) No. 872/2014

For further information and to download the petition please visit www.nepra.org.pk

Total Industrial				
Single Point Supply for further distribution				
C-1(a) For supply at 400/230 Volts - less than 5KW	-	16 18	-	15.00
C-1(b) 400/230 Volts - 5 KW and up to 500 kW	400	15 84	400	14 50
Time of Day (TOU) - C-1(c)Peak	400	21 04	-	17.50
Time of Day (TOU) - C-1(c)Off-Peak	400	13.82	400	11.60
C-2(a) Supply at 11KV	380	15.64	380	14.30
Time of Day (TOU) - C-2(b) Peak	380	21.04	-	17.50
Time of Day (TOU) - C-2(b) Off-Peak	380	13.81	380	11.30
C-3(a) Supply above 11 KV	380	15 43	360	14.20
Time of Day (TOU) - C-3(b) Peak	380	21.04		17.60
Time of Day (TOU) - C-3(b) Off-Peak	380	13 70	380	11.20
Total Single Point Supply for further distribution				
Agricultural Tube-wells - Tariff D				
Scarp	-	18 72	-	14.50
Agricultural Tube Well Tariff	200	16 18	200	14.00
Time of Use peak D-1B	200	21.04	-	17.60
Time of Use off peak D-1B	200	13.70	200	11.20
Total Agricultural Tubewell				
Public Lighting - Tariff –G	-	18 18	-	15 00
Housing Colonies Attached to Industrial - H	-	17.26	-	15.00

3۔ نیپرا کے (ٹیرف سٹینڈرڈز اینڈ پروسیجر) رولز 1998 کے رول 6 کے تحت دلچسپی کا حامل کوئی بھی فرد جو کارروائی میں شرکت کا خواہشمند ہو نوٹس ہذا کی اشاعت کے 7 روز کے اندر ایک دخل اندازی کی درخواست (intervention request) داخل کر سکتا ہے۔ دخل اندازی کی ایسی درخواست فرد کے نام اور فائل کرنے والے کے پتہ، اعتراضات اور طریقہ کار پر مشتمل ہوگی جس میں فرد درحقیقت یا بالخصوص کسی بھی طرح کارروائی کے فیصلے سے متاثر ہو یا اس کے متاثر ہونے کا اندیشہ ہو۔ کیس کی معاونت کیلئے دخل اندازی کی درخواست اسے داخل کرنے والے فرد کے دلائل، مطلوبہ مدد relief اور ثبوت، اگر ہو تو، پر بھی مبنی ہو سکتی ہے۔ دخل اندازی کی درخواست میں دخل انداز (intervener) درخواست میں درج حقائق کو بالخصوص تسلیم، انکار یا ان کی وجہ بیان کر سکتا ہے اور اضافی حقائق بھی پیش کر سکتا ہے جو کارروائی سے متعلق درست اور باخبر (Informed) فیصلہ کرنے کیلئے متعلقہ اور ضروری ہوں۔ دخل اندازی کی درخواست دستخط، تصدیق شدہ اور اسی حوالے سے ایک بیان حلفی کے ساتھ اسی طرح ہوگی جیسا کہ درخواست میں درج ہے۔ دخل انداز (intervener) بھی دخل اندازی کی درخواست کی ایک تصدیق شدہ نقل جمع کرائے گا جسے درخواست گزار یا اس کے مجاز نمائندے کی جانب سے اصل تصور کیا جائے گا اور درخواست گزار دخل اندازی کی درخواست کے عوض جواب الجواب (rejoinder) دخل اندازی کی درخواست وصول ہونے کے 7 روز کے اندر جمع کروا سکتے ہیں۔

4۔ اس حوالے سے کوئی بھی فرد اشاعت کے 7 دن کے اندر تبصرہ داخل کر سکتا ہے اور اتھارٹی، اگر موزوں ہو، ایسے فرد کو کارروائی میں شرکت کی اجازت دے سکتی ہے اور ان کے حتمی تعین کیلئے ان تبصروں کو زیر غور لا سکتی ہے۔

5۔ علاوہ ازیں تمام اہم مفاد کاران اور خواہشمند/متاثرہ افراد کو مطلع کیا جاتا ہے کہ انصاف اور آگہی پر مبنی فیصلہ تک پہنچنے کے لیے اتھارٹی نے درج ذیل تاریخ، وقت اور مقام کے مطابق زیر عنوان معاملہ کی سماعت کا بھی فیصلہ کیا ہے۔

تاریخ: ---------- 22 اگست 2014 (بروز جمعہ)

وقت: ---------- صبح 10:30

مقام: ---------- سرینا ہوٹل، فیصل آباد

تمام خط و کتابت بنام مندرجہ ذیل کی جائے:

رجسٹرار نیپرا

نیپرا ٹاور، عطا ترک ایونیو (ایسٹ)، سیکٹر G-5/1، اسلام آباد

فون: 051-2013 200، فیکس: 051-921 0215

ای میل office@nepra.org.pk

مزید معلومات اور پٹیشن کی کاپی ڈاؤن لوڈ کرنے کے لیے www.nepra.org.pk ملاحظہ کیجئے۔

PID(I)No.572/2014

نیشنل الیکٹرک پاور ریگولیٹری اتھارٹی (نیپرا)

نوٹس پذیرائی/ سماعت

مالی سال 2013-14 بطور آزمائشی سال کے اصل نتائج کی بنیاد پر کنزیومر اینڈ ٹیرف برائے مالی سال 2014-15 کا تعین کرنے کیلئے فیصل آباد الیکٹرک سپلائی کمپنی (فیسکو) کی جانب سے دائر کردہ درخواست

تمام سٹیک ہولڈرز، دلچسپی کے حامل، متاثرہ افراد اور عوام کو مطلع کیا جاتا ہے کہ فیصل آباد الیکٹرک سپلائی کمپنی (فیسکو) نے مالی سال 2013-14 بطور آزمائشی سال کے اصل نتائج کی بنیاد پر کنزیومر اینڈ ٹیرف برائے مالی سال 2014-15 کا تعین کرنے کیلئے نیشنل الیکٹرک پاور ریگولیٹری اتھارٹی (نیپرا) میں ایک درخواست دائر کی ہے۔

درخواست کے اہم نکات

1۔ درخواست گزار نے کنزیومر اینڈ ٹیرف برائے مالی سال 2014-2015 درج ذیل ٹیرف کیٹگری کے لحاظ سے 1.965/kWh کے ڈسٹری بیوشن مارجن، 9,673 ملین روپے کی سرمایہ کاری، 11% لائن لاسز اور 15.394/kWh روپے کے اوسط سیلز ریٹ ٹیرف کی منظوری کی استدعا کی ہے۔

2۔ یہ بھی واضح کیا گیا ہے کہ فیصل آباد الیکٹرک سپلائی کمپنی (فیسکو) کی دائر کردہ درخواست برائے کنزیومر اینڈ ٹیرف کا تعین برائے مالی سال 2014-15 کو نیپرا کی جانب سے منظوری تصور نہ کیا جائے۔

Description	Requested Tariff for the FY 2014-15		NEPRA Determined Tariff Pertaining to the FY 2013-14	
	Fixed Charges Rs./kW/M	Var. Charges Rs./KWh	Fixed Charges Rs./kW/M	Var. Charges Rs./KWh
Residential -A1				
For Peak Load Requirement less than 5 kW				
Up to 50 Units		4.00		4.00
1-100 Units		13.56		11.09
101-300 Units		16.72		14.00
301-700 Units		18.66		15.00
Above 700 Units		21.04		17.50
For Peak Load Requirement 5 kW				
Time of Day (TOU) - Peak		21.04		17.50
Time of Day (TOU) -Off-Peak		13.92		11.50
Total Residential				
Commercial - A2				
For peak load requirement up to 5kW		21.04		17.50
For Peak load requirement 5 kW & above				
Regular	400	17.26	400	15.00
Time of Day (TOU) -Peak	400	21.04		17.50
Time of Day (TOU) - Off-Peak	400	13.92	400	11.50
Total Commercial				
Industrial				
B1 upto 25 kW (400/230 volts)	-	16.72	-	14.50
B1(b) upto 25 kW (Peak)	-	21.04	-	17.50
B1(b) upto 25 kW (Off-Peak)	-	13.92	-	11.50
B2(a) exceeding 25-500KW (400 volts)	400	18.18	400	14.00
B2(b) - TOU (Peak) (400 volts)	400	21.04	-	17.50
B2(b) - TOU (Off-Peak) (400 volts)	400	13.70	400	11.30
B3 - TOU (Peak) all loads upto 5000KW (11/33 Kv)	380	21.04	-	17.50
B3 - TOU (Off-Peak) all loads upto 5000KW (11/33 Kv)	380	13.58	380	11.20
B4 - TOU (Peak) all loads 66/132 kv and above	360	21.04	-	17.50
B4 - TOU (Off-Peak) all loads 66/132 kv and above	360	13.49	360	11.10