National Electric Power Regulatory Authority
Islamic Republic of Pakistan

Registrar

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No. NEPRA/TRF-329/FESCO-2015/18462-18464
December 31, 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 Financial Year 2015-2016 [Case # NEPRA/TRF-329/FESCO-2015]**

Dear Sir,

Please find enclosed herewith the subject Determination of the Authority along with Annexure-I, II, III, IV, V, VI, VII, VIII & IX (151 pages) in Case No. NEPRA/TRF-329/FESCO-2015.

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. The Order part along with Annexure-I, II, III, IV, V, VI, VII, VIII & IX of the Determination needs to be notified in the official Gazette.

Enclosure: As above

(Syed Safeer Hussain) 31.12.15

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-329/FESCO-2015

TARIFF DETERMINATION

FOR

FAISALABAD ELECTRIC SUPPLY COMPANY (FESCO)

DETERMINED UNDER

NEPRA TARIFF (STANDARDS AND PROCEDURE) RULES - 1998

Islamabad

31st December, 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
MYT	Multi Year Tariff
CPPA (G)-G	Central Power Purchasing Agency Guarantee Limited
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
GFA	Gross Fixed Asset

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA AUTHORITY

DETERMINATION OF THE AUTHORITY IN THE MATTER OF PETITION FILED BY FAISALABAD ELECTRIC SUPPLY COMPANY (FESCO) FOR THE DETERMINATION OF ITS MULTI-YEAR CONSUMER-END TARIFF PERTAINING TO THE FINANCIAL YEARS 2015-16 TO 2019-20

CASE NO. NEPRA/TRF-329/FESCO-2015

PETITIONER

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

INTERVENER

1. Anwar Kamal Law Associates (AKLA)
2. Pakistan Textile Exporters Association (PTEA)
3. All Pakistan Textile Mills Associations (APTMA)
4. Faisalabad Chamber of Commerce & Industry (FCCI)

COMMENTATOR

NIL

REPRESENTATION

1. Rashid Ahmed Aslam, Chief Executive Officer/ GM (Tech), FESCO
2. Akhtar Ali Randhawa, GM (Operation), FESCO
3. Rana Tariq Pervaiz, Chief Financial Officer, FESCO
4. Sardar Masood Iqbal, Chief Commercial Officer, FESCO
5. Ihsan Muhammad Siddiqui, Director General (HR) , FESCO
6. Aziz Ahmed, Director General (IS), FESCO
7. Haroon Rashid, Chief Engineer (T&G), FESCO
8. Masood Salahudin, C.E (P&D)/ Company Secretary, FESCO
9. Muhammad Zahid Hasan, Manager Finance (CP&C) , FESCO
10. Sheikh Mohammad Ali, Legal Advisor, FESCO

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

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.

Khawaja Muhammad Naeem
Member

30.12.15
Himayat Ullah Khan
Member

Syed Masood-ul-Hassan Naqvi
Member

30/12/15
Maj (R) Haroon Rashid
Vice Chairman

Brig (R) Tariq Saddozai
Chairman
30/12/15

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA AUTHORITY

31.12.15

1. BACKGROUND

1.1. Faisalabad Electric Supply Company Limited (FESCO), hereinafter called "the Petitioner", being a Distribution Licensee of NEPRA filed a petition dated August 07, 2015 for the determination of its consumer-end tariff pertaining to the Financial Years 2015-16 to 2019-20 in terms of Rule 3(1) of Tariff Standards & Procedure Rules-1998 (hereinafter referred as "Rules"). The Petitioner has sought the following reliefs: -

- ✓ Determination of tariff on the basis of anticipated sales during FY2015-16 to FY2019-20, to recover the revenue requirement as mentioned in the petition including Investment Plan of PKR 29,088 million
- ✓ Approval for creation of 30 new Sub Divisions and 08 new Divisions, in the 2nd & 3rd Phases during FY 2015-16, having financial impact of PKR1,432.203 million.
- ✓ Allow other periodical adjustments as per determinations of NEPRA.
- ✓ One-time private sector participation reopeners be allowed.
- ✓ Annual WACC indexation for RORB calculation for the tariff period.
- ✓ To provide protection against uncontrollable risks.
- ✓ To allow recovery of costs on account of Prior Year Adjustments.
- ✓ 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 26th August, 2015. The Authority while considering the request of the Petitioner for immediate application of the proposed tariff, under rule 4 (7) of the Rules, is of the view that since proposed/requested consumer-end tariff was based on some requests which totally ignored some of the previous decisions of the Authority, therefore the request for immediate application of the proposed consumer-end tariff does not merit consideration.

2.2. 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 6th September, 2015 inviting filing of reply, intervention requests and comments by any interested or affected party.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA AUTHORITY

3. FILING OF OBJECTIONS/ COMMENTS:

3.1. Despite issuing separate notices to the key stakeholders and publication of notices in the national newspapers, neither any reply was filed nor any intervention request was received within the prescribed time, however intervention requests were filed by All Pakistan Textile Mills Association (APTMA), M/s Anwar Kamal Law Associates (AKLA), Pakistan Textile Exporters Association and Faisalabad Chamber of Commerce & Industry (FCCI) after the stipulated time. The Authority, in the interest of justice and to provide opportunity to the stakeholders, condoned the delay in filing the intervention request and the requests were allowed accordingly.

3.2. INTERVENERS

3.2.1 All Pakistan Textile Mills Association (APTMA)

The brief contentions so raised by APTMA, in the intervention request are described as under: -

- ✓ Submission of Integrated Generation, Transmission and Distribution Expansion and Investment Program (IGTDP), is a precondition for submitting the tariff petition, which is still in the offing.
- ✓ Non-submission of assessment of Transmission and Distribution losses, renders the whole process of Multi Year Tariff (MYT) determination infructuous.
- ✓ Data of the Generation Plan or Procurement Plan by NTDC and DISCOs is not available. CPPA (G) has now been separated from NTDC, therefore the procurement plan is to be submitted by CPPA (G), but since the CPPA (G) is still nascent and incapable at the moment to submit the requisite procurement plan, the instant petition remains of no consequence.
- ✓ The instant petition has been submitted in haste at the behest of the Privatization Commission which wishes to speed-track privatization of FESCO. However, in no case the process can be shortened to meet deadlines that have no relation or relevance to tariff formulation.
- ✓ Approval of IGTDP from NEPRA is required before filing of the tariff petition. The same is required to be submitted along with actual results of investments already carried out by the Petitioner, which has not been done in the instant case.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA AUTHORITY

- ✓ The Petitioner has not submitted with its petition, the data pertaining to the generation plan and procurement cost which is required to be approved by NEPRA, prior to the filing of the tariff petition.
- ✓ Approval of Targets of Transmission and Distribution Losses is required before submission of the tariff petition.
- ✓ Non-completion of cost of Service Study is a serious omission which is presently resulting in extremely wrong tariff rates for the various categories of customers.
- ✓ Due to pendency of NEPRA's hearing on the Petitioner's tariff in accordance with Lahore High Court Decision, the instant petition cannot be processed.
- ✓ The Petitioner, in its current petition has again raised the already settled issues, without having any new ground(s).
- ✓ One time opening of tariff is not in accordance with the existing regulatory framework and cannons of justice.
- ✓ The Petitioner has sought, on average, an enhancement of Rs. 4/unit in the tariff. The Petitioner does not seem to take advantage of the new technologies and advancement of operations achieved by receiving aid through USAID and obtaining huge loan from WB & ADB, which should have led to lower losses and comparative less cost of service.
- ✓ The issue of transfer of shares to its employees, is not discussed in the tariff petition and the issue of transfer of senior officers to other DISCOs and NDTC must be dilated upon in the instant petition.
- ✓ In view of the foregoing, the Petitioner's subject tariff petition needs to be at least held in abeyance.

3.2.2 **Anwar Kamal Law Associates (AKLA)**

A brief of the information requested/ concerns raised by AKLA are given as under:

- ✓ To provide a copy of cost of service study report carried out for the Petitioner, if any.
- ✓ To provide the time lines for the elimination of the cross-subsidies.
- ✓ To provide the basis for giving cross-subsidies & their current levels and also the basis of different consumer categories & charging of differential tariff.
- ✓ Whether the Surcharge(s) are part of the cost of electricity or an add-on to the price of electricity charged to the consumers.
- ✓ Fuel prices projection should not be on the higher side.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA AUTHORITY

- ✓ High rate energy from solar and wind plants procured by CPPA (G)on behalf of the Petitioner is not in favor of consumers as these plants were allowed without consideration of economic viability and affordability .
- ✓ While calculating the reference Energy Purchase Price, high cost energy from Solar and Wind Power Plants should not be considered or the average "basket price" should not be weighted/weighed down. This cost should be borne by persons/institutions on whose wishes/whims these Plants have been installed and consumers should not be burdened for the same.
- ✓ The Authority must take a reasoned position regarding supply of 650 MW energy by CPPA (G) to K-Electric as it is not running its available capacity, which increases the burden on the consumers of XWAPDA DISCOs, since expensive Power Plants are run to supply 650 MW to K-Electric.
- ✓ The Petitioner's recovery is almost 100%, then why its consumers are subjected to load management.
- ✓ Whether the Petitioner's Multi-Year Tariff Petition proceedings are on Actual or Estimated results of the FY 2014-15 as Base Year, as it cannot be both?
- ✓ Recording of hearing proceedings and transcript of hearing be provided.

3.2.3 **Pakistan Textile Exporters Association (PTEA)**

A brief of the information requested/ concerns raised by PTEA are given as under:

- ✓ To provide a copy of cost of service study report carried out for FESCO, if any.
- ✓ To provide the Time lines for elimination of the cross-subsidies.
- ✓ To provide the basis for giving cross-subsidies & their current levels and also the basis of different consumer categories & charging of differential tariff.
- ✓ Whether the Surcharge(s) are part of the cost of electricity or an add-on to the price of electricity charged to the consumers.
- ✓ Fuel prices projection should not be on the higher side.
- ✓ High rate energy from solar and wind plants procured by CPPA (G)on behalf of the Petitioner is not in favor of consumers as these plants were allowed without consideration of economic viability and affordability .
- ✓ While calculating the reference Energy Purchase Price, high cost energy from Solar and Wind Power Plants should not be considered or the average "basket price" should not be weighted/weighed down. This cost should be borne by persons/institutions on whose

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA AUTHORITY

wishes/whims these Plants have been installed and consumers should not be burdened for the same.

- ✓ The Authority must take a reasoned position regarding supply of 650 MW energy by CPPA (G) to K-Electric as it is not running its available capacity, which increases the burden on the consumers of XWAPDA DISCOs, since expensive Power Plants are run to supply 650 MW to K-Electric.
- ✓ The Petitioner's recovery is almost 100%, then why its consumers are subjected to load management.
- ✓ Submission of IGTDP to NEPRA is required before filing of the tariff petition.
- ✓ CPPA (G) has now been separated from NTDC, therefore the procurement plan is to be submitted by CPPA (G) and the generation plan would be submitted by NTDC, where applicable DISCOs would also submit its plan for direct procurement. The approval of IGTDP (incorporating all the aforementioned) by the Authority is required along with the actual results of investments already carried out by the Petitioner with the petition.
- ✓ The data pertaining to the generation plan and procurement cost is required to be approved by NEPRA, prior to the filing of the tariff petition.
- ✓ Non-submission of assessment of Transmission and Distribution losses.
- ✓ Approval of targets of Transmission and Distribution Losses by NEPRA, prior to submission of the petition.
- ✓ The Petitioner in its current petition has again raised the already settled issues, without having any new ground(s).
- ✓ The Authority's hearing in pending on the Petitioner's tariff, in accordance with Lahore High Court's Decision.
- ✓ One time opening of tariff is not in accordance with the existing regulatory framework and cannons of justice.
- ✓ Whether the Petitioner's Multi-Year Tariff Petition proceedings are on Actual or Estimated results of the FY 2014-15 as Base Year, as it cannot be both?
- ✓ Recording of hearing proceedings and transcript of hearing be provided.

3.2.4 **The Faisalabad Chamber of Commerce & Industry (FCCI) – Intervener**

The Faisalabad Chamber of Commerce & Industry (FCCI) raised the following concerns.

- ✓ Submission of Integrated Generation, Transmission and Distribution Expansion and Investment Program (IGTDP), is a precondition for submitting the tariff petition, which is still in the offing.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

- ✓ Non-submission of assessment of Transmission and Distribution losses, renders the whole process of Multi Year Tariff (MYT) determination infructuous.
- ✓ Data of the Generation Plan or Procurement Plan by NTDC and DISCOs is not available. CPPA (G) has now been separated from NTDC, therefore the procurement plan is to be submitted by CPPA (G), but since the CPPA (G) is still nascent and incapable at the moment to submit the requisite procurement plan, the Petitioner's instant petition remains of no consequence.
- ✓ The instant petition has been submitted in haste at the behest of the Privatization Commission - which wishes to speed-track privatization of the Petitioner. However, in no case the process can be shortened to meet deadlines that have no relation or relevance to tariff formulation.
- ✓ Approval of IGTDP from the Authority is required before filing of the tariff petition. The same is required to be submitted along-with actual results of investments already carried out by the Petitioner, which has not been done in the instant case.
- ✓ The Petitioner has not submitted with its petition, the data pertaining to the generation plan and procurement cost which is required to be approved by NEPRA, prior to the filing of the tariff petition.
- ✓ Approval of Targets of Transmission and Distribution Losses is required before submission of the tariff petition.
- ✓ Non-completion of cost of Service Study is a serious omission which is presently resulting in extremely wrong tariff rates for the various categories of customers, especially Textile Industry.
- ✓ Hearing must be held at Faisalabad as most of the consumers belong to this city.
- ✓ In view of the foregoing, the Petitioner's subject tariff petition needs to be at least held in abeyance.

3.3 REJOINDER BY THE PETITIONER

3.3.1 The concerns so raised by the intervener were communicated to the Petitioner and the Petitioner has filed rejoinder to the following effect.

3.3.2 On the issue of simultaneous submission of IGTDP and the assessed/ projected T&D losses with Tariff Petition, the Petitioner stated that the submission is in accordance with the Authority's direction issued vide No.NEPRA/R/SAT-I/10037-49, dated July 06, 2015. The Petitioner further submitted that the IGTDP has been prepared after taking into account the generation plan of NTDC and procurement plan of Distribution

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA AUTHORITY

Companies. The Petitioner stated that currently the whole energy procurement is done through CPPA (G)under single buyer model hence direct procurement from sources other than CPPA (G) is not applicable. It has also been mentioned by the Petitioner that the petition has been filed with in the dead line set by the Authority. Furthermore, the petition filed under MYT is in order as the same has been accepted by the Authority, whereby the hearing on the same subject has been conducted on 21st September, 2015.

3.3.3 Regarding its ongoing Privatization, the Petitioner stated that it is a policy matter of Government of Pakistan.

3.3.4 Regarding the cost of service study, the Petitioner stated that the Power Development Program (PDP) of USAID, has conducted a cost of service study for it, named as fully allocated cost of service study,. Accordingly, a model has been worked out by PDP team which is being shared with the Authority to assess the tariff based on cost of service.

3.3.5 On the contention of expensive energy from solar & wind, the Petitioner responded that it its distribution territory there are no solar and wind plants, from whom expensive energy could be purchased by CPPA (G) on behalf of the Petitioner. However, the energy is purchased on the basket energy price whereby the price of each source of energy is determined by the Authority.

3.3.6 The Petitioner submitted that specification of base year, that is, FY 2014-15, is in accordance with the Authority's direction/requirement. While submitting the Multi-Year Tariff Petition most of the information pertaining to FY 2014-15 was available on actual basis, whereas remaining has been taken on estimated basis. Complete actual results are made available after audit of financial statements by the Auditors and holding of Annual General Meeting by October 31, of a fiscal year, as per provisions of the Companies Ordinance, 1984.

4. FRAMING OF ISSUES

4.1. On the basis of pleadings 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 directions of the Authority given in the tariff determination for the FY 2014-15 in respect of following issues;

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA AUTHORITY

- To explain the reasons of varying reported numbers of installed TOU meters.

- 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 Held Units (HHU) along with its completion timelines with its next tariff petition.

- To submit its plans regarding introduction and expansion of Automatic Meter Reading System (AMR) and also submit progress reports on NEPRA's directions.

- 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 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 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 (G) 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.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

- 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 on account of credit entry adjustment.

- To complete installations of TOU metering.

- To complete study of its Transmission and Distribution losses on 132 KV, 11KV and below.

- To submit details of investment expenses 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 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.

ii. Whether the Petitioner's projected power purchases for the FY 2015-16 to FY 2019-20, is reasonable?

	2015-16	2016-17	2017-18	2018-19	2019-20
Power Purchase (GWh)	11,960	12,689	13,489	14,326	15,230

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

iii. Whether the Petitioner's proposed transmission and distribution losses for FY 2015-16 to FY 2019-20, are justified?

	2015-16	2016-17	2017-18	2018-19	2019-20
T & D Losses (%)	10.90%	10.56%	10.40%	10.15%	9.98%

iv. Whether the Petitioner projected power purchase cost of for the FY 2015-16 to FY 2019-20, is justified?

	2015-16	2016-17	2017-18	2018-19	2019-20
Proj. Power Purchase Cost (Rs. In Million)	113,572	121,899	131,052	140,563	151,562
Proj. Power Purchase Cost (Rs./ kWh)	10.66	10.74	10.84	10.94	11.06

v. Whether the Petitioner reference O&M cost of for the FY 2015-16 is justified for future adjustments till FY 2019-20?

	2015-16	2016-17	2017-18	2018-19	2019-20
Proj. O&M Cost (Rs. In Million)	16,041	17,182	18,374	19,536	20,662
Proj. O&M Cost (Rs./ kWh)	1.505	1.514	1.520	1.518	1.507

vi. Whether the Petitioner reference depreciation charge for the FY 2015-16 is justified for future adjustments till FY 2019-20?

	2015-16	2016-17	2017-18	2018-19	2019-20
Proj. Depreciation Expenses (Rs. In Million)	2,348	2,684	3,005	3,324	3,638
Proj. Depreciation Expenses (Rs./ kWh)	0.22	0.24	0.25	0.26	0.27

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA AUTHORITY

vii. Whether the Petitioner reference Return on Regulatory Asset base based on projected rate of return of 18.91% for FY 2015-16 is justified for future adjustments till FY 2019-20?

	2015-16	2016-17	2017-18	2018-19	2019-20
Proj. Return on Rate Base (Rs. In Million)	4,805	6,078	6,903	7,529	8,031
Proj. Return on Rate Base (Rs./ kWh)	0.45	0.54	0.57	0.58	0.59

viii. Whether the Petitioner projected other income for the FY 2015-16 to 2019-20, is reasonable?

	2015-16	2016-17	2017-18	2018-19	2019-20
Proj. Other Income (Rs. in Million)	2,565	2,724	2,901	3,127	3,331
Proj. Other Income (Rs./ kWh)	0.24	0.24	0.24	0.24	0.24

ix. Whether the Petitioner's proposed Investment plan for the FY 2015-16 to FY 2019-20,is justified, keeping in view the prospective benefits?

	2015-16	2016-17	2017-18	2018-19	2019-20
Proj. Investment Requirement (Rs. In Million)	12,723	10,593	9,364	9,632	9,293

x. Whether the negative prior year adjustment calculated by FESCO of Rs. 4,090 Million for the FY 2015-16 (including MEPCO claim of UOSC & Impact of previous MYT) is accurate?

xi. Whether the proposed revenue requirements and average sale rate for FY 2015-16 to FY 2019-20, is justified?

	2015-16	2016-17	2017-18	2018-19	2019-20
Prop. Revenue Requirement (Rs. In Million)	130,110	145,119	156,433	168,126	180,562
Prop. Average Sales Rate (Rs./ kWh)	12.209	12.787	12.942	13.061	13.171

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA AUTHORITY

xii. Whether the proposed incentive for proportionate increase in return on equity against reduction in transmission and distribution (T&D) losses, merits consideration?

xiii. Whether the requested impact of Rs. 4,827 million as result of inconsistent application of previous MYT, already disallowed by the Authority, merits consideration?

xiv. What will be the mechanism of charging Wheeling/Use of System Charges (UOSC) in case of network of XW-DISCOs are used for Wheeling?

xv. Whether the request of petitioner to allow Rs. 5,022 as Prior Year Adjustment (PYA) for payment of Use of System Charges claimed by MEPCO is accurate?

xvi. Whether Petitioner's request to allow creation of divisions and sub-divisions as proposed in 2nd& 3rd phases with an additional cost of Rs. 509 million and 499 million respectively is justified?

xvii. Whether the request of Petitioner to allow one-time reopeners/adjustments for private sector participation on the following, merits consideration:

a. Revision of T&D loss targets
b. Amendments/ revisions to IGTDP and
c. Re-assessment of cost of debt.

xviii. Whether the proposed efficiency factor (X) at Zero (0%) for first three years, 0.5% and 1% for last two years respectively, to be applied to the bench mark O&M cost adjusted by CPI, merits consideration?

xix. Whether the requested allowance of Rs. 476 million for additional recruitment of 3,094 employees in FY 2015-16 is justified?

xx. Whether the requested repair and maintenance cost, calculated at 3% of gross fixed assets (K-Factor) is justified?

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA AUTHORITY

xxi. Whether the requested beta, based on the average of prevailing beta of foreign listed companies, having comparable businesses and adjusted for capital structure prescribed by NEPRA, is justified?

xxii. Whether the requested floor of 19% -20% for return on equity to provide stability in asset return, merits consideration?

xxiii. Whether the mark-up in range of KIBOR + 300-350 bps on delayed tariff differential subsidy by GOP, merits consideration?

xxiv. Whether there is any major deviation in the Petition from the NEPRA guidelines for determination of consumer-end tariff (Methodology & Process) notified vide SRO. 34(I) 2015 dated 16.01.2015?

xxv. What is the financial impact / loss of revenue due to TOU metering for cellular company connections and other similar connections?

xxvi. Whether the criterion proposed by the petitioner for segregation between controllable and un-controllable costs is justified?

xxvii. Whether there should be any penalty as a cut on Distribution Margin (D.M) if desired level of performance standards are not achieved by the Petitioner?

xxviii. Whether there should be any mechanism for sharing of profits/benefits by the Petitioner with the consumers if the petitioner performance exceeds the desired level?

xxix. Whether the concerns raised by the Interveners are justified?

xxx. Whether the IGTDP submitted by the petitioner is justified keeping in view the following:,

- Whether the load demand forecast provided by FESCO is justified? FESCO may submit the basis of load demand forecast.

- Whether the base line conditions identified by FESCO in its 5 years investment plans truly reflective of its prevailing performance and conditions?

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

- How FESCO will ensure timely implementation and completion of the committed projects identified under its investment plans? Whether FESCO has arranged the funds required to undertake these projects? If yes, FESCO is required to provide the details of source of funding in respect of each project.

- FESCO identified various STG and Distribution Projects in its investment plans. What is the basis or criteria for selection of these projects? Whether FESCO adopted the criteria for selection of the projects as approved by NEPRA?

- The project costs under STG and Distribution Expansion Plans are based on the data derived from past figures. How FESCO will justify these costs made on past data assumptions and benefits achieved after implementation of these plans?

- Whether the generation addition by setting up new IPPs, as provided by FESCO, are consistent with the generation expansion plans of NTDC in next 5 years? What is the basis of these additions, details are required.

- Whether the indicated capital cost of Rs. 28,788 Million for proposed projects for next 5 years under optimally achievable case is justified? FESCO is required to submit year wise rationale in respect of cost-benefits through investing the above mentioned amount and improvement in its existing networks such as improvement in HT/LT ratios and average length per 11 kV feeder.

- Whether the indicated capital cost of Rs. 37,073 Million for proposed projects for next 5 years under best case scenario is justified?

- Whether the expected potential increase in revenue of Rs. 11,747.04 million as result of energy consumption by 900,000 new consumers expected to be added in next 5 years under Distribution Expansion Program is justified? FESCO needs to provide details by linking it to historical data.

- FESCO showed cumulative savings in terms of reduction in power losses as 18.8 MW, energy savings as 91.05 GWh and a cumulative decrease of 1.16% in projected losses over next 5 years. Whether these assumptions of FESCO are justified? If yes, FESCO may provide the detailed analysis on this issue.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA AUTHORITY

- The loss reduction in the last 2 years of the control period is almost negligible. Whether this scenario implies that FESCO system has reached a saturation level in this area?

- The linkage between investment plans and performance standards is the core component of investment plans therefore FESCO may provide a comprehensive year wise analysis about improvement in SAIFI, SAIDI and other performance standards achieved through its investments. Equipment failure data over the next 5 years is also to be provided by FESCO.

5. HEARING

5.1. In order to arrive at a just and informed decision, it was decided to conduct a hearing in the matter on September 21, 2015. Notices of hearing were sent to the concerned parties and published in the leading newspapers on 6th September, 2015. Hearing was initially scheduled to be held at Faisalabad, however, due to pre-occupation of the Authority, the hearing was held on the same date at NEPRA Tower, Islamabad. Advertisement regarding change in venue of the hearing was also published in the newspaper on September 10, 2015. In addition, the stakeholders were also informed through individual letters well before the time of hearing.

5.2. During the hearing, the Petitioner was represented by Mr. Rashid Ahmed Aslam, Chief Executive Officer along with his financial and technical team. Representative from the Privatization Commission, K-Electric Limited and general public also participated in the hearing.

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

6. <u>Issue # 1; Whether the Petitioner has compiled with the directions of the Authority given in the tariff determination for the FY 2014-15?</u>

6.1 The Authority issued several directions in the tariff determination for the FY 2014-15. The compliance of which are discussed under relevant heads. However, few of the directions are discussed below;

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA AUTHORITY

6.2 **To explain the reasons of varying reported numbers of installed TOU meters.**

To complete installations of TOU metering.

6.2.1 The Authority during the proceedings of tariff determination process for the Petitioner for FY 2014-15, noted with great concern that the Petitioner's reported figure of number of installed connections has decreased as when compared to with the last year's reported figures. This shows that the Petitioner had been providing incorrect information to the Authority by reporting different figures at different times. This act of the Petitioner raised serious doubts about the reliability of the other information provided by the petitioner as well. Accordingly, the petitioner was directed to explain the reasons for the said discrepancies not later than 31st March 2015.

6.2.2 In compliance with above referred direction, the Petitioner submitted its response vide letter No. 5851-52/CFO/FESCO/CPC dated March 31, 2015 stating that it never intended to provide incorrect information with respect to the figure of the installed TOU meters. The Petitioner's presented figure during the hearing of the tariff petition for the FY 2013-14, was based on MIS output, wherein, there was a programming/ software mistake for providing peak, off-peak reading for newly installed/ replaced meters.

6.2.3 The Petitioner also stated that the matter was referred to the Power information Technology Company, WAPDA vide letter dated March 24, 2014 and after necessary amendments in software, the relevant record was updated with the help of input/ survey of field offices and accurate figure of TOU meters installed i.e. 74,658 was reported to the Authority vide its letter dated October 29, 2014. The Petitioner while regretting omission, occurred due to programming error assured that the remaining energy meters will be replaced by TOU meters up to December 31, 2015.

6.2.4 During the hearing of the instant petition, the Petitioner presented the following updated figures with respect to the TOU meters:

Total No. of connections for installation of ToU meters	=	103,209
Total ToU Meters Installed	=	76,903
ToU Meters Yet to be installed	=	26,306

6.2.5 The Authority while accepting the explanation by the Petitioner in correction of error, expects the Petitioner to be careful in future in submitting any information / data to the Authority in terms of its reliability and authenticity.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

6.2.6 The Petitioner during the hearing of the tariff petition for the FY 2014-15, committed to complete 100% installation of the TOU meters by the end of the year. While reviewing the information provided, it is observed that the Petitioner has only installed 3,143 TOU meters during the last 30 months and installation of around 25% of its TOU meters is still pending. The Authority has taken serious notice of the Petitioner's non-compliance of its direction in this regard.

6.2.7 Keeping in view the non-serious attitude of the Petitioner, the proceedings against the Petitioner by issuing a show cause notice dated April 03, 2015 have already been initiated in accordance with the prescribed rules& regulation. The Petitioner has submitted its reply against the show cause notice which is under consideration of the Authority. The Petitioner is again directed to complete the pending installation of TOU meters as soon as possible.

6.3 To print bills with the snap shots of meter readings (both previous and current) not later than 30th April, 2015.

6.3.1 In order to protect the interest of consumers in the matter of excessive billing, the Authority while considering the proposals floated by different DISCOs, during the proceedings of the tariff determination for the FY 2014-15 tariff determination process; agreed with the proposal submitted by PESCO regarding printing of snapshot of meter reading on the electricity bills of the consumers not only to enhance the level of confidence of the consumers but also to create an effective quality check on the Meter Readers. Accordingly, the petitioner was also directed to implement the said plan not later than 30th April 2015.

6.3.2 In compliance to the above referred direction, the Petitioner submitted that in the billing cycle for December 2014, it had started a pilot project in Abdullahpur Division for meter reading through mobile phones. In the billing cycle for March-2015, the Petitioner has implemented this system in all Sub Divisions of Faisalabad Circle-I & Circle –II (52 Nos. Sub Divisions). In the remaining Circles i.e., Jhang & Sargodha, the training of meter readers is under process and this system will be implemented after completion of training.

6.3.3 The Authority's direction has not been fully complied with, which is matter of great concern for the Authority. It is further noted that there was several complaints to effect that snap shots appearing on the bill is not clear and readable. This act on the part of the petitioner can be considered not only as non-compliance but also malafide. In view

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

thereof, the Petitioner need to adopt necessary measures to address problems being faced by the consumers and also to comply with Authority's direction in true letter and spirit.

6.4 To submit its investment requirements for the implementation of Hand Held Units (HHU) along with its completion timelines with its next tariff petition.

6.4.1 In view of the aforementioned direction regarding printing of snap shot of meter reading on the electricity bills, the Authority also considered the proposal of IESCO & MEPCO for allowing the cost of hand held meter reading units and principally decided to allow the cost of the hand held units to the Petitioner and directed it to submit its investment requirements for the implementation of the said plan along with the completion timelines in its next tariff petition.

6.4.2 The Petitioner has submitted that it has started meter reading through mobile phones and the System has been implemented in all 52 Nos. Sub Divisions of Faisalabad Circle-I & Circle –II. In the remaining Circles i.e. Jhang & Sargodha, in July 2015, 18 No. sub-divisions will be shifted on mobile meter reading. For the remaining sub-divisions the system is being implemented. The Petitioner, as per the directions of the Authority, has claimed an amount of Rs.170 Million for procurement of 1700 HHUs in FY 2018-19 and 2019-20 in its IGTDP.

6.4.3 The Petitioner, although, has started printing snap shots through mobile phones, yet, the importance of HHU cannot be denied which is the sustainable solution and will eventually replace the mobile phones. Therefore, the Authority directs the Petitioner to finalize the procurement process of HHUs at the earliest and convert its billing process on HHU basis in order to eliminate inefficiencies.

6.5 To submit its plans regarding introduction and expansion of Automatic Meter Reading (AMR) System and also submit progress reports on NEPRA's directions.

6.6 To install AMR and AMI at all of their CDPs by December 31, 2015.

6.7 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.

6.8 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.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA AUTHORITY

6.8.1 The Authority considers that one of the key reasons for high transmission and distribution losses in DISCOs is the lack of any tracking mechanism for electricity flow from the points of their electricity purchases (CDP) down to the final consumers. A reliable metering and recording system at every voltage level starting with the 132 kV grid, at the 11 kV and to 440 and 220 volts is therefore critical for the elimination of theft, unaccounted electricity and diagnosing technical problems. In view thereof, the Authority directed all DISCOs to install AMR and AMI Systems. The Authority considered that such systems would also enable it in analyzing XWDISCOs' genuine investment requirements. Consequently, reduction in losses would help in saving billions of rupees annually and support GOP's efforts in eliminating circular debt. Thus, the Authority directed all DISCOs;

- 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.

6.8.2 In response, the Petitioner submitted that out of 100 CDPs, AMR & AMI have been installed on 87Nos. and for the remaining 13Nos. installation of AMR & AMI is underway and will be completed soon. It was further stated that the AMR & AMI have been installed on all the receiving end of 11 KV feeders. On the direction of installing AMR & AMI meters at the consumer level, the Petitioner submitted that two high loss feeders were selected, one from urban sub-divisions and one from rural sub-divisions. Approximately ten thousand (10,000) meters of all the consumer categories are to be replaced with AMI. Being new project in DISCOs no vendor participated in the tender which was scheduled to be opened on 9th June 2015. As per the Petitioner, it is still in the process of procuring meters.

The efforts of the Petitioner are appreciable however, the Authority directs it to complete the installation of AMRs/ AMIs System within the time lines given by the Authority.

NEPRA AUTHORITY
NATIONAL ELECTRIC POWER REGULATORY AUTHORITY

6.9 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.

6.9.1 The Authority determines consumer-end tariff on 100 % recovery basis yet considering the ongoing circular debt situation, the Authority decided to analyze the receivables of the Petitioner and its recovery plan. The Authority noted that the recovery plan submitted by the Petitioner vide its Tariff Petition for FY 2014-15 was very brief and does not reflect the results obtained through implementation of the plan. Also, the Authority noted that abnormally high provision was charged by the Petitioner against receivables as compared to the previous years which requires proper justification. Additionally, the Authority noted that significant balance was appearing as receivable from GoP under the head of subsidy. Accordingly, in the Tariff Determination for the FY 2014-15, the Authority directed the Petitioner;

- To provide break-up along with the nature of receivables and a concrete plan of their recovery not later than 31st March, 2015, for consideration of the Authority.

- To take up the matter of receivables with GoP and report in this regard should be submitted to the Authority not later than 31st March, 2015.

6.9.2 In compliance to the Authority's direction, the Petitioner, vide letter dated 31st March 2015, submitted breakup of its receivable along-with a comprehensive recovery plan as under;

Sr. No.	Particulars	2012-13	2013-14
I	Spill Over	2,582	2,786
Ii	Deferred amount	2,038	958
Iii	Subsidies	2,466	2,566
Iv	Defaulters	938	1,21
V	Unpaid debt	6	484
Total as per billing return		**8,030**	**8,005**
Less: Taxes		1,917	2,085
Add: Impact of Cut-off Units		3,671	4,810
Total Receivables		9,784	10,730
Less: Provision for doubtful debts		2,266	1,220
Net receivables as per Financial Statements		7,518	9,510

NEPRA AUTHORITY
NATIONAL ELECTRIC POWER REGULATORY AUTHORITY

6.9.3 As per the Petitioner, it's running and permanent defaulters are the major areas to emphasize to improve its receivable position.

6.9.4 The Petitioner has submitted following recovery plan to reduce its receivable: -

Running Defaulter

i. Correct and timely meter reading and billing ensured.
ii. Timely delivery of energy bills especially in remote areas.
iii. Service of disconnection notices through energy bill for current year.
iv. Generation of computerized age wise / slab wise defaulter consumer list every month and recovery of defaulter amount/ disconnection of connections through field staff.
v. Monitoring payment of energy bills of bid industrial / commercial consumers on last day of payment date of bill every month.
vi. Issuance of ERO after expiry of notice period and implementation ensured.

Permanent Disconnected Defaulters

i. To conduct survey and checking on permanent disconnected connections.

ii. The supply taken in the premises of PDISC from nearby premises is also disconnected along-with disconnection such nearby connections after observing the formalities.

iii. Creation of demand for recovery of arrears under Land Revenue Act and Mobilization of recovery, Tehsildar to take in hand all the actions laid in the Land Revenue Act.

Subsidy receivable from GoP

i. The Petitioner on the issue has only mentioned that it has taken up the issue with the Federal & Provincial Governments relevant departments through various letters.

ii. As per the information provided by the Petitioner, efforts are being made with respect to recovery from Defaulters, due to delay in payments of subsidy by Federal & Provincial Governments, but still the amount under the head of Defaulters has not decreased rather it has increased marginally. Thus, the results speak itself about the effectiveness of the recovery plan. In addition, the overall figure of the receivables for the FY 2014-15 have increased as compared to the last year. The Petitioner on one hand claims that its recovery rate is over 100% whereas on the other hand it keeps on charging the provision for doubtful debts

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

each year as mentioned in the following table based on provided information by the Petitioner;

Description	2011-12	2012-13	2013-14	2014-15
Trade Debtors- Considered good	12,116	7,517	9,785	9,805
Trade Debtors- Considered doubtful	835	2,266	1,221	1,308
Trade Debtors- Total	**12,951**	**9,783**	**11,005**	**11,113**
Provision for bad debts	835	2,266	1,221	1,308
Net Receivables	12,116	7,517	9,785	9,805

6.9.5 Having considered the above information, the Authority is of the view that Petitioner has effectively done nothing to improve its recovery and it has also no workable recovery plan. The Petitioner is therefore directed to submit quarterly recovery report for consideration of the Authority. In case the petitioner is unable to recover the subsidy from Government and is not able to pay its cost of power purchased to the CPPA (G) to that extent, it shall not be entitled to claim late payment accordingly.

6.9.6 With regard to subsidy receivable from GoP, a careful review of the financial statements of the petitioner showed that subsidy receivable from GoP has increased to Rs. 8,864 million in FY 2014-15 as compared to last year figure of Rs. 6,393 million, which is 39% higher, whereas, during the hearing the Petitioner admitted that it has made excess payment to CPPA (G) to the tune of Rs. 13,574 million during the year. The Authority has seriously observed the current state of affairs as the Petitioner has not only failed to resolve the issue of pending subsidy rather it has paid excess amount to the CPPA (G). Here it is pertinent to mention that the Petitioner has also requested an amount of PKR 6,168 *(including Rs. 121 million for FY 2013-14)* as supplementary charges against delayed payments made by the Petitioner to CPPA (G) for the purchase of electricity, making Petitioner's statements self-contradictory. In view of the foregoing, the Petitioner is directed to clarify its statements with respect to the supplementary charges and excess payments, not later than 31st March 2016.

POWER REGULATORY NATIONAL ELECTRIC AUTHORITY
NEPRA
AUTHORITY

6.9.7 The Petitioner has also submitted that TDS is the major portion of their revenue stream which remained unpaid significantly by GOP in the previous years. Receivables from GOP on account of TDS at the end of FY 2014-15 is Rs. 8,864 million. In view thereof the Petitioner has requested to be allowed to charge an interest @ KIBOR + 300–350 bps or alternatively be allowed to adjust in advance the TDS from the PPP payments made to CPPA (G).

6.9.8 The Authority considers that both of the options may be discussed between GOP, CPPA (G) and the Petitioner. The Authority see a situation where the Petitioner is requesting for a markup on delayed TDS from GOP however, at the same time advance payments of Rs. 25,785 million have been made to CPPA (G) without any interest charges . Thus, the Petitioner is suggested to rationale its request and then come up with a solid proposal, if any, which may subsequently be incorporated into relevant governing legal & regulatory documents such as ESA , Commercial Code etc.

6.10 To monetize all the incremental costs which cause additional losses and incorporate these as a part of project cost while calculating the IRR or NPVs for any village electrification project, in future.

6.10.1 The Petitioner in the past has been attributing its increasing trend in the level of T&D losses to imprudent village electrification which was carried out without proper cost benefit analysis. The Authority 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 Internal Rate of Return (IRR) or Net Present Value (NPV) for any village electrification project, in future.

6.10.2 The Petitioner in response to the Authority's direction stated that it appreciates Authority's kind gesture for accepting the version that provision of electric power services to the villages has negative impact. However, financially speaking such additional losses cannot be calculated in heads of IRR or NPV therefore, the Petitioner should not be deprived of giving allowance of such losses in future tariff.

The Authority after considering the reply of the Petitioner is of the view that it has misunderstood the Authority's direction. By monetizing the incremental T&D losses the Authority meant that before implementing any village electrification program, the Petitioner must evaluate the project using NPV / IRR or cost benefit ratios and while calculating the costs the incremental level of T&D losses must be monetized and must

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

be treated as a project cost. Thus, this exercise would result in identifying the non-feasible projects and consequently may result executing only those village electrification programs which will be feasible after enhancing the budget e.g. electrifying a village may require grid augmentation or construction of new grid station.

6.11 To get its strength yard stick approved by the Authority based on proper justifications and its quantified benefits.

6.12 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.

6.13 To submit recruitment plan for the requested hiring of staff containing cost / benefit analysis based on best practices.

6.14 To submit the certificate of replacement hiring before the finalization of the tariff determination pertaining to the FY 2015-16.

6.14.1 The Authority during tariff determinations for the FY 2013-14 and FY 2014-15 disallowed the cost of additional recruitment for the reason that only replacement hiring is allowed subject to completion of audit as per framework provided by the Authority. The Authority, however, keeping in view the network expansion also decided to allow hiring of competent and skilled professionals in technical, finance and customer care areas of service duly supported with verifiable documentary evidence.

6.14.2 The Authority while considering the proposals of the Petitioner for additional hiring based on the approved yard stick of WAPDA, clearly stated that it never accepted the yardstick of WAPDA and directed the Petitioner to present a comprehensive plan considering the cost/ benefit analysis in line with the best utility practices with the objective of improvement in provision of services at door step of the consumers.

6.14.3 The Authority in order to protect the interest of employees regarding post-retirement benefits and also keeping in view the liquidity crunch of XWDISCOs, directed the Petitioner to create an independent fund in the best interest of Petitioner's work force. However, the Authority considering the reply from the Petitioner unsatisfactory, again directed it to complete the process of creation of separate post retirement funds and also transfer the already allowed money into the fund.

6.14.4 In compliance to the Authority's direction regarding replacement hiring, the Petitioner has submitted required replacement hiring certificate from its external Auditors.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

6.14.5 In compliance to the Authority's direction regarding postretirement benefit, the Petitioner submitted that an independent Post-retirement benefit fund was constituted & got registered with sub registrar Faisalabad. The amount of funds to be transferred is under active consideration of management & will be intimated accordingly.

6.14.6 In response to the Authority's directions, the Petitioner submitted that its present yardstick of manpower, submitted to the Authority, bears the approval of its BOD and is based on the criteria notified vide WAPDA/PEPCO from time to time in view of exigencies relating to work and customers' relation through various letters/orders. The yardstick is expressive of actual requirement of Manpower against the offices requirement, Technical installations, Distribution and Transmission Lines, Grid stations and numbers of customers. Each sanctioned post is meant for performing specific duty verily instrumental in the chain for accomplishment of the Petitioner's yardstick for the period ending June 2014 comprising of following officer/ subordinate cadres posts;

Category	Sanctioned	Held
Officers (BPS-17 & above)	459	321
Subordinate Staff (BPS-01 to BPS-16)	18,551	15,963
Total	**19,010**	**16,284**

<u>Qualitative Benefits</u>

- Better service to the consumers.
- System will improve.
- Complaints will decrease.
- Supply continuity will improve.
- Efficient utility functions.
- Efficient utility practices.
- Administrative losses will reduce.
- Reduction in work burdened/stress upon employees.
- FESCO recovery will improve.
- FESCO image/name will be brightened.

<u>Quantitative Benefits</u>

As per the Petitioner its hardworking manpower has transformed above achievements into statistically defined financial benefits. The result is vividly embodied in the top cumulative performance:

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

Year	T&D Losses %age	Recoveries %age	Combined Efficiency Index
2011-12	10.8	98.45	87.8
2012-13	10.9	99.06	88.3
2013-14	11.3	100.5	88.7

The issue has been discussed under the relevant head.

6.15 To share the details of Late Payment Charges (LPC) recovered from consumers and any invoice raised by CPPA (G) 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.

6.15.1 As per the clause 9.3(d) of the Electricity supply agreement dated 29th June, 1998 between DISCOs & NTDC, the XWDISCOs are obliged to pay CPPA (G) late payment charge on delay payments of invoice. 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 three hundred sixty-five (365) Day Year."

6.15.2 In view thereof, the Authority in the tariff determination for FY 2014-15, decided that the late payment charge recovered from the consumers on utility bills shall be offset against the late payment invoices raised by CPPA (G) against respective DISCO only .i.e. CPPA (G) 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 was, therefore, directed to share the details of late payment charges recovered from consumers and any invoice raised by CPPA (G) under the head of mark up on delayed payments for the FY 2014-15. The Petitioner was directed to submit the requisite information before filing of the next tariff petition. Any remaining LPC, (i.e. after the offset) shall be adjusted from the revenue requirement of FY 2015-16 and in the event of non-submission of evidence of payment to CPPA (G), the entire amount of LPC recovered from consumers shall be made part of other income *(and deducted from revenue requirement)* in the FY 2015-16.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

6.15.3 In compliance to the Authority direction the Petitioner stated that CPPA (G) has not yet raised any Invoice on account of mark up for the FY 2014-15. However, the Petitioner has recovered the following late payment charge during the FY 2014-15.

For FY 2013-14......................................923.399 Million.
For FY 2014-15......................................989.343 Million

The issue has been discussed under the relevant head.

6.16 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.

6.16.1 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. Accordingly, the following modifications to the terms and conditions of lifeline and residential consumers were proposed;

- The criteria for Lifeline consumers is modified and only those residential consumers having single phase electric connection with a limited sanctioned load upto 1 kW and consumption of less than 50 units will qualify to be the life line consumers.
- 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.

6.16.2 Accordingly the Authority directed the Petitioner 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.

6.16.3 The Petitioner in this regard suggested the following conditions that may be included;

1. Up to 50 units consumed.
2. Maximum load 03 KW.
3. 11 months (average) units consumed up-to 50 units.
4. The financial implication of the proposal is Rs.286 million.

The issue has been discussed under the relevant head.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

6.17 To explain the amount of Rs.15,279 million on account of credit entry adjustment.

6.17.1 During review of audited financial statements of the Petitioner for the FY 2013-14, during its last year tariff determination, it was noticed that an income of Rs.15,279 million was recorded in respect of share of GoP subsidy from FY 2004-09 by the Petitioner in its profit and loss account. Considering the same as a serious matter and having material impact, the Authority directed the Petitioner to explain the said entry.

6.17.2 The Petitioner in compliance to the Authority's direction responded that the Authority determined its Multi-Year Tariff (MYT) on February 23, 2007 for a period of five years commencing form the date of notification of schedule of tariff in the official gazette, ending on February 23, 2012 or 5 years after the date of privatization whichever be later. The said tariff was notified by GoP on February 23, 2007 and made applicable with effect from February 24, 2007. Prior to February 24, 2007, the Petitioner charged its consumers such tariff/rates as notified by GoP as the Authority's rates were not approved/available at that time. Due to non-recovery of cost base tariffs, the Petitioner's cost exceeded its revenue and it suffered losses. During FY 2007-08 and 2008-09 PEPCO arranged finance facility of Rs. 11.501 billion from different Banks (National Bank of Pakistan, Bank Al-Falah Ltd and Askari Bank Ltd.) on account of payment to NTDC/CPPA (G) for purchase of power by issuing of Term Finance Certificates. During 2009, GoP decided to remove the bank borrowings that were on the books of power wing companies in lieu of GoP's unpaid subsidy from FY 2004-05 through FY 2008-09. PEPCO issued notification dated 02.07.2009, which specified that loans of Rs.216 Billion (including Petitioner's loan of Rs. 11.501 Billion) would be transferred to Power Holding Pvt. Ltd. (PHPL) and would be adjusted against subsidy due to inadequate tariff for the said period. Thus, loan of Rs. 11.501 billion was removed and was re-classified as long term payable towards CPPA (G) in the accounts of the Petitioner. PEPCO allocated the subsidy towards whole power distribution companies through credit notes issued by CPPA (G) during FY 2013-14. The share of the Petitioner amounting to Rs. 15.279 Billion *(net of mark-up of Rs.1.374 billion)* was shown in other income of the company and long term payable of Rs. 11.501 billion were adjusted against the payables to CPPA (G).

6.17.3 The Authority having gone through the complaints by the petitioner is of the view that, the amount of Rs. 15.279 billion does pertain to the previous period and has been correctly reflected in the financial statements of FY 2014-15. The Authority accordingly has decided to accept the Petitioner's explanation in this regard.

6.18 To complete study of its Transmission and Distribution losses on 132 KV, 11KV and below.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

6.18.1 While deciding the tariff petition of the Petitioner pertaining to the FY 2012-13, the Authority directed the Petitioner to carry out technical study of its T&D losses and submit its TORs along with its completion timelines by 15th April 2013. The Authority while deciding the tariff petition for the FY 2013-14, observed that Authority's direction was not complied with and the Petitioner did not give any firm date for the study of its T&D losses. Further, the Petitioner neither in its petition for FY 2014-15 nor during the hearing, submitted any breakup of its T&D losses specifically showing the level of administrative losses. In view thereof, the Authority directed the Petitioner to complete study of its Transmission and Distribution losses on 132 KV, 11KV and below.

6.18.2 The Petitioner has submitted that study of its T&D Losses is in process. However, a partial study of its system was submitted along-with the tariff petition. The Authority considers that non-compliance of its direction is a serious violation of licensing terms that may lead to initiation of proceedings against the licensee under relevant rules.

The issue has been discussed under the relevant head.

6.19.1 To submit details of investments undertaken in the FY 2013-14.

6.19.1 In compliance to the Authority direction the petitioner submitted the following figures regarding investment undertaken in the FY 2013-14:

Particular	Expenditure 2013-14
DOP	315
ELR	722
STG	724
PDEIP	103
Deposit works	811
Capital Contribution	1312
Total	**3987**

The issue has been discussed under the relevant head.

6.20 To send quarterly report of progress made on creation of new circles w.e.f. 31st March, 2015.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

6.20.1 The Petitioner's informed the Authority that it has started the work on creation of circles from 1st of July, 2015.

The Authority has discussed the issue under the relevant head.

7. Whether the concerns raised by the Interveners are justified?

7.1 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 may not be maintainable and it is also not possible to share the issues, as per stance taken by the intervener in the present case.

7.2 Further that instead of providing grounds and justifications in the intervention request, raising the questions of providing any information 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. Anyhow, in order to meet with the ends of natural justice and to provide opportunity of raising the respective concerns by the interveners, the delay in filing the requests was condoned and all the interveners were allowed to participate in the proceedings.

7.3 As per the concerns so raised by the interveners and the rejoinder filed by the petitioner, the findings of the Authority are as under:-

APTMA

7.3.1 The Intervention Request was filed by APTMA on September 18, 2015, after twelve (12) days of the notice of admission/ hearing, however, notwithstanding the delayed filing of the intervention request, the concerns so raised in the intervention request were considered by the Authority. On the issue of delayed uploading of issues on the website, the Authority considers that irrespective of the date as when these issues were uploaded on the website, it has given ample time for the stakeholders to respond. In addition, the interveners were having an opportunity to submit any further contentions, if any

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

keeping in view the date of the hearing and the subsequent time allowed for the closure of evidence after the date of the Hearing. Thus, the complaint of the Intervener with respect to the delayed uploading of the issues is not valid.

i. As per the NEPRA guidelines for determination of consumer end tariff (Methodology and Process), 2015 (The Methodology) notified vide S.R.O. 34 (I)/2015 dated January 16, 2015, the submission of IGTDP and assessment of T & D losses by XWDISCOs and their approval by the Authority is required before filing of the tariff petition. The timelines for submission of the IGTDP and assessment of T&D losses, as per the Methodology, is September 01 each year.

ii. Since the Methodology was notified in January 2015, and separate submission of IGTDP and assessment of T&D losses and their subsequent approval by the Authority, as per the guidelines would have resulted in considerable delays bearing financial implications for the Petitioner. In view thereof, the Authority, on the request of the XWDISCOs, allowed to file the IGTDP & assessment of T&D loses along with their Consumer-end Tariff Petitions.

iii. Here it is pertinent to mention that submission of the IGTDP & assessment of T&D loses by XWDISCOs with their tariff petitions, does not mean that the same has been accepted by the Authority as such. The Authority has granted approval of the IGTDP & target for T&D losses (discussed in subsequent paras) after carrying out its required due diligence, keeping in view the prospective benefits in terms of reduction in level of losses and improvement in the system.

iv. The Methodology prescribes the submission of generation plan by NTDC and procurement plan by CPPA (G) and its approval by the Authority prior to the filing of the tariff petition by the XWDISCOs.

v. Since both NTDC and CPPA (G) did not submit the generation and the procurement plans, the Authority in order to avoid any delays in the instant determination of tariff petition for the FY 2015-16 to FY 2019-20, considered the power purchases and their cost as projected by the Petitioner in its tariff petition. However, in order to avoid any unnecessary fluctuations in the consumer-end tariff, the generation / procurement of power has been assessed by the Authority (discussed in subsequent paras) after carrying out an extensive

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

exercise on generation station wise basis and its subsequent DISCOs wise procurement for the FY 2015-16 and onward.

vi. As regard the Intervener's concern that the petition is filed in haste due to ongoing Privatization is not correct. As per the Methodology, the tariff petition by the Distribution Companies (Complete in all respects) was required to be filed by January 31, thus the instant petition is already delayed.

vii. The Methodology prescribes that the annual or multi-year tariff shall be based on a cost-of-service study, as per NEPRA Tariff Standards and Procedure Rules, 1998. The Petitioner has carried out its cost of service study of the last two years including FY 2014-15. The basis of the same has been discussed in the Petitioner's last year's tariff determination. A comparison of the proposed consumer-end tariff along with the COSS based consumer end tariff is submitted along with the instant petition for the consideration of the Authority. The Authority while setting the consumer-end tariff of XWDISCOs, considers cost of serving each consumer category, however, it is pertinent to mention here that the NEPRA at time of its creation, after unbundling of WAPDA, inherited a consumer end tariff which had cross subsidies, which are now gradually being reduced by the Authority in line with the Rule 17 of Tariff Standards and Procedure Rules -1998.

viii. The Authority issued tariff determination of the Petitioner pertaining to the FY 2013-14 on February 6, 2014. The Petitioner filed a motion for leave for review against the said decision of the Authority's. The Authority decided the motion for leave for review on June 16, 2014.

ix. The Petitioner challenged both the aforementioned decisions of the Authority in the honorable Lahore High Court (LHC) Lahore. The LHC in its judgment dated December 03, 2014 held that in terms of Rule 16 (6) of NEPRA Tariff Rules, 1998, the review motion should be heard by full strength of the Authority which means, one Chairman and four Members. Appeal of the Authority against the decision the LHC was also dismissed by the DB of the Honorable LHC.

x. Here it is also pertinent to mention that the Honorable LHC has set aside the decision of the Authority on the aforementioned technical grounds whereby the notification of the aforementioned decisions of the Authority are still in place.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

Further, there is nothing in the decision of the Honorable LHC which bars the Authority from processing of the instant tariff petition filed by the Petitioner.

xi. The Honorable Supreme Court of Pakistan in its recent decision dated December 08, 2015, has settled the issue in favor of the NEPRA, therefore, the contention of the Intervener is not justified.

xii. The Intervener has correctly pointed out that the Petitioner has again raised already settled issues. However, the Authority while adjudicating on such matters examines whether any new grounds/ rationale or evidence is provided by the Petitioner, which was not considered at the time when the previous decision was made.

xiii. The issue regarding one time opening of the Multi Year Tariff has been discussed under the relevant head where the Petitioner has requested for the one time openers.

xiv. The concern raised by the Intervener with respect to the benefits of the previous investments carried out by the Petitioner is valid. The Authority consistently in its determinations has been recording its observations that the Petitioner has failed to provide a concrete reconciliation whereby the Petitioner would claim in advance that after carrying out the proposed 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.

xv. Despite the aforementioned, the Authority cannot ignore the importance of the investments which would eventually ensure smooth and reliable supply of electricity to the consumers. It is for this very reason that the Authority has directed all the XWDISCOs to file their IGTDP separately, as required under the Methodology, to monitor the effectiveness of the investment being allowed.

xvi. In view of the foregoing reasons, the Authority does not see any reason to hold the instant tariff petition in abeyance.

xvii. The issue of transferring employee shares must be settled by the Board of Directors of the Petitioner.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA AUTHORITY

7.4 ANWAR KAMAL LAW ASSOCIATES

i. The Intervener requested for some further information related to the tariff petition i.e. cost of service study. The same is attached with the Tariff Petition which is available on NEPRA's website.

ii. The current level of cross-subsidies was inherited by the Authority after the unbundling of WAPDA. The Authority is gradually reducing these cross subsidies in line with the Rule 17 of Tariff Standards and Procedure Rules -1998. However, the cross subsidies arising due to the specific consumer mix viz a viz ensuring revenue requirement of a DISCO and socio economic objective of the GOP (e.g. inclusion of life line consumers category keeping in view the affordability of the consumers) would continue to exist.

iii. Under section 31(5) of NEPRA Act, 1997, Federal Government has the power to levy any surcharge and such surcharge is deemed to be considered as cost incurred by the Distribution company (from the consumer's point of view), to be included in the consumer-end tariff (already) determined by the Authority.

iv. Setting up of reference fuel price in consumer end tariff of XWDISCOs, are based on the best estimates keeping in view the past trends and the available national & international reports, for future projections of fuel prices. In case of variation in the actual fuel prices from the determined reference prices, the variation either results in relief or recovery from the consumer in the form of FCA in the monthly consumer bills.

v. The Authority has approved upfront tariff for the Solar and Wind projects after following the required procedures under the relevant law & Rules, whereby the comments of all the stakeholders were considered (including the policies of the GOP with respect to the renewables). The decisions of the Authority are legally in place and the Authority does not see any reason to reject the energy generated from such plants which are legally operating. Thus, the concern raised by the Intervener does not merit consideration.

vi. On the issue related to K-Electric, the Petitioner is advised to participate in the tariff setting process of K-Electric and submit its contentions in relevant proceedings.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

vii. Although the consumers of the Petitioner are good pay masters, however the existing load shedding scenario is predominantly due to the gap between demand and supply of electricity which is a force majeure event and beyond the control of a DISCO.

viii. The Authority being cognizant of the fact that the Petitioner's audited accounts could not be finalized by the time it files the petition, has allowed the Petitioner (in its Tariff Methodology) to choose a reference year, which may be actual results of a previous financial year or purely estimated results for a future financial year or may be a combination of actual and estimated results for any financial year. However, for the processing of the instant petition and keeping in view the submissions of the Petitioner, the Authority has considered, the latest available information of the Petitioner for the FY 2014-15.

7.5 PTEA and FCCI

7.5.1 The concerns raised by PTEA and FCCI in their Intervention Requests filed on September16, 2015 and September 18, 2015 respectively are more or less the same as raised by APTMA and FCCI in their Intervention Requests, which have already been discussed in preceding paras.

8. Issue # 2. Whether the Petitioner's projected power purchases & sales for the FY 2015-16 to FY 2019-20, are reasonable?

8.1 The Petitioner has used the sales of FY 2014-15 i.e. 10,006 GWh as baseline with a Compounded Average Growth Rate (CAGR) of 6.5%to project sales from FY 2015-16 to FY 2019-20. The annual demand growth has been projected based on number of new consumers and change in consumption per consumer.

8.2 The projected Power purchases have been worked out by adjusting the proposed T&D losses of each year from the projected sales. The purchases have been assumed to grow at a CAGR of 6.23% which reaches to 15,230 GWh by FY 2019-20 starting from 11,960 GWh in FY 2015-16. The Petitioner during the hearing submitted that the computed demand for last five years is 6.5% while the average growth rate of last two years i.e. FY 2013-14 and FY 2014-15 is 8.06% and it is the vision of GoP that after FY 2017-18 it would be load shedding free era.

8.3 The Petitioner projected following purchases and sales from FY 2015-16 to 2019-20.

	2015-16	2016-17	2017-18	2018-19	2019-20

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

Power Purchase (GWh)	11,960	12,689	13,489	14,326	15,230
Projected Sale (GWh)	10,657	11,349	12,087	12,873	13,709

8.4 The Methodology prescribes the submission of generation plan by NTDC and procurement plan by CPPA (G) and its approval by the Authority prior to the filing of the tariff petition by the XWDISCOs, as also pointed out by one of the Intervener in its Intervention Request. Since both NTDC and CPPA (G) did not submit the generation and the procurement plans, the Authority in order to avoid any delays in the determination of XWDISCOs tariff petitions for FY 2015-16 and onward, considered the power purchases and their corresponding cost as projected by XWDISCOs in their tariff petitions.

8.5 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 to have a realistic assessment of the monthly references of 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 2015-16. An increase of around 2.05% has been assumed over the actual generation pertaining to the FY 2014-15, as generation growth. Here it is pertinent to mention that the actual generation for the FY 2014-15 was 1.94% more than the actual generation for the FY 2013-14. After incorporating all the expected upcoming additional generation, it is estimated that in the FY 2015-16 the overall system generation will be about 98,989 GWh. After adjusting for the NTDC's permissible transmission losses of 3.0%, about 96,019 GWh are expected to be delivered to the distribution companies; the estimated share for the Petitioner from the pool for the FY 2015-16, is accordingly assessed as 11,374 GWh for the FY 2015-16, as against 11,960 GWh projected by it. After incorporating the T&D losses target for the FY 2015-16(discussed below) the sales target in the instant case for the same period works out as 10,294 GWhs. As regard the assessment for the FY 2016-17 and onwards is concerned, as per the Methodology, the Petitioner would file data for its generation plan before or on 1st September, each year. The Authority after due diligence may consider revising the current projection of purchases and sales (after incorporating assessed T&D losses level).

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

9. **Issue # 4 Whether the petitioner projected power purchase cost for the FY 2015-16 to FY 2019-20, is justified?**

9.1 The Petitioner has requested for a Power Purchase Price (PPP) of Rs. 113,572 million (Rs.10.66/kWh) for the FY 2015-16. The projection of Energy Transfer Charges (ETC) has been based on actual price of Rs.6.46/kWh for the FY 2014-15 considering the decline in oil prices, while the Use of System Charges (UoSC) and Capacity Transfer Charges (CTC) for 2015-16 to 2019-20 have been assessed after giving an increase of 5% in MDI and 5% in CTC/kWh on the basis of increase in kW (MDI) and CTC of FY 2014-15 over FY 2013-14.The Petitioner submitted the following component wise detail:

Power Purchase Price (PPP)break-up (PKR'000)					
	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
Energy transfer charge	77,250,964	81,961,672	87,130,513	92,551,895	98,413,930
Capacity Transfer charge	33,418,218	36,889,389	40,721,113	44,950,841	49,619,913
NTDC Use of System charge	2,902,619	3,047,750	3,200,138	3,360,145	3,528,152
Power Purchase Price	**113,571,802**	**121,898,812**	**131,051,765**	**140,862,881**	**151,561,995**

9.2 All the power generated from different sources is procured by the Central Power Purchasing Agency (CPPA (G)) on behalf of XWDISCOs as per the rates so determined by the Authority and subsequently reflected in the respective Power Purchase Agreements (PPAs). The overall power purchase cost constitutes a pool price which is transferred to the DISCOs according to 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 &biannual PPP adjustment with respect to T&D losses, Capacity and Transmission Charges.

9.3 From all the available sources of generation of electricity, i.e. Hydel, Thermal-Gas, RFO, Nuclear, Coal, Solar, Wind, Bagasse and Imports, a total of 98,989 GWh power is expected to be generated during the FY 2015-16. The estimated/projected source-wise generation and the estimated cost of electricity is given in the following table:

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

Fuel Type	Gen.	Share	Cost	Share	Rate
	MkWh	%	Mln. Rs.	%	Rs./kWh
Hydel	32,563	32.90%	3,124	0.56%	0.10
Coal	102	0%	382	0%	3.74
HSD	1,702	2%	22,168	4%	13.02
F.O.	30,881	31.2%	332,651	59%	10.77
Gas	26,218	26%	177,129	32%	6.76
Nuclear	4,995	5%	6,609	1%	1.32
Mixed	1,015	1%	10,332	2%	10.18
Import from Iran	443	0%	4,669	1%	10.55
Wind Power	724	1%	975	0%	1.35
Bagasse	319	0%	1,977	0%	6.20
Solar	26	0%	64	0%	2.47
Total	**98,989**	**100%**	**560,080**	**100%**	**5.66**
Energy Charges [Net of NTDC Losses]	**96,019**		**560,080**		**5.83**
Cap. Charge [Rs. /kWh]			239,695		2.50
UOSC [Rs. /kWh]			30,520		0.32
Total Cost [Rs. /kWh]	**96,019**		**830,295**		**8.65**

9.4 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 biannually adjustments. From the above table it is clear that 31% of total generation is expected on Residual Fuel oil (RFO) but its share in overall energy cost is expected to be around 59%, 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 decreasing trend, whereby the actual average RFO prices during the FY 2014-15 remained at around Rs. 56,121 [excluding Sales Tax and including freight] per metric ton and came to a lower level of Rs. 40,411 per metric ton as against the last year's average projected price of Rs. 65,769 [excluding Sales Tax and including freight] per metric ton. The RFO prices in Pakistan are not only affected by the international market but also by the exchange rate parity. Based on the international market condition, it can be presumed that this lower trend shall continue in the future as well, consequently, for the FY 2015-16, RFO prices have been assumed on an average of Rs. 47,981 per metric ton [excluding Sales Tax and including freight] after incorporating the possible determinants of RFO prices. The HSD prices for the FY 2015-16, are being assumed on an average of Rs. 61.29 per litre [excluding Sales Tax], keeping in view the declining trend of HSD price in FY 2014-15,which remained on average Rs. 76.89 per litre during the FY 2014-15, against the projection of Rs. 93.45/ litre. Keeping in view the recent developments regarding the import of RLNG and the notification by

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA AUTHORITY

OGRA regarding provisional price of RLNG, it is quite obvious that gas based power plants will also be run on RLNG especially in the months where there is gas shortage as has been the case in the past. Accordingly, impact of RLNG has also been considered while projecting the gas prices for the FY 2015-16, which has been assumed at Rs. 900/ MMBTU.

9.5 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.

9.6 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 & K-Electric
XCTC	=	Capacity Transfer Charge to XWDISCOs & K-Electric
XETC	=	Energy Transfer Charge to XWDISCOs & K-Electric

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

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 & K-Electric in kW recorded during a billing period at all the delivery metering points at which power is received by the XWDISCOs & K-Electric.
(iii)	USCF	=	the fixed charge part of the use of system charges in Rs per kW per month.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA AUTHORITY

$$XETC = \frac{CpGenE\ (Rs)}{XWUs\ (kWh)}$$

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 & K-Electric 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.

9.7 According to the above mechanism Rs.29,704 million and Rs.3,775 million is the share of the Petitioner on account of CpGenCap and USCF respectively for the FY 2015-16. The overall fixed charges comprising of CpGenCap and USCF in the instant case works out as Rs.33,480 million, which translate into Rs.1,223 /kW/month or Rs.2.94/kWh.

9.8 The annual PPP for the FY 2015-16 in the instant case works out as Rs. 99,785 million. With the projected purchase of 11,374 GWh for the same period the average PPP turns out to be as Rs. 8.77/ kWh (Annex – IV). On the basis of 9.50% T&D losses, the PPP per kWh is assessed as Rs. 9.69/kWh.

9.9 Regarding the assessment for the FY 2016-17 and onwards is concerned, as per the Methodology, the Petitioner would file data for its generation plan before or on 1st September, each year. The Authority after due diligence may consider revising the current projection of PPP. Accordingly, the impact of revised prices on the SOT, would be done by the Authority. Here it is pertinent to mention that the references of power purchases would continue to exist irrespective of the financial year unless the revised references are notified by the GoP.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

10. **Issue #3 Whether the Petitioner's proposed transmission and distribution losses for the FY 2015-16 to 2019-20, are justified?**

11. **Issue # 12 Whether the proposed incentive for proportionate increase in return on equity against reduction in transmission and distribution (T&D) losses, merits consideration?**

11.1 The Petitioner requested a T&D losses target of 10.90% for the FY 2015-16 which gradually reduces to 9.98% by the end of the control period i.e. FY 2019-20. The Petitioner has submitted an Integrated Generation Transmission & Distribution Plan (IGTDP), which includes formation of new grids, conversion of existing grids, 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 and up gradation to Automated Meter Reading and Advanced Metering Infrastructure.

11.2 The Petitioner also submitted that it has the ability to reduce the level of technical and commercial losses and it is appropriate that it be incentivized to do so and therefore the proportionate over-achievement of T&D losses shall be added to the return on equity, in order to incentivize rapid reductions and increased investment by the Company.

11.3 The Petitioner further stated that its T&D losses target was set at 9.50% against the projected of 11.00% for the FY 2014-15 considering the fact that the Petitioner had not conducted an independent study of its T&D Losses as earlier directed by the Authority. The Petitioner also submitted that in FY 2013-14,it was allowed a T&D Loss target of 9.50% against its total projection of 11.00% with 9.20% relating to distribution and 1.80% relating to transmission which was subject to reconsideration on the completion of the study.

11.4 The Petitioner also mentioned that it has, on the direction of Authority, resumed and completed the process of evaluation of Transmission Losses. According to the study, quantum of Transmission Losses of the Petitioner is 2.5% to 3%, which is higher than the transmission losses anticipated by the Petitioner. Furthermore, a contract for determination of Distribution Losses has been awarded to M/S Power Planner International on 29th January 2015 and the study is currently underway.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

11.5 The Petitioner also presented a review of its five year historical T&D loss trend that indicates the Petitioner has successfully maintained its T&D losses despite notable impacts of load growth, addition in the distribution network and number of consumers. The Petitioner also submitted that it has achieved superior T&D losses as compared to its peers. A summary of historical trend provided by the petitioner is presented below:

Historical analysis of T&D losses	
Fiscal Year	**T&D losses**
2008-09	10.66%
2009-10	10.91%
2010-11	11.24%
2011-12	10.76%
2012-13	10.89%
2013-14	11.26%
2014-15	11.00%

T&D losses of XWAPDA DISCOs (FY15)	
FESCO	11.0%
IESCO	9.4%
GEPCO	10.7%
LESCO	14.1%
MEPCO	16.8%
QESCO	23.9%
HESCO	27.1%
TESCO	21.4%
SEPCO	38.3%
PESCO	34.8%

11.6 The Petitioner during the hearing further submitted that T&D losses range between 11.495% and 11.929%, depending upon quantum of energy imported. The proposed Transmission and Distribution Losses with break up for FY 2015-16 to 2019-20 as provided by the Petitioner is given below:

T&D Losses break-up	FY16	FY17	FY18	FY19	FY20
Transmission Losses 132 kV	2.00%	1.90%	1.85%	1.95%	1.95%
11 kV + Transformer + Cable Metering Loss	6.10%	5.90%	5.75%	5.06%	5.06%
LT Losses	2.30%	2.26%	2.30%	2.06%	2.06%
Total Technical Losses	**10.40%**	**10.06%**	**9.90%**	**9.07%**	**9.07%**
Admin. Losses	0.50%	0.50%	0.50%	1.08%	0.91%
Total T&D losses	**10.90%**	**10.56%**	**10.40%**	**10.15%**	**9.98%**

11.7 Furthermore, the Petitioner submitted that in order to take full ownership of the T&D loss targets approved in the MYT tariff and to enable the Petitioner to plan investments to achieve the same, it was submitted that, in accordance with NEPRA's directives, the T&D loss targets be reset after the completion of the

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA AUTHORITY

independent third party study of the T&D losses. The Petitioner further submitted that in the event of any potential private sector participation in the Company, the private sector partner should be given the opportunity to review the independent studies commissioned by the Company and suggest adjustments, if necessary as a one-time reopener.

11.8 The Authority observed that 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. 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. 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 and allowed T&D losses of 9.50%.

11.9 The Authority, for FY 2014-15, again assessed T&D losses of the Petitioner at a level of 9.50% since the Petitioner did not comply with the directions of the Authority, in terms of carrying out an independent study of its T&D losses.

11.10 The Petitioner, with the instant petition, has submitted a study of T&D losses, however upon scrutiny it was revealed that the submitted study is incomplete. The Authority has noted with great concern that even with the instant petition, the Petitioner has failed to comply with the direction of the Authority in terms of completion of study of its T&D

POWER REGULATORY NATIONAL ELECTRIC AUTHORITY NEPRA AUTHORITY losses from a third party. The Authority further observed that the Petitioner instead of giving any firm date in this regard, has only mentioned that contract for determination of Distribution Losses has been awarded to M/S Power Planner International on 29th January 2015 and the study is currently underway.

11.11 In view of aforementioned, the Authority is constrained to maintain its earlier decision in this regard. Thus, the Authority has decided to maintain the level of T&D losses of the Petitioner for FY 2015-16 @ 9.50% which will be considered as base line for setting future T&D losses target of the Petitioner during the control period. On the request of onetime opener, in the light of the finding of the T&D losses study, the Authority considers that it may only happen if it is convinced with the quality of the study and the said study is accepted by the Authority.

11.12 On the request that savings in T&D losses may result in corresponding increase in return on equity, the issue is already been addressed under the head of RORB .

11.13 As regard the setting of T&D losses target for the rest of the control period. The Authority considers that it has framed an issue with respect to the T&D losses in the IGTDP for the discussion during the hearing. On the basis of pleadings, evidence/record produced and arguments raised during the hearing, the findings on the issue are given as under;

12. Issue # The Petitioner showed cumulative savings in terms of reduction in power losses as 18.8 MW, energy savings as 91.05 GWh and a cumulative decrease of 1.16% in projected losses over next 5 years. Whether these assumptions of the are justified? If yes, the Petitioner may provide the detailed analysis on this issue.

12.1 The Petitioner submitted that figure of 18.8 MW reductions in power losses and 91.05 million kWh savings are due to only STG Plan as per Load flow study carried out on PSSE software and hence are justified. The Petitioner has projected a reduction of 1.02% in losses due to overall investment on both Transmission and distribution network. Break-up of reduction in losses due to STG and DoP as provided by the Petitioner is as under;

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

Reduction in losses due to STG

Fiscal Year	Energy Purchase	Energy Sale	Units Lost	%age Projected Losses	%age Increase/ (Decrease)
2014-15	11,243	10,006	1,237	11.00	
2015-16	11,973	10,656	1,316	11.00	
2016-17	12,745	11,349	1,396	10.96	0.04%
2017-18	13,551	12,086	1,464	10.81	0.15%
2018-19	14,424	12,872	1,551	10.76	0.05%
2019-20	15,318	13,709	1,609	10.51	0.25%
Total % age Increase/(Decrease)					**0.49%**

Reduction in losses due to DOP

Fiscal Year	Energy Purchase	Energy Sale	Units Lost	%age Projected Losses	%age Increase/ (Decrease)
2014-15	11243	10006	1237	11.00%	
2015-16	11961	10657	1304	10.90%	0.10%
2016-17	12695	11349	1346	10.60%	0.30%
2017-18	13518	12087	1431	10.58%	0.02%
2018-19	14364	12873	1491	10.38%	0.20%
2019-20	15311	13709	1602	10.46%	(0.08)%
Total % age Increase/(Decrease)					**0.54%**

Reduction in losses due to overall investment on both Transmission and distribution network

Fiscal Year	Energy Purchase	Energy Sale	Units Lost	%age Projected Losses	% age Increase/ (Decrease)
2014-15	11243	10006	1237	11.00%	
2015-16	11960	10657	1303	10.89%	0.11%
2016-17	12689	11349	1340	10.56%	0.33%
2017-18	13489	12087	1402	10.39%	0.17%
2018-19	14326	12873	1453	10.14%	0.25%
2019-20	15230	13709	1521	9.99%	0.16%
Total % age Increase/(Decrease)					**1.02%**

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA AUTHORITY

12.2 Based on the information provided by the Petitioner in IGTDP with respect to the investments, the Authority considers that the Petitioner's proposed reduction of T&D losses over a period of five years is on a conservative side. The Authority considers that with the allowed level of investments of Rs. 44,625million and the expected accomplishments over a period of five years the Petitioner would be able to reduce the level of T&D losses by 1.4% instead of 1.2 %. In view thereof, the Authority has assessed the following T&D losses target in the matter of the Petitioner, over the five year's control period.

Fiscal Year	%age Projected losses (PROPOSED)	%age Projected Losses (ALLOWED)	%age Decrease/(Increase) (ALLOWED)		
			Transmission Loss Decrease	Distribution Loss Decrease	Total Decrease
2014-15	11.00%	9.50%			
2015-16	10.89%	9.50%	-	-	-
2016-17	10.56%	9.36%	0.04%	0.10%	0.14%
2017-18	10.39%	9.02%	0.04%	0.30%	0.34%
2018-19	10.14%	8.60%	0.15%	0.27%	0.42%
2019-20	9.98%	8.10%	0.05%	0.45%	0.50%
Total Decrease %	1.02%	1.40%	0.28%	1.12%	1.40%

13. **Issue # 9 Whether the Petitioner's proposed Investment Plan for FY 2015-16 to 2019-20, is justified, keeping in view the prospective benefits.**

13.1 As per the NEPRA guidelines for the determination of consumer end tariff (Methodology and Process), 2015 (The Methodology) notified vide S.R.O. 34 (I)/2015 dated January 16, 2015, the submission of IGTDP and assessment of T & D losses by XWDISCOs and their approval by the Authority is required before filing of the tariff petition. The timelines for submission of the IGTDP and assessment of T&D losses, as per the Methodology, is September 01 each year. The date specifies the initiation of approval process and on 1st September, each year, the Authority would start the process of review of previous year's actual performance and its subsequent impact on next year's plan. The Petitioner would also present its intended plan for the sixth year, in the same process. (concept of re- rolling investment plan as specified in the Tariff Methodology)

13.2 Here it is pertinent to mention that the Methodology was notified in January 2015, and the process for the determination of the IGTDP and assessment of T&D losses, should

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA AUTHORITY

have been started by September 01, 2015. The Petitioner did filed some details with respect to the IGDTP yet due to the quality of information the same were returned. The Authority considering the fact that the process was new to all the XWDISCOs conducted workshops in order to improve the filing capacities of the XWDISCOs. In view of aforementioned, if a separate process in this regard was initiated, it may have resulted in considerable delays in filing of the tariff petitions for FY 2015-16 by the XWDISCOs, thus, the Authority considering the time constraints and being the first year of the new tariff regime, (on the request of the XWDISCOs), allowed to file the IGTDP & assessment of T&D loses along-with their Consumer-end Tariff Petitions.

13.3 The Petitioner filed its IGTDP for the next five years under both the scenarios i.e. Optimally Achievable Scenario and the Best case Scenario.

13.4 The Petitioner, under the Optimally Achievable scenario, has requested an amount of Rs. 29,088 million and under the Best Case scenario an amount of Rs.36,776 million to execute its development/ investment plan for MYT period from FY 2015-16 to 2019-20. Both the aforementioned proposed amounts are exclusive of the consumer contribution / deposit work. Here it is pertinent to mention that in the petition, the Petitioner has projected consumers' contribution/ deposit work, under the optimally achievable scenario, as Rs.22,517 million whereas in the IGTDP the same has been reported as Rs.13,060.86 million. Since, IGTDP is the more relevant and detailed document with regard to the investment plans, therefore, the Authority has taken into account the amount of Consumer contribution / deposit work appearing in the IGTDP for both the Optimally Achievable and the Best Case Scenario.

Summary of capital cost for proposed projects under **Optimally Achievable Scenario** is as under:

	Item	2015-16			2016-17			2017-18			2018-19			2019-20			Total		
		LCC	FEC M$	Total	LCC	FEC M$	Total	LCC	FEC M$	Total	LCC	FEC M$	Total	LCC	FEC M$	Total	LCC	FEC M$	Total
A	STG	2828		2828	3252		3252	2722		2722	2616		2616	1637		1637	13056		13056
B	Distribution	994		994	1210		1210	1443		1443	1670		1670	1993		1993	7309		7309*
C	Vehicles and T&P	104		104	119		119	90		90	68		68	49		49	430		430
D	Civil Works	530		530	1045		1045	680		680	400		400	210		210	2865		2865
E	ERP Implementation	300		300															300
	Total	4756		4756	5626		5626	4935		4935	4754		4754	3889		3889	23660		23960
	ADB Funded Plan	2825	16.9	4214	548	3.66	914										3373	20.56	5128
	Total	7581	16.9	8970	6174	3.66	6540	4935		4935	4754		4754	3889		3889	27033	20.56	29088

**An amount of Rs. 13,060 Million to be recovered from consumers under DOP Expansion as submitted by FESCO in its MYT Petition is not included above.*

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA AUTHORITY

Summary of capital cost for proposed projects under **Best Case Scenario** is as below:

	Item	2015-16			2016-17			2017-18			2018-19			2019-20			Total		
		LCC	FEC M$	Total	LCC	FEC M$	Total	LCC	FEC M$	Total	LCC	FEC M$	Total	LCC	FEC M$	Total	LCC	FEC M$	Total
A	STG	3003		3003	4196		4196	3174		3174	3346		3346	2664		2664	16386		16383
B	Distribution	1099		1099	1335		1335	1564		1564	1825		1825	2181		2181	8005		8005*
C	Vehicles and T&P	254		254	269		269	240		240	218		218	199		199	1180		1180
D	Civil Works	530		530	1045		1045	680		680	400		400	210		210	2865		2865
E	ERP Implementation	300		300															300
F	Others	42		42	450		450	450		450	980		980	1290		1290	3212		3212
	Total	5228		5228	7295		7295	6108		6108	6769		6769	6544		6544	31648		31945
	ADB Funded Plan	2825	16.9	4214	548	3.66	914										3373	20.56	5128
	Total	8053	16.9	9442	7843	3.66	8209	6108		6108	6769		6769	6544		6544	35017	20.56	37073

** An amount of Rs. 13,085 Million to be recovered from consumers under DOP Expansion as submitted by FESCO in its MYT Petition is not included above.*

13.5 Funding Plans

The Petitioner has mentioned in its petition the following funding plan to fund its proposed investments;

Source	2015-16	2016-17	2017-18	2018-19	2019-20	Total
Foreign / Local Banks (Committed)	6,313	-	-	-	-	6,313
ADB	-	-	-	-	-	-
PSDP/ Own Source	-	-	-	-	-	-
GoP Grant	-	-	-	-	-	-
Consumer Contribution	3,753	4,053	4,428	4,879	5,404	22,517
Other (Own Source)	2,657	6,540	4,935	4,754	3,889	22,775
Total	**12,723**	**10,593**	**9,363**	**9,633**	**9,293**	**51,605**

13.6 Existing System of the Petitioner

The Petitioner also provided details of its existing distribution system as mentioned hereunder;

Description	Unit	Quantity
Grid Stations		
132 kV Grid Stations	No.	62
66 kV Grid Stations	No.	23
132 kV Consumer Owned Grid Stations	No.	18
Power Transformers	No.	177
Capacity of Power Transformers	MVA	4073.45

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

Transmission Lines (132 kV & 66 kV)		
Total Length of Transmission Lines	KM	3125
Distribution System		
11 kV Feeders	No.	890
Total Length of 11 kV Lines	KM	38614
Total Length of LT Lines	KM	25900
Distribution Transformers	No.	91776
Capacity of Distribution Transformers	KVA	5621000
Service Connections		
Domestic	No.	2975160
Commercial	No.	342106
Industrial	No.	46407
Tube Well	No.	39341
Bulk	No.	217
Others	No.	1611
Total FESCO Consumers	No.	3404842

13.7 Constraints in the Existing System

The Petitioner has highlighted the following constraints in its Existing System;

Description	Unit	Quantity
Overloaded 132 kV Grid Stations	No.	10
132 kV Grid Stations facing Low Voltage Problems	No.	10
Overloaded / High Loss 11 kV Feeders	No.	200
Overloaded Distribution Transformers	No.	3500
No. of 11 kV Feeders facing Low Power Factor	No.	60

13.8 Proposed Additions/ Improvements in the Existing System Post Investment

The Petitioner in view of its aforementioned proposed IGTDP expects the following improvements / additions in its existing system to overcome the constraints and to cater for the expected increase in its customer base;

Total MVA Added at 132 kV Grids:	1534 MVA
New Transmission Lines:	706 km
Capacitors Installation (132 kV Fixed):	72 MVAR
Capacitors Installation (11 kV Fixed):	414 MVAR
New HT (11 kV) Lines:	3365 km
New LT (415/230 V) Lines:	3400 km

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA AUTHORITY

The existing HT and LT ratio is:	1.5
The HT and LT ratio after 5 Years:	1.42
Average Length of 11 kV Feeders at Present:	43.39 km
Average Length of 11 kV Feeders after 5 Years:	38.51 km
Total KVA added at Distribution Level:	250,000 KVA

13.9 Based on the foregoing submission of the Petitioner and the proposed IGTDP, the Authority framed the following issues for discussion during the hearing. On the basis of pleadings, evidence/record produced and arguments raised during the hearing, issue-wise findings are given as under;

13.10 Whether the load demand forecast provided by the Petitioner is justified?

13.10.1 The Petitioner has submitted that the load demand forecast has been carried out by its Power Market Survey (PMS) section in coordination with General Manager Planning (Power) NTDC, Lahore along with other DISCOs. The Petitioner considers this study as authenticated and justified. Documentation in this regard is part of IGTDP submitted with tariff petition.

Year	Growth Rates (%)	ENERGY (GWh)	MW
2015-16	7.1	10718.63	3293
2016-17	7	11466.85	3482
2017-18	7.9	12375.87	3699
2018-19	7.6	13313.78	3925
2019-20	7.4	14294.26	4161

The issue has already been discussed under the head of projected sales growth.

13.11 Whether the base line conditions identified by the Petitioner in its 5 years investment plans truly reflective of its prevailing performance and conditions?

13.11.1 The Petitioner has mentioned that Base Line conditions taken in 5 years' investment plan are the actual figures of FY 2014-15 available with the Petitioner and are not forecasted/projected and are truly reflective of performance and prevailing conditions.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA AUTHORITY

The Petitioner has submitted its existing base line conditions as follows:

Description	Unit	Quantity
Grid Stations		
132 kV Grid Stations	No.	62
66 kV Grid Stations	No.	23
132 kV Consumer Owned Grid Stations	No.	18
Power Transformers	No.	177
Capacity of Power Transformers	MVA	4073.45
Transmission Lines (132 kV & 66 kV)		
Total Length of Transmission Lines	KM	3125
Distribution System		
11 kV Feeders	No.	890
Total Length of 11 kV Lines	KM	38614
Total Length of LT Lines	KM	25900
Distribution Transformers	No.	91776
Capacity of Distribution Transformers	KVA	5621000
Service Connections		
Domestic	No.	2975160
Commercial	No.	342106
Industrial	No.	46407
Tube Well	No.	39341
Bulk	No.	217
Others	No.	1611
Total FESCO Consumers	**No.**	**3404842**

13.11.2 The Authority is of the firm view that its Regulatory Assessment in terms of T&D losses, Recoveries and Performance Standards (PSDR-2005 along with all amendments) are achievable by the Petitioner with its existing infrastructure. Although the Petitioner is consistently failing in achieving Authority's assessed regulatory benchmarks, the Authority still cannot ignore the importance of investments which ensures reliable, safe and smooth supply of electricity. Here it is pertinent to mention that the instant IGTDP not only caters for the rehabilitation/augmentation of existing infrastructure but also caters for future expansion needs along with technology developments.

13.11.3 In view thereof, the Authority has recorded/noted Petitioner's submitted aforementioned details as a starting point for proposed future investments.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA AUTHORITY

13.12 How the Petitioner will ensure timely implementation and completion of the committed projects identified under its investment plans? Whether the Petitioner has arranged the funds required to undertake these projects? If yes, the Petitioner is required to provide the details of source of funding in respect of each project.

13.12.1 The Petitioner during the hearing mentioned that every effort is being made for timely implementation and completion of the committed projects identified under Investment Plans. According to the Petitioner, it has an effective PMU, which can manage required level of projects execution. ADB has made commitment of PKR. 5,128 Million for already approved projects. For the remaining funds, presently there is no commitment with any financial institution. The Petitioner stated that it will utilize funds from its own resources i.e. distribution margin allowed in tariff.

13.12.2 The Authority understands that funding arrangement for the proposed investment and expansion plans will be one of the major challenges for the Petitioner. Thus, in order to analyze the funding capacity of the Petitioner, the Authority carried out an analysis of its future RoRB and Depreciation expense based on the allowed investment. It was observed that that the Petitioner can be able to fund the allowed investments from its own resources.

13.13 The Petitioner identified various STG and Distribution Projects in its investment plans. What is the basis or criteria for selection of these projects? Whether the Petitioner adopted the criteria for selection of the projects as approved by NEPRA?

13.13.1 The Petitioner has submitted that criteria adopted by it for the selection of STG projects is to relieve over loaded Grid Stations and Transmission Lines and to enhance their capacity keeping in view the future growth forecasted in PMS study and to comply with the performance standards of NEPRA. New Grids have also been proposed at load centers and location has been selected keeping in view the configuration of 11 kV feeders in vicinity in order to reap maximum benefits in terms of reduction in line losses and improvement of voltage profile. The results of the load flow studies have been utilized for identification of location of projects. These studies are the part of IGTDP. The projects under Distribution Expansion Plan have been selected on the criteria as how it would facilitate the new consumers to be added in next 5-years, which will also boost Company revenue and savings. The Projects under Distribution and Transmission Rehabilitation have been selected to ensure uninterrupted, stable and reliable supply to

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

consumers along with reduction in distribution losses and to achieve Authority's performance standards.

13.13.2 The Authority observed that the Petitioner has provided the information in the formats pertaining to the Authority's determined Investment Standards (still in the process of notification). The Authority considers that the Petitioner while selecting the projects has tried to ensure the financial viability of the Projects and also tried to correlate the benefits of the proposed investments with the improvement in performance standards, reduction in transmission and distribution losses. The Authority has also observed that it has proposed those projects aimed at ;

- Removing any constraints in the system for transmitting power from NTDC system to DISCO network
- computerization from manual data entry systems and strengthening of IT functions.
- Automation in meter reading
- Training of manpower specifically the professionals

13.13.3 Thus, in view of afore going, the Petitioner's proposed investment plan, in general meets the Authority's expected quality standards and by using tools like load flow studies, has identified optimal solution in the shape of proposed investments.

13.14 The project costs under STG and Distribution Expansion Plans are based on the data derived from past figures. How the Petitioner will justify these costs made on past data assumptions and benefits achieved after implementation of these plans?

13.14.1 The Petitioner has submitted that costs under STG and Distribution Plan are not only derived from past figures but cost of material and services has been updated as per their current rates in market (quoted by different firms in their successful bids during 2014-15). These rates have been escalated at 6.5% per annum for future years. The projects for which studies have been carried out, the benefits are assessed as per results of load flow studies which reflect improvement in the T&D network. The Petitioner considers these benefits optimally justified. Realistic approach has been adopted for assessment of benefits.

13.14.2 The Authority after careful consideration of the Petitioner's response has found it satisfactory.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

13.15 Whether the generation addition by setting up new IPPs as mentioned by the Petitioner is consistent with the generation expansion plans of NTDC in next 5 years? What is the basis of these additions, details are required?

13.15.1 The Petitioner has submitted that it has followed the latest Generation Plan provided by Office of GM (Power Planning), NTDC, Lahore. The issue is already discussed under the head of Power Purchase Price.

13.16 Whether the proposed projects for next 5 years under optimally achievable case is justified? The Petitioner is required to submit year wise rationale in respect of cost-benefits through investing the above mentioned amount and improvement in its existing networks such as improvement in HT/LT ratios and average length per 11 kV feeders.

13.16.1 The Petitioner in response stated that it considers proposed projects being justified, as it is requirement of system to improve existing overloaded system as well as to cope with future load growth. For STG Projects which are completed in more than one year, the year wise cost benefit ratio is not rational, however for calculation purposes benefits can be assessed year wise. The detail of benefits assessed is given in Executive Summary of IGTDP Plan. The Petitioner also presented the following indicators of financial analysis given below justifying this investment;

Financial Internal Rate of Return (FIRR):	65%
Benefit cost ratio over the life of Project (30 Yrs.):	4.45
Payback Period:	4.32 Years

Year-wise Cost-Benefit Ratio:

Year	Cost (Million Rs.)	Benefits (Million Rs.)	Benefit/Cost Ratio
2015-16	9461	1002	0.12
2016-17	7550	3438	0.53
2017-18	6063	7459	1.51
2018-19	5917	15856	3.34
2019-20	5060	19681	5.06

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

13.16.2 The Petitioner has projected the following improvements in its existing Network after five (05) Years:

Total MVA Capacity of Power Transformers:	5607 MVA
Total Length of Transmission Lines:	3831 km
Total length of HT (11 kV) Line after Implementation:	41979 km
Total Length of LT (415/230 V) after Implementation:	29300 km
The HT and LT ratio after Implementation:	1.42
Total Number of Feeders after Implementation:	1090 Nos.
Average Length of 11 kV Feeders after Implementation:	38.51 km
Power Factor Improvement:	100%

13.16.3 The Authority noted that the Petitioner has proposed a comprehensive plan for expansion and improvement which is supported by demand forecast prepared by NTDC Planning Department and load flow studies. The Authority further noted that at the 11 kV level Petitioner has plans to add 200, 11 kV feeders over a period of 5 years such that average length of its 11 kV feeders, which is 43.39 km, will improve to 38.51 km. Here it is pertinent to mention that the Petitioner currently has a better HT/LT ratio of 1.5 (a ratio of 1.2 is considered reasonable as per utility practices) but since the Petitioner has proposed 3400 km of LT lines and 3365.7 km of HT lines therefore its HT/LT ratio slightly decreases to 1.42 which is still well over the required standard of 1.2.

The issue is deliberated under decision part.

13.17 Whether the indicated capital cost of Rs. 37,073 million for proposed projects for next 5 years under best case scenario is justified?

13.17.1 The Petitioner stated that the best case Plan has been prepared for removing constraints of the system expected to exist even after implementation of optimally achievable plan as per studies carried out. This investment is just enabling the system to deliver the forecasted load without any constraint. For bringing whole T&D system up to the mark a huge investment is required especially on distribution side. Since GOP has declared 2017-18 the Load shedding free era therefore keeping in view the vision of GOP this best case plan amounting to PKR 37,073 million is justified.

The issue is deliberated under decision part.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

13.18 Whether the expected potential increase in revenue of Rs. 11,747.04 million as result of energy consumption by 900,000 new consumers expected to be added in next 5 years under Distribution Expansion Program is justified? FESCO needs to provide details by linking it to historical data.

13.18.1 The Petitioner has submitted that the figure has been calculated by determining last year (2014-15) consumption per consumer of each category and multiplying these figures with number of new consumers to be added in each year.

13.18.2 The Authority for the purpose of future planning only, has accepted the Petitioner's submitted figure of addition of 900,000 consumers. As regard the financial aspect of the addition of 900,000 consumers are concerned, the same would be addressed in accordance with the Tariff Standards Procedure Rules and Tariff Methodology.

13.19 The linkage between investment plans and performance standards is the core component of investment plans therefore the Petitioner may provide a comprehensive year wise analysis about improvement in SAIFI, SAIDI and other performance standards achieved through its investments.

13.19.1 The Petitioner submitted its response as under;

Description	2015	2016	2017	2018	2019	2020
SAIDI (Minutes)	2682	1950	800	500	300	150
SAIFI (Nos.)	46	30	25	21	15	13
Supply Restoration (Minutes)	120	115	108	100	90	80
Fatal accident	9	0	0	0	0	0
Non-fatal accident	12	0	0	0	0	0
No. of meters read manually	1918146	0	0	0	0	0
New connections installation durations	35 days	35 days	35 days	35 days	35 days	35 days
Reduction in billing related complaints	3984	3800	3300	3000	2600	2000
Transmission loss (%)	2%	1.9%	1.9%	1.9%	1.8%	1.8%
Distribution loss (%) (Technical)	8.5	8.16	8.97	7.99	7.84	7.69
Aggregate Technical loss (%)	10.5	10.39	10.06	9.89	9.64	9.49
Non-technical losses (%)	0.5	0.5	0.5	0.5	0.5	0.5
Meters replacement		150000	150000	150000	150000	150000
Time taken to close financial books	3 months	3 months	3 months	3 months	3 months	3 months
Staff trained	1818	5300	5500	6000	6300	6400
Officer trained	55	70	80	90	100	110
Officers trained Management course	22	32	42	52	62	72

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

13.19.2 The Authority noted that the process of introducing an amendment in the Performance Standards is under way and would be finalized shortly. However, in the meanwhile, not to overstep the legal parameters, the Authority directs that the Petitioner must follow the already laid Performance Standards (PSDR-2005). In case the Performance Standards are amended and are subsequently approved, the Petitioner will comply with the amended Performance Standards.

13.19.3 The Authority has therefore set the following targets in terms of Performance Standards for the Petitioner:

Description	Existing	2016	2017	2018	2019	2020
SAIDI (Minutes)	2682	14	11.2	8.96	7.17	5.74
SAIFI (Nos.)	46	13	10.4	8.32	6.65	5.32
Fatal accident	9	0	0	0	0	0
Non-fatal accident	12	0	0	0	0	0
Reduction in billing related complaints	3984	1000	800	650	500	400
Meters replacement (defective, burnt etc. including TOU meters replacement)		150000	150000	150000	150000	150000
Officers trained Management course	22	32	42	52	62	72

13.19.4 Time frame for new connection in terms of Overall Standard 3 of PSDR 2005 is as under:

S. #	Description	Time limit for issuance of demand notice after receipt of application	Time limit for provision of connection after payment of demand notice
1	For supply at voltage level up to 400 V and load up to 15 kW	10 days	20 days
2	For supply at voltage level up to 400 V and load above 15 kW but not exceeding 70 kW	15 days	38 days
3	For supply at voltage level up to 400 V and load above 70 kW but not exceeding 500 kW	15 days	58 days
4	For supply at voltage level up to 11 or 33 kV and load above 500 kW but not exceeding 5000 kW	30 days	76 days
5	For supply at voltage level 66 kV and above for all loads	45 days	451 days

Supply Restoration (in minutes) must be complied as per Guaranteed Standard 1 of PSDR 2005.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

13.19.5 The Authority has observed that the Petitioner, as per requirements of IGTDP, submitted its investment plans for the next five years under both the scenarios i.e. **Optimally Achievable Scenario,** wherein it has proposed a total investment of Rs. Rs.29,088 Million (excluding the consumer contribution of Rs.13,061 million) and **Best Case Scenario** wherein it has proposed a total investment of Rs.37,073 million (excluding the consumer contribution of Rs.13,085 million).

13.19.6 The Authority, in order to properly evaluate the proposed investment by the Petitioner, also considered the actual spending of the Petitioner against the allowed investment over the last five years period, as per the details provided by the Petitioner, which are reproduced as hereunder;

(Rs. in Million)

Year	Investment requested (as per petition)	Investment Allowed by NEPRA (as per determination)	Total Budget (GOP +ADB)	Actual
2010-11	-----	------	2880	2,462.846
2011-12	9703	4030	2807	2,262.52
2012-13	6500	6350	3265	2,330.584
2013-14	10895	6700	3600	1,863.796
2014-15	9673	7573	4092	3,285.357

13.19.7 The above analysis clearly depicts that the Petitioner has not been able to spend the amount in full, allowed by the Authority during last five years. During the FY 2014-15, the Petitioner has spent only Rs.3,285.357 Million i.e. 43% of the allowed investment of Rs.7,573 Million, which is maximum spending, made by the Petitioner, during the last five years.

13.19.8 The inability of the Petitioner to undertake the allowed investments was discussed in detail with the Petitioner wherein it was explained that due to delayed approvals by the Planning Commission, the petitioner's capability to handle investments has not been truly reflected.

13.19.9 The Authority, however, in view of the privatization scenario, is of a firm view that the incoming private partner would make all out efforts to make the existing system robust and is expected to carry out extra ordinary investments. Thus, keeping in view the prospective privatization scenario, the Authority has decided to allow the following

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

investments to the Petitioner, over the five year's control period, exclusive of the consumer contribution/ deposit work of Rs.13,060 million.

(Rs. in Millions)

Description	Requested Optimal Case	Requested Best Case	ALLOWED
STG	13,056	16,383	13,056
DOP (Expansion and Rehabilitation)	7,309	8,005	7,309
Vehicles and Tools & Plans	430	1,180	1,180
Civil Works	2,865	2,865	1,400
ERP Implementation	300	300	300
ELR &Commercial Improvement	0	3,212	3,192
Sub-Total	**23,960**	**31,945**	**26,437**
ADB Funded	**5,128**	**5,128**	**5,128**
Total	**29,088**	**37,073**	**31,565**

13.19.10 Thus, a total investment of Rs.44,625 million is hereby allowed to the Petitioner including Rs.13,060 million to be recovered from consumers, as mentioned hereunder;

(Rs. in Millions)

Description	2015-16	2016-17	2017-18	2018-19	2019-20	Total
STG	2828	3252	2722	2616	1637	**13056**
Distribution (Expansion & Rehabilitation)	994	1210	1443	1670	1993	**7309**
Vehicles and Tools &Plants	254	269	240	218	199	**1180**
Civil Works	380	382	344	146	148	**1400**
ERP Implementation	300	0	0	0	0	**300**
ELR & Commercial Improvement	42	525	525	900	1200	**3192**
Sub-Total	**4798**	**5638**	**5274**	**5550**	**5177**	**26437**
ADB Funded	**4,214**	**914**	**0**	**0**	**0**	**5,128**
Total	**9,012**	**6,552**	**5,274**	**5,550**	**5,177**	**31,565**
Consumer Financing	**2,072**	**2,251**	**2,583**	**2,867**	**3,287**	**13,060**
GRAND TOTAL	**11,084**	**8,803**	**7,857**	**8,417**	**8,464**	**44,625**

13.19.11 Here it is pertinent to mention that the Petitioner under the **Optimally Achievable Scenario** did not propose investments under the ELR and Commercial Improvement programs. The Authority considers that both the ELR component and Commercial Improvement are critical to reduce losses, improvement in metering infrastructure and IT improvement, therefore has decided to make these programs also a part of the

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

Petitioner's expansion plan. The Authority considers that removal of system constraints for transferring power from NTDC system must be the first priority, followed by improvement in metering systems through ELR and overloaded grids.

13.19.12 The Authority in order to ensure prudent and effective spending of the allowed investment has approved the Target Investment Plan for the Petitioner, as given in **ANNEX-VII**, for the period of five years, so that progress on the implementation of these projects can be monitored effectively and in case of any failure regarding proper implement of the target plans, proceedings will be initiated against the Petitioner under NEPRA Act, Rules and Regulations. Thus, after completing the approved investment plan, the Petitioner would accomplish the following;

Total MVA Capacity of Power Transformers after adding 1534 MVA at 132 KV Grids	5607 MVA
Total KVA added at Distribution Level:	250000 KVA
Total Length of Transmission Lines after adding 706 km lines	3831 km
Total length of HT (11 kV) Line after adding 3365 km lines	41979 km
Total Length of LT (415/230 V) after adding 3400 km lines	29300 km
The HT and LT ratio after Implementation:	1.42
Total Number of Feeders after Implementation:	1090 Nos.
Average Length of 11 kV Feeders at Present:	43.39 km
Average Length of 11 kV Feeders after 5 Years:	38.51 km
Capacitors Installation (132 kV Fixed):	72 MVAR
Capacitors Installation (11 kV Fixed):	414 MVAR
Improvement in Power Factor	100 %

13.19.13 The addition of 1532 MVA at 132 KV Grids and addition of 250000 KVA at Distribution level would make overloading at zero level. Thus, all the system constraints highlighted by the Petitioner would be removed after the implementation of five year plan. The Authority considers that the impact of all the investment may get diluted, if the Petitioner carry out village electrification imprudently. The Authority is cognizant of the fact that imprudent village electrification may result in overloading and increasing T&D losses. In the past, the village electrification was restricted to poles, lines and distribution transformers only. Its impact on the existing grid or strengthening of the grid due to the additional load in the form of village electrification was totally ignored. In view thereof, the Authority directs the Petitioner to spend at least 20% of the village electrification funds for improvement / up-gradation of the grid. The Petitioner is

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

further directed to not to undertake any village electrification which would result in overloading of its system. The village electrification would only be undertaken without augmentation of the grid, if it already having spare MVAs.

13.20 <u>One Time Opener for the IGTDP</u>

13.20.1 The Petitioner also requested for provision of one-time reopener for amendments / revisions to the IGDTP in the event of any potential private sector participation. The Petitioner based its request on the argument that once the investment program is approved, it would not usually be revised, however, a one-time allowance of revision of the investment plan once the Company has achieved the potential private sector participation would be necessary as the private sector partner may want to change the planned investments as per its view of the capital available and demand forecast.

13.20.2 The Petitioner further submitted that the revision should take place within a year of the determination of the MYT tariff after the Company has conducted a thorough review of its investment needs.

13.20.3 The Authority after careful consideration of the Petitioner's request, is of the view that allowing onetime opener defeats the very spirit of MYT which minimizes the regulatory risks. The requested opener may increase the element of subjectivity and would eventually result in increasing risks for the incoming partner. In view thereof, the Authority, has decided not to allow any opener with respect to the IGTDP. However, if the private investor wants to add something in the IGTDP, it is free to do that subject to the approval of the Authority. The Petitioner can also change the priority of the allowed investment up to a maximum of 20% within the same category of investment i.e. under the STG program, if it intends to build a grid in the first year of the control period which was approved in the third year, it can do so subject to the maximum of 20% of the investment already approved under the STG program for a control year.

13.20.4 Here it is pertinent to mention that considering the fact that RAB for the FY 2015-16 & onwards has been calculated based on the allowed level of investments and in case the Petitioner ends up making an investment higher than already allowed, so in order to allow the impact of the incremental investment the Authority has decided to annually true up the RAB, as per actual investments. Thus, any investments carried out by the

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

Petitioner beyond the allowed level, during the MYT period, would be catered for under prior year investment mechanism.

14. **Issue # 5. Whether the petitioner reference O&M cost for the FY 2015-16 is justified for future adjustments till FY 2019-20?**

15. **Issue # 19 Whether the requested allowance of Rs. 476 million for additional recruitment of 3,094 employees in FY 2015-16 is justified?**

16. **Issue # 20 Whether the requested repair and maintenance cost, calculated at 3% of gross fixed assets (K-Factor) is justified?**

17. **Issue # 26 Whether the criterion proposed by the petitioner for segregation between controllable and un-controllable costs is justified?**

18. **Issue # 18 Whether the proposed efficiency factor (X) at Zero (0%) for first three years, 0.5% and 1% for last two years respectively, to be applied to the bench mark O&M cost adjusted by CPI, merits consideration?**

19. **Issue # 16 Whether Petitioner's request to allow creation of divisions and sub-divisions as proposed in 2nd& 3rd phases with an additional cost of RS. 509 million and 499 million respectively is justified?**

19.1 The Petitioner's requested O&M expenses includes salaries and other benefits of employees, cost of recoupment of HR, repair and maintenance expenses, traveling allowance, vehicle maintenance allowance and other operating costs related to its distribution and supply business. A summary of the O&M requested by the Petitioner for 2015-16 to 2019-20 is as under:

Operating and Maintenance Cost Breakup (Mln. Rs.)					
	FY16	FY17	FY18	FY19	FY20
Basic Pay and allowances	7,326	7,765	8,231	8,684	9,118
Employee Benefits	531	563	596	629	661
Cost of replacement HR	477	506	536	565	594
Retirement Benefits	4,110	4,356	4,618	4,872	5,115
Repair & Maintenance	1,984	2,284	2,584	2,877	3,164
Other Operating Expenses	1,614	1,708	1,809	1,910	2,011
Total	**16,041**	**17,182**	**18,374**	**19,536**	**20,662**

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

19.2 Pay & Allowances and Other Benefits

19.2.1 The Petitioner estimated the Pay & Allowances expense for FY 2015-16 based on the following;

- Company's present strength of 15,566 employees.
- Increase in Basic Pay has been attributed to the merging of ad-hoc relief for FY 2011 and 2012 which has an impact of 29% and annual increment with an impact of 5%
- Impact of other budgetary measures including:
    - 7.5% ad-hoc relief allowance; and
    - 25% increase in medical allowance.
- Financial impact on account of creation of new divisions and sub divisions in all phases amounting to PKR 1,432.203 million.

19.2.2 The Petitioner also requested to allow recoupment of human resources stating that such a significant shortage affects overall performance of the Company. The Petitioner referred to its tariff determination pertaining to the FY 2014-15, whereby the Authority, on the issue of additional recruitment of 2,807 personnel in different cadres of BPS 02 to 17, in Para 13.2.9 declined the Petitioner's contentions on the grounds that the Petitioner had not submitted any proposed yardstick substantiating the need for additional recruitment. 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 and the same was adopted/approved by its Board of Directors in its $120^{th}/8^{th}$ meeting held on 31.03.2014.

19.2.3 The Petitioner argued that currently it is a staff deficient company (deficient by 21.30% as per WAPDA yardstick) and at present 4,214 posts in different cadres of BPS 01 to 17 are vacant out of the total 19,780 sanctioned posts.

19.2.4 The Petitioner also submitted a comparison of existing staff strength versus sanctioned strength as shown in the table below. The Petitioner provided the following manpower statistics as of March 2015 highlighting the shortage of staff;

NEPRA
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NATIONAL ELECTRIC POWER REGULATORY AUTHORITY

Man power statistics (As of March 2015)									
S. No	Description	Sanct'd	Actual Working Strength				Deficiency	%age
			Reg.	Cont.	Daily wages	Total		
Officers (BPS-17 and above)								
a.	Technical	320	207	-	-	207	114	35.63%
b.	Non-Technical	157	96	-	-	96	60	38.22%
	Sub-Total	**477**	**303**	-	-	**303**	**174**	**36.48%**
Officials (BPS-01 to 16)								
a.	Technical	11,554	9,139	193	205	9,537	1,989	17.21%
b.	Non-Technical	7,169	5,076	98	98	5,272	1,922	26.81%
c.	Commercial	580	436	15	3	454	129	22.24%
	Sub-Total	**19,303**	**14,651**	**306**	**306**	**15,263**	**4,040**	**20.93%**
Total Manpower		**19,780**	**14,954**	**306**	**306**	**15,566**	**4,214**	**21.30%**
Source: FESCO's estimate								

19.2.5 The Petitioner delineated that the company has a replacement hiring plan of 3,094 personnel in different cadres of BPS 02 to 17. The Petitioner further imparted that GoP through Office Memorandum dated 22.10.2014 lifted the ban on recruitments and later issued a Recruitment Policy for the recruitment process. On clearance by Ministry of Water & Power and in the light of resolution of BOD dated 14.11.2014, the Company signed an MOU with National Testing Service (NTS)for outsourcing the written exams on 29.01.2015 to ensure transparency and merit based recruitment. Three (03) advertisements were published in the print media on 11, 12 & 13 February 2015 for filling of 1,611 vacant posts of BPS-05 to BPS-17 with last date for applications set at 28.02.2015. Rationale of each advertised category, embedded in its specific job description, is very instrumental in all the operational and construction activities. 1,178 vacancies of supporting staff in BPS-01 to BPS-04 have also been advertised on 19.04.2015 as per directions of Ministry of Water & Power dated 05.03.2015.

19.2.6 In view of aforementioned, the Petitioner requested the Authority to allow Rs. 476 million against recruitment of 3,094 personnel in different cadres of BPS 02 to 17 for FY 2015-16. The Petitioner also provided a list of intended recruitments.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

Cadre	Employees to be hired
BPS 2	187
BPS 3	878
BPS 4	113
BPS 5	454
BPS 6	326
BPS 7	386
BPS 8	80
BPS 9	65
BPS 11	5
BPS 13	4
BPS 14	367
BPS 15	113
BPS 16	4
BPS 17	112
Total	**3,094**

19.2.7 <u>Pension Benefits</u>

19.2.8 The Petitioner on the issue of Retirement Benefits mentioned that the Authority for the FY 2014-15 allowed only the actual payments made to pensioners rather than the amount provisioned annually. The Petitioner also submitted that it fully understands its legal obligation to record and pay these liabilities. The Petitioner claimed that since the unbundling of WAPDA, the Petitioner has been making timely payments to all its retired employees. The Petitioner argued that as per requirement of IAS-19 and Companies Ordinance 1984, the Company recognizes the gross amount of retirement benefits including requisite provisions. The establishment of separate fund will cause liquidity issues for the Petitioner. Furthermore, in view of the Company's proposed transition to private sector management, funding such a major obligation through a one-time payment will create fiscal imbalance in the Company and act as a major deterrent to the private sector.

19.2.9 The Petitioner current pension obligations as mentioned by the Petitioner, are of PKR 25 Billion which it is unable to transfer in a separate fund as it does not have sufficient cash; therefore, following three options were suggested by the petitioner:

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

*Option I:*As both the relevant IAS as well as SECP allows an unfunded pension liability, it is requested that NEPRA withdraw its directive and status quo prevails.

Option II: Provisions for retirement benefits may be allowed in advance and an amount equivalent to that will be transferred to a separate fund.

*Option III:*Company funds the liability in a installments every year over a period of 5 to 10 years and the same shall need to be incorporated in the tariff determined for the Company to enable it to recoup the funds transferred.

19.2.10 The Petitioner after applying the 20% increase, keeping in view the historical trend, projected the Post-Retirement Benefits for FY 2015-16 as under, followed by increment amounting to CPI –X for the remaining tariff period.

Post-retirement Benefits break-up (Mln. Rs.)						
	FY15	FY16	FY17	FY18	FY19	FY20
Pension	2,802	3,363	3,564	3,778	3,986	4,185
Leave encashment	180	216	229	243	256	269
Medical	222	267	283	300	316	332
Free Supply (Retired)	220	264	280	297	313	329
Total	**3,425**	**4,110**	**4,356**	**4,618**	**4,872**	**5,115**
% Change		**20.00%**	**6.00%**	**6.00%**	**5.50%**	**5.00%**

19.2.11 The Authority has evaluated Petitioner's concerns with respect to the additional recruitments (referred as replacement hiring by the Petitioner). The Authority has discussed the new hiring cost requested by the Petitioner with reasonable clarity in the tariff determinations for the FY 2013-14 and FY 2014-15. However, keeping in view the arguments put forward by the Petitioner in the instant and previous petitions, the Authority is of the view that the Petitioner has again confused the Authority's rationale to decline the request of additional hiring with the direction of getting the yardstick approved for additional recruitment based on proper justification and quantified benefits thereof, which would also include a comparison of existing state of affairs.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."

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

19.2.12 Subsequently, in order to streamline the process, the Petitioner was directed to get a yardstick approved for additional hiring based on quantified benefits, meaning thereby that additional recruitment, if any, should be made on proper justification and quantified benefits in terms of reduction in losses, better customer service etc. Thus, the major reason for the decline in the first place was not the approval of yardstick rather it was the required cost benefit analysis which also includes the existing state of affairs. The Authority, insisted that it should not be merely based on sanctioned strength and vacant posts. If, according to the Petitioner, the criteria for additional recruitment should be based on some yardstick, then that yardstick must be approved by the Authority. In addition, the burden of proof is on the Petitioner, not the Authority, as it is the Petitioner who intends to do the additional recruitment. In view thereof, the Petitioner's argument that the Authority has never approved any yardstick which has been violated, is not valid.

19.2.13 The Petitioner rather complying with the direction, again in the instant petition, has referred to the approval granted by its BoD and provided a list of staff. Neither any further details/ justification has been provided by the Petitioner nor any proposed yard stick substantiating the need for additional recruitments has been provided. The Petitioner vide its letter No.71/CFO/FESCO /2015 dated 30th July, 2015 (as discussed above under the Direction' issue) did provide some justification in terms of qualitative benefits and combined efficiency index. The Authority after careful consideration of the provided data is of the view that the provided qualitative benefits neither include the exiting state of affairs nor it include the future targets, rather it gives some generic statements e.g. better service to consumer, system will improve, efficient utility functions etc. Thus, lacking crucial specific numbers attached to it with respect to existing situation and future targets. On the quantified benefits although the Petitioner has tried to justify it through a nominal improved percentage of combined efficiency index, however, keeping in view the history of the Petitioner pertaining to the reported figure of administrative loss and overbilling issue (highlighted in the Petitioner's past decisions) and the fact that its level of T&D losses has increased and its recovery has improved, the claim of the Petitioner is highly debatable. Even if the provided numbers are accepted as such (for the sake of argument), the provided information does not answer the key question as if the requested recruitments are done as such, where would Petitioner sees itself in terms of combined efficiency index .i.e. what additional 3,094 new employees would do which the existing 15,566 employees can't do or failed to do properly and how it would translate into its claims of better service to consumers, system

NEPRA AUTHORITY
NATIONAL ELECTRIC POWER REGULATORY AUTHORITY

improvement, efficient utility functions etc. Here it is pertinent to mention that last year, the Petitioner wanted to recruit 2,807 employees with a cost of Rs. 548 million and this year it intends to recruit 3,094 employees with an additional cost of Rs. 476 million. When the both the submitted plans were compared, it was observed that 80 % of the requested recruitment is under BPS-12, whereby the major increase was under BPS -3 when compared with the last year's plan. In view of aforementioned discussion and the fact that the Petitioner has failed to comply with the Authority's direction in this regard; the Authority has decided not to allow the requested additional recruitment of 3,094 personnel having an impact of Rs.476 million as a part of reference cost for future increases.

19.2.14 Since the Petitioner has provided the required certificate regarding the replacement hiring, as per directions of the Authority, therefore, the Authority has considered the cost of Salaries, Wages and other benefits appearing in the financial statements of the Petitioner for FY 2014-15 for its future assessment.

19.2.15 On the issue of creation of new circles, the Petitioner, in the instant petition submitted that the Authority in previous determination allowed creation of Circle, Division/ sub-division in first Phase and the work upon the approval of the Authority was initiated in July, 2015 and also requested that the creation/bifurcation of Divisions/sub divisions proposed in the 2nd and 3rd phase may be allowed in FY 2015-16 due to the fact that it is filing a Multi-Year Tariff Petition for FY 2015-16 to 2019-20.

19.2.16 The Petitioner also stated that provision of Rs. 425 million has been made for creating of new divisions and sub-divisions in "the First Phase" already approved by the Authority in its determination for FY2014-2015. During the hearing the Petitioner also stated that the division/sub-division allowed in first phase has started functioning and the said cost has been added to the benchmark O&M cost for FY 2015-2016. Based on future expansions and related organization requirements, the Petitioner also proposes the creation of 8 new divisions and30 new sub-divisions in the 2nd& 3rdPhases during FY 2015-16 with an additional cost of Rs. 509 million and Rs. 499 million respectively.

19.2.17 The Authority has evaluated Petitioner's request in the context of transitioning from Single year to Multiyear tariff regime and the anticipated change in management through the ongoing privatization program. Although the Authority has allowed the creation of circles, divisions and subdivisions to the extent of "First Phase" only, but at the same time also decided to closely monitor the claimed benefits by the Petitioner in

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

this regard before allowing the next phases of the project. Accordingly, the Petitioner was directed to submit quarterly reports in this regard from 31st March, 2015.The Petitioner vide its letter 5851-52/CFO/FESCO/CPC dated 31st March, 2015 stated that since the tariff for the FY 2014-15 is recently determined hence the progress report for the quarter ending 30th June, 2015 will be sent to the Authority. The Petitioner vide its letter No. 5977/CFO/FESCO CPC dated 28th April ,2015 and vide letter No. 71/CFO/FESCO/CPC dated 30th July ,2015 referred the letter dated 31st March, 2015 as an update in this regard. During the hearing, the Petitioner informed the Authority that in phase one, 3 new Divisions, 3 Revenue Offices and 12 Sub Divisions have been created with effect from 1st August, 2015. No further details were provided as to what extent actual expenditure has been incurred against what has been allowed. Further, what benchmarks have been set for the claimed benefits including existing state of affairs. The Authority considers that allowing creation of new circles / divisions /sub divisions is decision specific under single year tariff regime, whereby each year its financial and qualitative impact may be evaluated/analyzed. Under multiyear tariff regime the instant decision becomes irrelevant as the existing state of affairs of the Petitioner is considered as benchmark for future efficiencies. Further, keeping in view the existing management change whose prime objective is to bring efficiency may come up with an idea which would may render the whole idea of creating new circle obsolete. The Authority further feels that in the era of technological advancements, every effort needs to be adopted to get the benefit of technology to bring efficiency through reducing reliance on more man power. Thus, keeping in view the arguments with respect to management change, multiyear tariff regime and the fact that the Petitioner has failed to comply with the Authority's direction, the Authority has decided not to include the requested cost of Rs.1,432 million (costs for all phase) as a part of reference cost for future increases.

19.2.18 The Authority has also observed a bonus amounting to Rs. 182 million, while evaluating the actual accounts of the Petitioner, and has decided not to include it in the reference cost for future increases.

19.2.19 The Authority while assessing the Pay & Allowances and other benefits of the Petitioner for FY 2015-16 (reference cost for future increases), has taken into account the impact of GOP's recent announcement of 7.5% increase as ad-hoc allowance, 5% annual increment, merging ad-hoc relief of 2011 & 2012 in running basic pay and increase in Medical Allowance by 25% as per GOP notification.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

19.2.20 Accordingly, based on the discussion made in the preceding paragraphs and after incorporating the impact of the aforementioned increases, the Authority has assessed Pay & Allowances and other benefits as Rs.5,971 million for the FY 2015-16. The same shall be considered as the reference/base cost for working out future salaries, wages and other benefits for the reaming control period as per Annex-VI.

19.3 Post-Retirement Benefits

19.3.1 The Authority 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, directed the Petitioner and all other XWDISCOs 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 separate from the company's routine operations and in the longer run reducing the Distribution Margin and eventually consumer-end tariff.

19.3.2 The Petitioner, in its tariff petition for the FY 2014-15, submitted that it has complied with the directions of the Authority and has created the Pension Fund, however, no details regarding transfer of amount, if any, into the fund were shared with the Authority.

19.3.3 The Petitioner's current pension obligations, as reported by itself, stand at Rs.25billion, which according to the Petitioner, it is unable to transfer, in the Fund due to its liquidity issues; and has therefore proposed the aforementioned three options. Here it is pertinent to mention that the Authority had been allowing the provision for post-retirement benefits to the Petitioner as a part of its O&M cost till FY 2011-12.It was only for the last three years that the Authority decided to allow the actual amount on account of pension benefits, due to non-compliance of the Authority's directions. Thus, any post retirement liability pre FY 2011-12, is with the Petitioner.

19.3.4 Considering the expected management change, the dynamics of multiyear tariff regime and the fact that the Petitioner has now complied with the direction of the Authority to the extent of creation of the separate Pension Fund, the Authority, has decided to allow the provision for the post-retirement benefits based on last three years average provision as per its financial statements. The provision for FY 2015-16 based on last three years average is being allowed including the impact of the employees retired before

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

unbundling of WAPDA. Here it is pertinent to mention that since the post-retirement benefits include other liabilities in addition to Pension, hence it directed to create separate accounts or fund (as the case may be) for each head of post retirement liability. It would be mandatory for the Petitioner to deposit the whole amount into separate funds and accounts (as the case may be). If the Petitioner fails to transfer the whole amount of post-retirement benefits, the Authority would adjust the deficit payments in the next year's provision and from thereon, only actual amounts paid and amount transferred into the fund would be allowed. In case of complete failure to transfer any amount into the fund, the Authority would only allow actual payments, rather than provision. In addition, separate proceedings would also be initiated for the noncompliance of the Authority's directions, under the relevant law. In view thereof, for FY 2015-16, an amount of Rs.3,242 million is hereby allowed to the Petitioner for the postretirement benefits. In case if the Petitioner intends to transfer previous year's liability as well, it can do so, however the Authority would only allow provisions (or actual amount transferred as the case may be) pertaining to future periods only i.e. FY 2015-16 and onwards.

19.4 Repair and maintenance

19.4.1 The Petitioner has submitted that the amount of repair and maintenance allowed by the Authority in the past has been insufficient to cover the expenditure required to maintain the distribution infrastructure. The Petitioner further stated that the notion of underutilization in a given year being reflected in a lower cost associated against repairs in the financial statements is not correct. This is because underutilization is partially caused by delays in determination of tariff which is often approved after a significant portion of the fiscal year has already elapsed. This coupled with the subsequent delays caused in procurement means that the Petitioner is unable to book an expense in its financial statement in the year the repairs were approved. Further, when the allowed repairs of other DISCOs are considered as a proportion of their fixed assets, it is shown that the repairs allowed to the Company are the lowest of all XWAPDA DISCOs.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

Comparative historical analysis of R&M cost as a %age of NFA			
Name of DISCO	NFA in Operation 2013-14	Allowed R&M Cost	R&M Cost (% of NFA)
SEPCO	15,804	979	6.19%
HESCO	18,692	973	5.21%
LESCO	44,403	1,261	2.84%
QESCO	21,033	557	2.65%
GEPCO	30,363	626	2.06%
PESCO	34,697	695	2.00%
IESCO	41,066	697	1.70%
MEPCO	60,390	835	1.38%
FESCO	37,316	480	1.29%
Source: Tariff petitions and determinations of DISCOs			

19.4.2 The Petitioner also stated that the adherence to service standards and improvement of customer services is only possible through continuous repair and maintenance of distribution network etc. Timely repair and maintenance is vital to continuous and reliable supply of electricity. Delays in scheduled repairs ultimately result in system breakdowns which in turn not only has an impact on the end-consumer, including adversely affecting industrial and agricultural production, but also damages the distribution network which then requires further investments. Furthermore, not undertaking routine repairs results in accumulation of faults, with the utility requiring significant investments few years down the line - for an issue that could have been dealt earlier at a significantly lower cost. Repairs are thus an important aspect in controlling the increase in end-user tariff and necessary if distribution loss targets are to be achieved.

19.4.3 Petitioner also proposed that a level of autonomy be provided to the Petitioner (and any potential private partner) for coverage of repair & maintenance costs in the tariff.

19.4.4 In view thereof, the Petitioner has proposed that a K factor be applied to determine repair & maintenance costs. The K factor shall be set as a percentage of gross fixed assets and the same shall be adjusted annually to reflect the actual net fixed assets at year-end. The Petitioner also recommended that it may be allowed to undertake repairs it deems as necessary within the allowed level of costs. This is in line with regional benchmarks and international best practices.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

19.4.5 The Petitioner has suggested that K-factor be set in a range of 3% to 3.5%, which is in line with regional benchmarks and has accordingly calculated its R&M expenses at 3% of average gross fixed assets. The Petitioner expects that any incoming private partner will make significant expenditure on infrastructure going forward and provision of autonomy in repair expenditure shall provide it adequate room to better serve its customers.

19.4.6 The Authority has carefully examined the Petitioner's request of setting up a K-factor in the light of arguments put forward by the Petitioner. On the argument that the Petitioner has underutilized the budget because of delay in its determination, the Authority has evaluated the data pertaining to the previous years, which is as follows;

Rs. in Million

Year	Actual	Allowed
2011-12	520	Under MYT
2012-13	528	555
2013-14	418	580
2014-15	568	480

19.4.7 From the above it is clear that the even the Petitioner's actual expenses remained in the range of Rs. 418–568 million, over the last four years. Even if the argument of the Petitioner pertaining to delay is accepted, the quantum of the difference between the allowed and actual does not substantiate Petitioner's claim. Further, the Petitioner has not even spent up to the level of last year's budget e.g. allowed expenses of FY 2012-13 and actual expenditure for the FY 2013-14. On the argument of setting K-factor, the Authority has observed that if the Petitioner's K factor is calculated on actual expense for the last two years it works out as 0.8% and 1.0% of the GFAs for the FY 2013-14 and FY 2014-15 respectively. Further, the Petitioner has not provided any rationale or working which would substantiate Petitioner's request of setting it between 3% - 3.5%. The only rationale provided by the Petitioner for linking R&M cost as a proportion of GFA, is that it is expected that the Private partner would carry out extraordinary infrastructure expenditure going forward and some autonomy may be provided to it to carry out its repair and maintenance expenses ensuring better customer services. The Authority considers that if R&M cost has to be linked with GFAs then the key element would be the age of asset.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

19.4.8 The Authority in this regard has observed that the petitioner has not provided any data indicating the age of assets, and therefore it can be construed that proper Assets Tagging is not being carried out by the Petitioner. The Authority therefore directs the Petitioner to maintain a proper record of its assets by way of tagging each asset for its proper tracking. With the existing set of age of assets, the Petitioner has been unable to spend more than Rs.568 million over the last four years. No doubt the Private partner is expected to carryout substantial infrastructure expenditure, yet it is also expected to do it with new, expensive and efficient equipment, leading to overall reduction in R&M cost and increasing total GFA base. Thus, the Petitioner idea if adopted would result in undue benefit to the Petitioner in the long run. In addition to aforementioned discussion, the Petitioner's request of annual adjustment in this regard is against the very sprit of multiyear tariff regime. Lastly, the Petitioner provided comparison of R&M cost allowed by the Authority across different DISCOs, is not relevant as the Authority never allowed R&M cost as a percentage of GFA.

19.4.8 In view of foregoing and the fact that within the current approved tariff methodology it is not possible to set this as a separate line item in the build-up of costs to be recovered through prices, the Authority understands that the adherence to service standards and improvement of customer services is only possible through continuous repair and maintenance of distribution network, therefore, the Authority has decided to allow an increase of 20% over the last year assessed figures of repair & maintenance for the FY 2015-16.The assessed repair and maintenance cost for FY 2015-16 (base/reference cost) works out to be as Rs. 576 million which shall be considered as the reference cost for working out future repair and maintenance expenses, in the remaining control period as per Annex-VI.

19.5 Other operating expenses

19.5.1 Other Operating expenses includes Rent, Rates & Taxes, Power, Light and Water, Communication, Bill Collection Charges, Office supplies, Director Fees, Auditor Remuneration, Professional Fees, Outside Service Employed, Management Fees, NEPRA License Fees, Advertisement & Publicity, Subscriptions & Periodicals, Representation & Entertainment, Building Rent, Travelling Expenses, Insurance, Bank Charges, Vehicle Fuel & Repairs and other miscellaneous expense. The Petitioner requested 10% annual increase in Building rent, while collection expense and software license fee have been requested to be linked to growth in the Petitioner's customers. NEPRA's fees has been proposed to be allowed as per mechanism prescribed by

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

NEPRA. Petitioner has requested to link increase in remaining other operating expenses with CPI-X during the entire tariff period.

19.5.2 As per the approved tariff methodology, all other operating expenses are part of O&M costs which are to be assessed through CPI –X formulae for the whole tariff control period. As regard the assessment pertaining to the FY 2015-16 (reference/ base cost) is concerned, the Authority has decided to accept the actual figures of the FY 2014-15 as such and allowed an inflationary increase of 3.16% over the same and has assessed the other operating expenses of Rs.1,074 million. By accepting actual figures as per actual financial statement, the Authority has incorporated all the costs including bill collection, building rent, NEPRA fee and software licensing fee. In addition to aforementioned, the Authority has also included a cost of Rs.30.6 million as insurance cost as per audited financial statements for the FY 2013-14, the same cost was missing in the actual financial statements for the FY 2014-15.

19.5.3 The assessment for the FY 2015-16 shall be considered as the reference for working out future Other Operating Expenses for remaining tariff control period as per Annex-VI.

20 Segregation between "Controllable" and "Uncontrollable" costs

20.1 The Petitioner has stated that no bifurcation between controllable and uncontrollable costs is provided in the tariff. The Petitioner desired that the following costs to be treated as uncontrollable and requested the same as pass through to the consumer:

- Rent, which is paid on the basis of the terms of rental agreements and increases by approximately 10% annually;
- Collection expenditure and Software license fee costs which are based on a fixed cost per customer;
- NEPRA license fees which is based on methodology prescribed by NEPRA.
- Extraordinary Increase in Salaries and Wages announced by GOP.

20.2 As per the approved tariff methodology the Power Purchase Price is the only uncontrollable cost which is allowed as pass through item. The other remaining costs are to be treated as controllable costs.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

As regard the rent, collection expenses, NEPRA License Fee and extra ordinary increases in salaries and wages announced by GOP is concerned, the Authority has incorporated all these costs as per the latest actual figures in the references/ base cost for the future increase during the control period. The risk of any future cost fluctuations thereof lies with the Petitioner along with an opportunity for optimizing overall costs under this head. The treatment is in line with the very sprit of multi- year tariff regime and in accordance with Authority's approved tariff methodology.

20.3 The Authority received a letter from Ministry of Finance, Revenue, Economic Affairs, Statistics & Privatization (Privatization Commission) dated 25th November, 2015, communicating a decision of Cabinet Committee on Privatization (CCOP) regarding approval structure for the privatization of the Petitioner. The decision is reproduced as follows;

A. <u>CCOP decision dated September 17, 2015</u>

"The Cabinet Committee on Privatization considered the summary dated 14th October, 2015, submitted the Privatization division regarding "Approval of Transaction Structure for Privatization of FESCO" and approved sale of 74% Government of Pakistan (GOP) shares in FESCO along with transfer of management control to the strategic private sector partner"

B. <u>CCOP decision dated October 02, 2015</u>

"The Cabinet Committee on Privatization considered the summary dated 2nd October, 2025, submitted the Privatization Division regarding "Approval of transaction structure for Privatization of FESCO" and approved the proposal contained in para 2 (i) of the summary".

<u>Para 2 (i) of the Summary</u>

2(i) All core land assets to be transferred to FESCO under a long term lease agreement coinciding with the life of distribution license. The lease rental will be determined on fair market current value. Rent will be at a base yield of 6% and increased according to rental laws by 25% every three years. Due restrictions will be put on the use of land which may be only be used for the purpose of FESCO as a distribution of electricity of entity.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

20.4 On the CCOP decision dated September 17, 2015, the Authority considers that by admitting the instant petition the Authority has principally approved the proposed re-organization of the licensee's business structure. However, the requirement for the approval of the Authority, under Section 33 (c) of the Act is still pending. The Petitioner is expected to get the required approval from the Authority before the signing of the proposed deal.

20.5 The CCOP decision dated October 02, 2015, says "All core land assets to be transferred to FESCO under a long term lease agreement coinciding with the life of distribution license." Here it is pertinent to mention that all the core land is already appearing in the Balance sheet of the Petitioner at a cost value of Rs. 96.50 million. It appears that the intention is to transfer the land into another GOP's holding and then to be leased back to the Petitioner. If this is the case, then Rule 17 (4) of the Distribution Licensing Rules and Article 10.2 of the Distribution License pertaining to the Petitioner applies, which requires the Petitioner to get the approval of the Authority before executing any such transaction and it should be included in the investment plan to be approved by the Authority. The Authority while evaluating the submitted IGTDP have not come across any such proposal. In view thereof, the Authority cannot adjudicate on the proposed sale on land, as it has not been submitted or even indicated by the Petitioner in its petition. However, considering the significance of the transaction, the Authority has decided to lay down some principles on the instant issue, for which the Authority has been mandated through Section 7(3) of the Act.

20.6 On the proposed amount of lease rental, which will be at a base yield of 6% and increased according to rental laws by 25% every three years, the Authority has no objection to it if the Petitioner is willing to pay it out its profits . If it is to be borne by the consumers as a pass through (uncontrollable for the Petitioner) then, the Authority is legally mandated to determine the cost. On the basis of available information the Petitioner owns around 756 acres of land, if the revalued amount of land appearing in the books of the Petitioner is considered as benchmark then 6% of the revalued amount of Rs. 12,224 million works out as Rs. 733 million per year (for the initial three years). When the same amount is calculated on per acre basis, it works out around a million per acre for the initial three years.

20.7 The Authority also observed that the Energy Department, Government of Sindh has leased land to Sindh Nooriabad Power Company Pvt. Ltd. vide its lease agreement dated August

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

10, 2015 for setting up a power plant whereby following rent has been agreed between the parties;

i. Rs.6,500 per acre per annum for first ten years
ii. Rs.8,500 per acre per annum for next ten years
iii. Rs.10,500 per acre per annum for further ten years

In addition to the aforementioned, the Authority is also aware of the fact that Government of Sind has leased out land for the Wind Farms at the rates which are comparable with the aforementioned rates.

20.8 In view of the foregoing, the question before the Authority is that what is the amount of rent which could be treated as pass through for the ordinary electricity consumers.

20.9 This is a matter of record, the Petitioner has been earning a return on the historical cost of the land, through nominal WACC over the past years. That is the amount which the consumers has been paying over the years for the same land. The Authority considers that the simple change of ownership does not formulates any grounds that the consumer may be further burdened. In view thereof, the Authority has no objection in making rent as a pass through to the extent if it is calculated by applying WACC on the historical cost of land, anything over and above should be paid out of Petitioner's profits and is a pure arrangement between the Petitioner and GOP. In that case, the cost of land will be excluded from the RAB of the Petitioner. Here it is pertinent to mention that the Authority has been allowing nominal WACC to the Petitioner over the years, which includes the impact of inflation. If the return is to be calculated on market value of the asset, then real WACC is to be used instead of nominal i.e. adjusted for future expected inflation.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

Adjustment mechanism for O&M costs – Efficiency factor "X"

20.10 The Petitioner has submitted that increase in uncontrollable costs be adjusted on an annual basis in the MYT tariff and controllable cost be adjusted/ indexed annually by CPI-X factor. As per the Petitioner the "X" represents the efficiency, the Company is expected to bring in its operations by making investments in the infrastructure, its distribution network and by improving internal governance, reporting and control mechanisms. The Petitioner further explained that the X factor is designed to incentivize the real cost reductions through which XWDISCOs will be able to increase their profits if they are able to ensure that annual increase in their costs is lower than the CPI-X adjustment factor.

20.11 The Petitioner submitted to keep the Efficiency factor (X) at 0% during the first three years of the tariff control period under the MYT, to allow the company and potential investors, sufficient time to make investment and to bring in efficiencies in the utility's operations. The Petitioner further explained that improvements in operational and governance structures at the Company are also expected to increase costs in the first few years and therefore sufficient time should be allowed to the Company to recover these costs. For the remaining two years, X factor has been proposed at 0.5% and 1% respectively, in light of the prevailing low inflationary environment (3.2% YoY inflation at 30 June 2015).

20.12 The Authority after careful evaluation of the Petitioner's proposal is of the view that it has not provided any rationale or basis for the requested efficiency factor. The Authority strongly believes that there has to be some basis or rationale on which Authority can set a reasonable efficiency factor. In view thereof, in order to have a fair assessment of the efficiency factor, the Authority itself carried out a benchmarking exercise aimed at rationality of the efficiency factor.

20.13 The salient features of the methodology are reproduced as hereunder;

- ✓ Actual O&M cost for FY 2013-14 has been bifurcated into 5 cost categories – Salaries & wages, Repair & maintenance, Travel allowance, Vehicle fuel & maintenance and Other expenses (e.g. rent and other office expenses). The weights were assigned keeping in view the controllability factors attached to each cost category which were further divided into sub-categories.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

✓ Cost drivers were selected for all the cost categories/ sub-categories for the O&M cost as under;

Cost Categories	Cost Drivers
Salaries & Wages (Rs.)	No. of Employee No. of Active Consumers.
Other Expenses	No. of Office No. of Active Consumers. No. of Consumers.
Traveling Allowance	No. of Employee
Vehicle Allowance	Area Sq. K.M
R & M	No. of Office Length of H.T & L.T Lines No. of Grid Stations No. of Distribution Transformers No. of Active Consumers.

✓ The cost per cost driver was worked out to select the most efficient company within a sample of efficient companies. Considering, the variability of the results across the XWDISCOs, under a similar cost category, a scoring mechanism was devised, which translated the results of cost drivers in to scores.

✓ A maximum score of 100 was assigned to the best performing XWDISCO on each cost driver. Subsequently, these scores were converted into weighted scores with respect to each cost category / sub-category. The weighted score of each cost category / sub-category was then added to obtain the overall score of the XWDISCO. This exercise was carried out for all the XWDISCOs.

✓ The efficiency factor was set from the highest benchmark of 100 score.

20.14 On the basis of aforementioned benchmarking, the Authority has assessed an efficiency factor of 4.9% per annum calculated over the whole control period of 5 years. However, keeping in view the Petitioner's request of keeping it at zero% for the first three years,

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

the Authority has decided to implement the same from the 3rd year of the control period. Here it is pertinent to mention that the Authority also kept the efficiency level of KESC (Now K-Electric) to zero %, for the first two years of the control period, when it was privatized, keeping in view the fact that the new incoming partner must be given some time to adjust itself in a new environment. In addition, the Authority in order to save the Petitioner from any negative adjustment on account of O&M cost, has decided that the efficiency factor X, in any year of the control period, should not be greater than 30% of increase in CPI for the relevant control year. Thus, 4.9% efficiency factor would only apply if 30%of CPI increase in any year is more than 4.9%. If 30% of CPI increase in any year, is less than 4.9%, then the efficiency factor would be 30% of the increase in CPI, in any year, during the control period.

21. Z factor for force majeure events

21.1 The Petitioner stated that there was no provision for costs incurred as a result of force majeure events such as earthquakes, flooding, acts of terrorism, etc. Immense flooding in Year 2010, for instance, caused significant damage to the Petitioner's network. In the absence of a provision for such events and adjustments restricted strictly to the CPI-X factor, the Petitioner was unable to recoup the costs required to undertake necessary repairs.

21.2 In this respect Petitioner submitted that an additional Z factor should be included in the MYT to cover costs for such events. These costs shall be computed after the occurrence of such an event at which point the Petitioner shall estimate the financial impact of such an event and request NEPRA's approval for inclusion in the subsequent year. As replacement of any equipment as result of such damage shall be covered through proposed investments to be approved by NEPRA, it is anticipated that major costs falling under Z factor will comprise repair & maintenance costs. In the event that insurance coverage is available at a reasonable cost, recoveries made under such an arrangement will not be incorporated in the tariff for the subsequent period.

21.3 The Authority noted that cost of insurance is not indicated in the draft accounts of FY 2014-15 of the Petitioner, however, the same was available in the audited accounts for the FY 2013-14. The same cost has now been allowed in the reference cost of other expenses for FY 2015-16 for future increases. The insurance cost covers grids and vehicles. If the Petitioner intends to cover its other assets along-with more insurance coverage then it has to mitigate its commercial risk through its profits.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

22. **Issue # 6 Whether the Petitioner reference depreciation charge for the FY 2015-16 is justified for future adjustments till FY 2019-20?**

22.1 The Petitioner has requested to allow the following depreciation charges:

	2014-15 Allowed	2015-16 Requested	2016-17 Requested	2017-18 Requested	2018-19 Requested	2019-20 Requested
Proj. Depreciation (Rs. In Million)	1,997	2,348	2,684	3,005	3,324	3,638
Proj. Depreciation (Rs./ kWh)	0.202	0.22	0.24	0.25	0.26	0.27

22.2 As per the Petitioner, depreciation is charged on straight line basis with building and civil works being depreciated @ 2%, feeders, grids & equipment @ 3.5 % and other plants/equipment& vehicles @ 10%. The depreciation expense has been estimated based on the original cost of the Assets. Increase in depreciation charge has been attributed by the Petitioner due to proposed investment of PKR 12,723 million and further addition of PKR 9,819 million through capitalization of work in progress during FY 2015-16. Depreciation charges for FY 2016-17 and onward has been projected by the Petitioner based on its proposed IGTDP and its subsequent capitalization.

22.3 The depreciation expense allowed to the Petitioner for the FY 2014-15 amounted to Rs.1,997 million.

22.4 As per the Methodology, depreciation expense for the test year, which in the instant case is FY 2015-16, will be determined by applying depreciation charge on the Gross Fixed Assets in Operation, including new investment and will be considered reference for the tariff control period. The reference expense would be adjusted annually in accordance with the following formula/ mechanism as prescribed in the Methodology;

$$DEP_{(Rev)} = DEP_{(Ref)} \times \frac{GFAIO_{(Rev)}}{GFAIO_{(Ref)}}$$

Where:

$DEP_{(Rev)}$ = Revised Depreciation Expense for the Current Year
$DEP_{(Ref)}$ = Reference Depreciation Expense for the Reference Year
$GFAIO_{(Rev)}$ = Revised Gross Fixed Assets in Operation for the Current Year
$GFAIO_{(Ref)}$ = Reference Gross Fixed Assets in Operation for the Reference Year

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA AUTHORITY

22.5 In order to make fair assessment of the depreciation expense, the Authority accounts for the investments approved for the year. After taking into account the new investments, the Gross Fixed Assets in Operation for the FY 2015-16 have been worked out as Rs.66,272 million. Accordingly, the depreciation charge for the FY 2015-16 has been assessed as Rs.2,381 million calculated on actual depreciation rates for each category of Assets as per the Company policy.

22.6 After carefully examining the relevant details and information pertaining to the deferred credit and amortization as per the accounts for the FY 2014-15, the Authority has projected amortization of deferred credit to the tune of Rs.1,241 million for the FY 2015-16. Accordingly, the consumers would bear net depreciation of Rs.1,140 million. The reference/base depreciation expense determined for FY 2015-16 shall be adjusted annually in accordance with the aforementioned adjustment formula/ mechanism as prescribed in the Methodology.

22.7 Considering the fact that Depreciation expense for the FY 2015-16 & onwards has been allowed based on estimated level of investments and in case the actual investments carried out turns out to be different from the estimated level, i.e. in case the Petitioner ends up in making higher investments than the allowed, the benefit of the incremental benefit must be passed on to the Petitioner and vice versa. In view thereof, the Authority has decided to true up the benefit of incremental investments and vice versa each year through the Prior Year Adjustment mechanism.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

23. **Issue # 21 Whether the requested beta, based on the average of prevailing beta of foreign listed companies, having comparable businesses and adjusted for capital structure prescribed by NEPRA, is justified?**

24. **Issue # 22 Whether the requested floor of 19% -20% for return on equity to provide stability in asset return, merits consideration?**

25. **Issue # 7 Whether the petitioner reference Return on Regulatory Asset Base based on projected rate of return of 18.91% for FY 2015-16 is justified for future adjustments till FY 2019-20?**

26. **Issue # 12 Whether the proposed incentive for proportionate increase in return on equity against reduction in transmission and distribution (T&D) losses, merits consideration?**

26.1 The Petitioner requested the following returns for FY 2015-16 to 2019-20 based on 18.91% Rate of Return.

	2014-15 Allowed	2015-16	2016-17	2017-18	2018-19	2019-20
Proj. RoRB (Rs. In Million)		4,805	6,078	6,903	7,529	8,031
Proj. RoRB (Rs./ kWh)		0.45	0.54	0.57	0.58	0.59

26.2 The Petitioner assumed the Risk free rate as 9.97% of the 10 years PIB Yield and equity market risk premium of 8.00% based on Analysts' estimates and empirical evidence. The Petitioner has requested a Beta of 1.77 based on the average prevailing beta of foreign listed entities as at 30 June 2015, those have comparable businesses as the Company. The beta has been computed by using average betas of listed foreign companies and adjusted for the capital structure prescribed by NEPRA. The Petitioner has mentioned that Beta computed on the basis of foreign comparable DISCOs was 1.77 whereas beta based on local power sector was 2.40. As there are no local listed DISCOs, the foreign comparable beta has been considered for computations of return on equity and adjusted for the capital structure prescribed by NEPRA, to come up with cost of equity of 24.13%.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

26.3 The cost of debt has been estimated as 16.67% being its current cost of debt. No impact of tax has been considered in computation of Cost of debt considering corporate tax as a pass-through item.

26.4 The Petitioner, in view of the privatization scenario, also requested a one-time opener after privatization, for the revision of cost of debt, if required. The Petitioner also proposed annual calculation of WACC after taking into account variation in its input parameters i.e. Risk free rate, Beta and Cost of debt. It has also been proposed by the Petitioner, in view of the private sector participation, to have a floor of 19% on the return on equity, keeping in view the return of 16% provided to IPPs and an additional 3% for the expected currency devaluation in comparison to US$.

26.5 The Petitioner further submitted that it is proposed that an added incentive for reducing T&D losses beyond the targets set by the Authority be provided to the Petitioner. It is suggested that any over-achievement in T&D losses beyond the target set by the Authority is compensated by a proportionate increase in the return on equity for WACC computations. This shall incentivize it to bring improvements in the system and further improve efficiency of the operations. The benefit of such reduction is proposed to be shared between the consumer and DISCO similar to NEPRA practices for tariff setting for IPPs. The increase in return on equity should be calculated as over-achievement in target T&D losses divided by the difference in the T&D losses for the current year and the prior year.

26.6 The Authority, after careful evaluation of the Petitioner's submissions is of the view that selecting 10 years PIB Bond's rate as risk free premium is not in line with the approved Tariff Methodology as the Methodology prescribes the linking of risk free instrument with the control period of tariff determination. Since the instant petition has been submitted under a MYT regime for a period of five years, therefore, ideally the tenure of the debt instrument used for the purpose of risk free rate should be of five years instead of any longer periods i.e. 10 years as used by the Petitioner in its workings. The Authority has therefore decided to use the weighted average yield on 05 Years Pakistan Investment Bond (PIB) as of July 16, 2015, being start of the tariff control period, as the risk free rate, which is 8.9652%. The Authority also understands that since PIB Bonds cut off yield rate is determined through bidding process and is traded in Pak Rupees, hence it takes account of country risk and inflation.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

26.7 The Petitioner proposed a market risk premium of 8% based on Analysts' estimates and empirical evidences, however, no evidence was attached with the Petition. The Petitioner subsequently submitted a list of 10 leading different brokerage houses of the country using different percentages of market risk premium. The risk premium used by different brokerage houses were between the range of 6 % – 7 %.

26.8 The Authority understands that the expected return on any investment is the sum of the risk-free rate and an extra return to compensate for the risk. This extra return or 'risk premium' is the difference between market rate of return and risk free rate. Generally, the return on stock market index is taken as a measure of market rate of return. The Authority in order to have an appropriate measure of the market rate of return, analyzed KSE-100 Index return over a period of 8 years and also considered Analysts' consensus/ research houses estimates in this regard. The rate of return on KSE-100 index during the period from 2008-2015 was around 16.5%, which translates into risk premium of around 7.53% (with risk free rate of 8.9652%).

26.9 Thus, keeping in view the information provided by the Petitioner with respect to the Analyst, the Authority considers Market Risk Premium of 7% as reasonable for calculation of cost of equity component.

26.10 While reviewing the Petitioner's working with respect to Beta of 1.77, it was observed that initially 36 entities were selected by the Petitioner, however for the purpose of Beta calculation, data of only seven (7) entities out of 36 were analyzed. It is also observed that while re-gearing the average beta of the proxy companies worked out by the Petitioner, average debt to equity ratio of the proxy companies was used instead of the capital structure prescribed by the Authority, which is not only contradictory to the Petitioner's argument but also not the appropriate method to work out the Beta.

26.11 The Authority, in order to have an appropriate measure of the Beta, carried out its own study and detailed analysis, whereby not only the local but International Markets were also explored. The Authority also considered a recent study undertaken by Castalia for the ERC in the Philippines using 111 firms selected from the Damodaran (a professor in Stern Business School at New York University) data set. The average Beta from this sample was 0.997 for the transmission and distribution companies and 1.073 for the whole sample. The average gearing of the sample is 67%. If the same is worked out on 70/30 gearing, the beta of 0.997 works out as 1.10. A few examples of Beta used by different Regulators in the world are given as hereunder;

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

Regulator	Beta	Gearing
Ofgem	0.9-0.95	65/35
AER	0.7	60/40
NZ Com	0.61	60/40
Northern Ireland	0.74	60/40

26.12 A beta of 0.75 at a gearing of 60/40 – which is around the mid-point of the above estimates – equates to a beta of 1.0 at a gearing of 70/30. A beta of 0.8 at 60/40 equates to a beta of 1.07 at 70/30. A beta of 0.95 at a gearing of 65/35 works out as 1.11 at 70/30 gearing.

26.13 Thus, keeping in view the finding of the study undertaken by Castalia for the ERC in the Philippines using 111 firms, range of betas used by international Regulators and findings of the Authority's in house study, it has decided to assess the beta in the instant case as 1.10.

26.14 As regard the cost of debt, the Authority understands that it is the interest rate on which a company would get borrowing from the debt market / commercial banks i.e. a rate at which banks lend to their customers. The Authority during its determination in the matter of XWDISCOs pertaining to the FY 2014-15, decided to use the actual rate of debt appearing in the balance sheets of the DISCOs (excluding the loans which were disallowed by the Authority) considering the fact that the payment of these loans were due in the FY 2014-15 and onwards. All of these loans were relent loans whose interest ranged between 15%-18%. When this decision was made, the Privatization scenario was not active and the decision was primarily based keeping in view the single year tariff regime and public sector ownership of the XWDISCOs. The cost of relent loans becomes irrelevant in the privatized scenarios being not reflective of the current cost of debt. Considering the future privatization policy of GoP, and the fact that the Authority is awarding MYT for the future 5 year's period, a forward looking approach has been used for the estimating cost of debt of these loans for WACC calculation. Here it is pertinent to mention that historically when State Owned Enterprises were privatized e.g. K-Electric, the relent loans on the balance sheet of K-Electric were converted into equity by the GoP. Further, the Authority was also anticipating some additional equity from the GOP in some form, that's the reason why the Authority raised the optimum capital structure from 80:20 to 70:30. In view of aforementioned, the Petitioner's request of

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

initially setting cost of debt at 16.67% and then giving it an opener does not merit consideration, hence rejected by the Authority.

26.15 The Authority, in order to do a fair evaluation of the cost of debt, considered recent TFCs / Sukkuk launched by K-Electric Limited with a 5 year's term maturity, whereby Rs. 1,500 million were raised by K-Electric on a rate of 3 month KIBOR + 2.75% during FY 2013-14. Here it pertinent to mention that the K-Electric also raised Rs. 22 billion on 7 years TFC on a rate of 3 Months KIBOR plus 1% during 2014-15.

26.16 In view of the aforementioned, the Authority has decided to take cost of debt as 3 month's KIBOR + 2.75% spread. Consequently, the cost of debt has been worked out as 9.76% i.e. 3 Months KIBOR of 7.01% as of 2nd July 2015 plus 2.75% spread (post-tax).

26.17 As per the Methodology, the adjustments in RORB for future periods are based on changes in RAB only, meaning thereby that the cost of debt and equity is locked for a period of 5 years and the Petitioner can maximize its profits in absolute terms through increasing its Asset base. Here it is pertinent to mention that Authority's approved methodology is silent on the variation of KIBOR fluctuations. The Petitioner has requested to calculate Risk free rate, beta and cost of debt annually. When the Petitioner is requesting to assess the risk free rate & beta annually, it is primarily asking to reassess the cost of equity annually. The Authority understands that adjusting Cost of Equity during the multi-year tariff period is not a global regulatory norm. It appears that by annual review of risk free rate the Petitioner is trying to cover the fiscal risk on future investments. If this is the case, then the Authority clarifies that risk free rate can neither rise in isolation nor is it the only determinant of Cost of Equity. In an environment of rising interest rates, stocks are negatively impacted in general. So any increase in risk free rates would generally entail a decrease in stock market return, thus lowering the market risk premium. Therefore, the contention that any increase in risk free rate would automatically increase Cost of Equity for future investments is not incorrect. In addition, in a multi-year tariff environment, capital investments are planned for the whole tariff period. The estimated Cost of Equity is already based on assumption of a certain percentage of equity investment in these periodic future investments. This is why a 5year risk free rate and long term market premium is used in Cost of Equity calculations. This methodology ensures that the allowed Cost of Equity is not impacted by short term rate changes. If someone still wants an annual adjustment in Cost of Equity, then the Authority has to employ one year risk free rate and market premium. Lastly, short term rates and annual adjustment in Cost of Equity render the whole purpose of multi-year tariff useless as the primary rationale for allowing multi-year tariff to DISCOs in Pakistan is that this will reduce the uncertainty to investors regarding their equity returns. Frequent adjustments make investor's return less stable by making them more prone to short term market volatility. In view thereof, the Authority has decided

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA AUTHORITY

to lock the cost of equity for the whole control period. In view of afore going, the request of reviewing cost of equity including risk free rate & beta is rejected.

26.18 The Petitioner has requested putting a floor 19 % on the return of equity on the grounds that the return on equity must be in line with the return allowed to IPPs , which is 16%, whereas an additional 3% may be granted on account of currency devaluation. The Authority considers that Petitioner's comparison of Authority's return on IPPs with the distribution business is not valid. The Authority's allowed exchange rate fluctuation to IPPs for the green filed projects, is in line with the GOPs policy, whereas the Petitioner is a going concern business. Further, it does not cover the rupee devaluation upfront rather it hedges the exchange rate fluctuation i.e. it works both ways. If the margin of 3% rupee devaluation is allowed upfront, it would result in undue benefit to the Petitioner in case the Rupee appreciates (as happened in the last two years). Thus, in view of the aforementioned, the return of equity, as per the Tariff Methodology is locked for a period of 5 years, whereby it would be earning the assessed return for the whole five years. However, the premium for the rupee devaluation is rejected.

26.19 As regard the assessment of cost of debt annually, the Authority considers that since interest payment is an obligatory cash flow liability unlike discretionary dividend payment and considering the fact that any default may result in chocking of the Petitioner, hence the Authority has decided to cover the risk of floating KIBOR, thus, any fluctuation in the reference KIBOR would be adjusted biannually. In addition, the Authority has also decided to allow sharing of benefit by introducing a claw back mechanism whereby any savings resulting from cheaper financing by the Petitioner to the extent of 2.75% spread. If the Petitioner manages to negotiate a loan below 2.75% spread, the savings would be shared equally between the consumers and the Petitioner through PYA mechanism annually. In case of more than one loan, the saving with respect to the spread would be worked out by a weighted average cost of debt. The sharing would be only to the extent of savings only i.e. if the spread is greater than 2.75%, the additional cost would be borne by the Petitioner.

26.20 The Petitioner's request regarding added incentive of proportionate increase in return on equity for reducing T&D losses beyond the targets set by the Authority cannot be entertained being not in line with the Methodology whereby RoE has been locked for future periods and the Petitioner can maximize its profits in absolute terms only through increase in its Asset base. The Authority feels that reduction in losses below the target level, if any, would primarily be because of the Petitioner's efforts and in order to encourage the Petitioner to bring in more efficiencies, the benefit should remain with the Petitioner.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA AUTHORITY

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

$$
\begin{aligned}
ke &= RF + (RM - RF) \times \beta \\
&= 8.9652\% + (7\% \times 1.1) \\
&= 16.67\%
\end{aligned}
$$

The cost of debt is taken as post-tax; Kd = 9.76%

$$WACC = [Ke \times (E / V)\} + [Kd \times (D / V)]$$

Where E/V and D/V are equity and debt ratios respectively taken as 30% and 70%;

$$\mathbf{WACC = \{16.67\% \times 30\%\} + \{9.76\% \times 70\%\} = 11.83\%}$$

26.22 Thus, using Post tax rate of return, the Authority has assessed Rs.2,896 million as return on rate base as per the following calculations:

Description	Rupees in Million	
	FY 2014-15 Audited	FY 2015-16 Projected
Opening fixed assets in operation	54,542	59,104
Assets Additions during the year	4,561	7,168
Closing Fixed Assets in Operation	**59,104**	**66,272**
Less: Accumulated Depreciation	19,122	21,503
Net Fixed Assets in operation	**39,982**	**44,769**
+ Capital Work in Progress (Closing)	6,888	10,804
Total Fixed Assets	46,870	55,573
Less: Deferred Credit	26,133	27,354
Total	**20,737**	**28,219**
Average Regulatory Assets Base		**24,478**
Return on Rate Base @ 11.83%		**2,896**

26.23 The RoRB of Rs.2,896 Million and the RAB of Rs.24,478 calculated for FY 2015-16 will be the reference RoRB and RAB respectively for future adjustment of RoRB during the tariff control period. The RoRB adjustment will be made in accordance with the following formula, as prescribed in the Methodology;

$$RORB_{(Rev)} = RORB_{(Ref)} \times \frac{RAB_{(Rev)}}{RAB_{(Ref)}}$$

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

Where:

$RORB_{(Rev)}$	=	Revised Return on Rate Base for the Current Year
$RORB_{(Ref)}$	=	Reference Return on Rate Base for the Reference Year
$RAB_{(Rev)}$	=	Revised Rate Base for the Current Year
$RAB_{(Ref)}$	=	Reference Rate Base for the Reference Year

26.24 Considering the fact that RAB for the FY 2015-16 & onwards has been allowed based on estimated level of investments and in case the actual investments carried out turn out to be different from the estimated level, i.e. the Petitioner ends up in making higher investments than the allowed, the benefit of the incremental benefit must be passed on to the Petitioner and vice versa. In view thereof, the Authority has decided to true up the benefit of incremental investments and vice versa each year through the Prior Year Adjustment mechanism.

27. **Issue # 8 Whether the Petitioner projected other income for the FY 2015-16 to 2019-20, is reasonable?**

27.1 The Petitioner has projected the following other income for the period of MYT:

	2015-16	2016-17	2017-18	2018-19	2019-20
Proj. Other Income (Rs. in Million)	2,565	2,724	2,901	3,127	3,331
Proj. Other Income (Rs./ kWh)	0.24	0.24	0.24	0.24	0.24

27.2 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 2015-16 as per NEPRA decision in the tariff determination of FY 2014-15.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

27.3 The Petitioner submitted that the Authority has allowed that late payment charges recovered from the consumers on utility bills to be excluded from the Other Income to the extent of the mark-up on delayed payments levied on the Company by CPPA (G). Petitioner however requested that LPC be excluded completely from other income on the grounds that any delays in recovery from consumers in turn leads to cash constraints which need to be financed. Hence, penal charge thus compensates the DISCO's for the costs associated with the temporary mismatch between payments to be made for the purchase of power and bills recovered from the consumer. Further the Petitioner stated that CPPA (G) has not raised any invoice regarding Late Payment Charges.

27.4 Petitioner for the mechanism of adjustment in subsequent years of the Tariff period has proposed that the actual other income to be trued up at year end against projected other income.

27.5 As per the Tariff Methodology Other Income may be determined in a manner that is consistent with the base year. Other income may be considered to be a negative other cost which may include, but not be limited to, amortization of deferred credit, meter and rental income, late-payment charges, profit on bank deposits, sale of scrap, income from non-utility operations, commission on PTV fees and miscellaneous income. Other income will be monitored to identify trends.

27.6 The Authority has assessed other Income for the petitioner as Rs.2,565 Million for FY 2015-16 which will be adjusted annually as per the following mechanism to calculate future Other Income.

$$OI_{(Rev)} = OI_{(1)} + (OI_{(1)} - OI_{(0)})$$

$OI_{(Rev)}$ = Revised Other Income for the Current Year
$OI_{(1)}$ = Actual Other Income as per latest Financial Statement.
$OI_{(0)}$ = Actual/Assessed Other Income used in the previous year.

27.7 The Authority does not see any new rationale or ground which was not considered before at the time the initial decision was made hence see no merit on the grounds submitted by the Petitioner to completely exclude the amount of LPC while calculating other Income. However, the Authority in consistency with its earlier decision, on the issue, has not included the amount of LPC while assessing the other income for FY 2015-16. Here it is pertinent to mention that the LPC recovered from the consumers on utility bills shall be offset against the late payment invoices raised by CPPA (G) against respective XWDISCO only and in the event of non-submission of evidence of payment

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

to CPPA (G), the entire amount of LPC recovered from consumers shall be made part of other income and deducted from revenue requirement in the FY 2016-17.

28. **Issue #15 Whether the request of Petitioner to allow Rs. 5,022 as Prior Year Adjustment (PYA) for payment of Use of System Charges claimed by MEPCO is accurate?**

29. **Issue # 13 Whether the requested impact of Rs. 4,827 million as result of inconsistent application of previous MYT, already disallowed by the Authority, merits consideration?**

30. **Issue # 10 Whether the negative prior year adjustment calculated by FESCO of Rs. 4,090 Million for the FY 2015-16 (including MEPCO claim of UOSC & Impact of previous MYT) is accurate?**

30.1 The Petitioner, in its petition requested an amount of Rs. (4,090) million under the head of Prior Period Adjustment including Unrecovered Power Purchase Cost, Consumer Mix Variance, MEPCO claim of UOSC and Impact of inconsistent application of Multi Year Tariff (MYT). The breakup of PYA requested by the Petitioner is given below;

Description	**PKR (Millions)**
Over recovered Power Purchase Cost for FY 2014-15	(2,714)
Consumer Mix Variance for FY 2014-15	(829)
Over recovered Prior Year Adjustment	(18,800)
Un recovered Distribution Margin / (Excess Recovery)	2,028
Impact of inconsistent application of MYT	4,827
MEPCO Claim of UoSC	5,022
Impact of Retirement Benefits of Pre-Unbundling Pensioners	190
Supplemental Charges	6,186
Total Prior Year's Adjustment	**(4,090)**

30.2 The Petitioner once again requested an amount of Rs. 4,827 million as a result of inconsistent application of MYT through adjustment of Revaluation Surplus which reduced the RORB for FY 2010-11 and 2011-12, Other Income and O&M for FY 2009-10, 2010-11 and 2011-12. The Petitioner stated that the issue was raised with sufficient grounds and detail working by the Company several times however the same was overruled by the Authority. The Petitioner once again humbly brings the case of inconsistent application of MYT before the Authority for consideration.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

30.3 The Petitioner also stated that the MEPCO has raised an invoice of Rs.5,022 million as a Use of System Charges for the period from Jan-2006 to Dec-2014 pursuant to the orders of NEPRA given in tariff determinations. The Petitioner also stated that MEPCO is persistently issuing invoices on account of use of system charges which are not being entertained by the Company due to following reasons:

i. The Use of System Charges is a part of Power Purchase Price (PPP) which is a pass through item. Adjustments on account of PPP (Fuel Prices, Capacity Charges and Use of System Charges) are being allowed by NEPRA on monthly and quarterly basis on reference values determined by NEPRA and actual values billed by CPPA (G). There is no provision for adjustment of wheeling charges to any DISCO.

ii. The Company Distribution Margin (DM) being allowed by NEPRA has no cushion for payment of said wheeling charges to DISCOs.

iii. Further the Company has also raised claims of Use of System Charges to all DISCOs including MEPCO importing units through its system, but none of them responded to the same so far.

30.4 The Petitioner further stated that Director Finance (B&R), CPPA (G) Lahore had issued following invoices regarding supplementary charges, re-allocation of interest/mark up paid to IPPs on account of energy purchased on behalf of the Company during said financial years. Detail is as under:

Historical supplementary charges		
Description	**Period**	**(PKR. Million)**
Supplementary Charges FY 2010-11	Jun-11	2,766
Supplementary Charges FY 2011-12	Jun-12	2,063
Supplementary Charges FY 2012-13	Jun-13	1,236
Supplementary Charges FY 2013-14	Jun-14	121
Total		**6,186**

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

30.5 The Petitioner further stated that it has not recognized these supplementary charges in its accounts so far due to disallowance of the same by Authority in its previous determinations. The Managing Director NTDC has taken up the issue with NEPRA regarding non-booking of these supplemental charges by DISCOs. In response, NEPRA called a meeting of all stake holders and it has been decided that each company will provide necessary comments to resolve the issue. Accordingly, the comments were provided but the matter is yet to be decided by NEPRA. On the other hand, CPPA (G) is persistent about incorporation of such charges which are pending as un-adjusted since long. Therefore it is requested that the same would be allowed as PYA.

30.6 The Petitioner submitted that per the Authority decision in the tariff determination of FY 2014-15, the pension expenses of Ex-WAPDA/pre unbundling pensioners retired before 01-07-1998 will be borne by DISCOs w.e.f. 01-07-2014. The financial impact on this account pertaining to the pensioners to be paid by the Company for FY 2014-15 comes to PKR 190 million and same has been included in the PYA.

30.7 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 consideration as no grounds have been provided by the Petitioner for Authority's consideration.

30.8 CPPA (G) on the issue of Wheeling informed the Authority, (through email dated 21st September, 2015) that CPPA (G) while invoicing to DISCOs excludes the transmission cost(s) as well as generation capacity cost depending on MDI and MEPCO was requested not to raise any invoice to NTDC/Generators/DISCOs in this regard in future, being at source adjustments, made by CPPA (G) in the monthly Energy Invoices to all. It was also suggested that the confusion may be resolved through NEPRA. In view thereof, the Authority has decided to conduct a meeting on the subject matter with all the stakeholders not later than 30th June, 2016. On the issue of supplementary charges the Authority has observed that all these supplementary charges pertain to the previous periods starting from FY 2011-2014. Here it is pertinent to mention that the decision of the Authority for excluding Late Payment Charges from the other income of the

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

Petitioner, was decided during the tariff determination with respect to FY 2014-15. Any claim on account of supplementary charges before FY 2014-15 was not allowed on account of non-compliance by the Petitioner with respect to non-signing of ESA. The background and history of the aforementioned direction is clearly narrated by the Authority under the issue of other income in the Petitioner's previous determinations.

30.9 The Authority after careful consideration of the Petitioner's working of PYA. The Authority has observed that the Petitioner has not correctly calculated the PYA. 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;

		Mln. Rs.
	Notified reference PPP during the FY 2014-15	105,270
	Assessed Distribution Margin for the FY 2014-15	12,075
	Assessed PYA for the FY 2014-15	(18,854)
Add ;	1st Qrt's PPP adjustment pertaining to the FY 2014-15	5,981
Add;	2nd Qrt's PPP adjustment pertaining to the FY 2014-15	2,884
Add;	3rd Qrt 's PPP adjustment pertaining to the FY 2014-15	3,729
Add;	4th Qrt's PPP adjustment pertaining to the FY 2014-15	6,225
Less ;	Regulated PPP recovery on notified rates during the FY 2014-15	124,133
Less;	Regulated DM recovery on notified rates during FY 2014-15	10,285
Less;	Regulated PYA recovery on notified rates during FY 2014-15	(1,173)
Less;	Net impact of assessed & actual Other Income for the FY 2014-15	907
Add;	Impact of Consumer – Mix Variance for the FY 2014-145	(136)
Add;	Pension for the XWAPDA Employees	190
	Total Unrecovered/ (Over recovered) Costs for the FY 2014-15	**(16,787)**

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA AUTHORITY

30.10 Here it is pertinent to mention, as per the previous practice, the impact of any decrease in (negative) monthly FCA, was not passed on to the Life line and Agriculture Consumers of XWDISCOs. The same relief was adjusted by the Authority in the annual tariff determinations of XWDICOs, through the Prior Year Adjustment mechanism, whereby the impact of such amount is adjusted in the tariff design across all the consumer categories.

30.11 MoWP vide its letter No.5-PF/02/2013-Subsidy dated May 21, 2015 issued the policy guidelines under Section 31 (4) of the NEPRA Act, 1997 with regard to the Fuel Charge Adjustments and subsidy rationalization of Ex-WAPDA Distribution Companies.

30.12 MoWP in its aforementioned policy guidelines, inter alia, mentioned that ECC of the Cabinet has been pleased to approve the issuance of the following Policy Guidelines under Section 31 (4) of the NEPRA Act, 1997 on 21.05.2015 i.e. that

"Any negative adjustment on account of monthly FCA will not be passed on to the Domestic consumers who have subsidized electricity tariff."

30.13 The Authority considered the policy guidelines of the GoP with respect to the Fuel Price Adjustment being consistent with the GoP Policy for phasing out the subsidy which are also consistent with the standards and guidelines as per Rule 17 of Tariff Standards and Procedure Rules -1998.

30.14 Accordingly, the Authority decided that any negative monthly FCA shall not be applicable to lifeline consumers, domestic consumers consuming up to 300 units and Agriculture Consumers of all the XWDISCOs. The impact of such negative FCA not passed on to the aforementioned consumer categories, in the matter of the Petitioner, for the FY 2014-15, works out to beRs.5,707 Million.

30.15 The Authority in view of the above referred policy guidelines of GoP regarding rationalization of subsidy in the matter of XWDISCOs, has decided not to adjust the impact of negative FCA across different consumer categories, as it was doing in the past. Thus, the negative FPA impact on lifeline consumers, domestic consumers (consuming upto 300 units) and Agriculture Consumers i.e. Rs.5,707 Million, which is still lying with the Petitioner , must be adjusted by GoP, against the overall Tariff Differential Subsidy claim in the matter of the Petitioner eventually reducing GOP's overall Tariff Differential Subsidy burden. This decision of the Authority is only applicable under a

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

subsidy regime, whereby aforementioned classes of consumers are receiving subsidy directly in their base tariff.

31. **Issue # 14 What will be the mechanism of charging Wheeling/Use of System Charges (UOSC) in case of network of XW-DISCOs are used for Wheeling?**

31.1 The Petitioner during the hearing submitted that the use of system charges is a part of PPP and adjustments on account of PPP are being allowed by NEPRA on reference values determined and actual values billed by CPPA (G).

31.2 The Petitioner also submitted that as the use of system charges is a matter among the NTDC (as a system operator), CPPA (G) and all DISCOs , hence the matter must to be taken at NEPRA and CPPA(G) level for devising a uniform mechanism regarding payment of wheeling charges among DISCOs acceptable to all stakeholders.

31.3 Considering the submission of the Petitioner and the comments of CPPA (G) on the issue of Wheeling (through email dated 21st September, 2015) whereby CPPA (G) has informed that while invoicing to DISCOs, it excludes the transmission cost(s) as well as generation capacity cost depending on MDI, the Authority, in view of importance of the matter, has decided to conduct a meeting on the subject matter with all the stakeholders not later than 30th June, 2016 to resolve the issue.

32. **Issue # 16 Whether Petitioner's request to allow creation of divisions and sub-divisions as proposed in 2nd& 3rd phases with an additional cost of RS. 509 million and 499 million respectively is justified?**

The Authority have already discussed the issue under the relevant head.

33. **Issue # 17 Whether the request of Petitioner to allow one-time reopeners/adjustments for private sector participation on the following, merits consideration:**

- ✓ Revision of T&D loss targets
- ✓ Amendments/ revisions to IGTDP and
- ✓ Re-assessment of cost of debt.

33.1 As the Authority has already discussed these issues under the relevant issue, therefore need not to be discussed here again.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

34. Issue # 23 Whether the mark-up in range of KIBOR + 300-350 bps on delayed tariff differential subsidy by GOP, merits consideration?

34.1 The Petitioner has requested to charge interest on delayed tariff differential subsidy at KIBOR + 300 – 350 bps in order to cover the working capital shortfall created by this delay, considering the fact that IPPs are charging similar mark-up.

34.2 The Petitioner stated that a major portion of the annual revenue attributed to tariff differential subsidy remained un paid at year end in both 2011-12 and 2012-13. In 2011-12 almost 90% of TDS remained unpaid at year-end, while the situation only improved slightly in 2013 due to clearance of circular debt by the GoP which led to a rapid decline in unpaid receivables, which reduced to 19% of TDS for the year. At the end of FY 2014-15, unpaid receivables of the Petitioner had amounted to PKR 8,864 million, accounting for close to 40% of TDS recorded at the end of the year.

34.3 In view of the aforementioned, the petitioner has requested to charge an interest of KIBOR + 300 – 350 bps or alternatively to be allowed to adjust in advance the TDS from the Power Purchase Cost payment made to CPPA (G), thereby eliminating the cash imbalance. Petitioner further prayed this will encourage the GoP to take full ownership of the TDS and ensure that the distribution companies do not suffer owing to policy matters.

34.4 The Authority observes that on one hand the Petitioner is requesting for a markup on delayed TDS from GOP, whereas at the same time advance payments of Rs. 25,785 million have been made to CPPA (G) without any interest charges. The Authority considers that the matter of payment of mark-up on delayed tariff differential subsidy Or alternatively to be allowed to adjust in advance the TDS from the Power Purchase Cost payment made to CPPA (G), is something which is initially to be agreed by between the Petitioner and the GoP, subsequently, any agreement reached, must be brought to the Authority for its consideration in terms of its legal cover (under legal documents such as ESA , Commercial code) and its financial implications, if any. In view thereof, the Authority currently declines the Petitioner's request.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

35. **Issue # 24 Whether there is any major deviation in the petition from the NEPRA guidelines for determination of consumer-end tariff (Methodology & Process) notified vide SRO. 34(I) 2015 dated 16.01.2015?**

35.1 The Petitioner on the issue has submitted that its MYT petition has been prepared in line with the notified Guidelines and is in consonance with the guidelines, on which further legal assistance has been provided by the Financial Advisor.

35.2 Although some deviations from the methodology were observed in the Petition yet, the Authority, in its instant decision has not deviated from its notified Guidelines. However, certain issues on which the Methodology was silent has been explained /clarified further under the respective heads e.g. truing up of RAB & Depreciation and adjustment on account of variation in KIBOR.

36. **Issue # 25 What is the financial impact / loss of revenue due to TOU metering for cellular company connections and other similar connections?**

36.1 The Petitioner during the hearing stated the following figures regarding loss on installation of TOU meters.

Particular	Unit	Detail
Consumers	Nos.	3,690
Off-Peak Units	Kwh	6,612,681
Peak Units	Kwh	1,504,019
Billing With TOU parameters	Rs. in Mln	154
Billing Without TOU parameter	Rs. in Mln	180
Loss of Revenue	Rs. in Mln	(26)

36.2 The Authority observed that IESCO, in its tariff petition for the FY 2012-13, contended that by installing TOU meters on the connections that operate on a 24 hour basis, an undue benefit of lesser off peak rate is enjoyed by these sort of consumers as their demand remains constant throughout the day, irrespective of the differential tariff being offered in different time spectrum. IESCO presented a negative billing impact of Rs. 9 million per month approx. due to the installation of TOU meters on cellular company connections (who according to IESCO ,maintains constant load throughout the day). The same concern was noted and addressed in para 6.5 of the tariff determination for the FY 2012-13 dated 27th March, 2013.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA AUTHORITY

36.3 Consequently, the Authority decided to deal the matter separately and directed all DISCOs for comments on the issue. Subsequently, comments were filed by DISCOs and they supported the stance of IESCO in their tariff petitions for the FY 2013-14. The following arguments were presented by DISCOs;

Risks

- Conversion to a TOU meter is only viable for consumers who are aware of the rules and are able to alter their consumption patterns to maximize plan benefits.
- The main objective of TOU tariff was reduced demand on the power system during peak hours by introducing TOU metering.
- Cellular companies run their business round the clock during peak hours as well thus do not contribute toward the reduction in power demand during the peak hours.
- A separate tariff may be introduced for cellular companies as they do not deserve TOU tariff due constant load behavior.
- The consumer of cellular companies are enjoying the cross subsidy because they are availing the benefits resulting from application of TOU tariff consequently causing a negative impact on revenue as well as average sale rates.
- GEPCO also submitted a negative billing impact of TOU metering of cellular connections of Rs. 13.88 million affecting the revenues of the company;

Comparison of TOU/ Normal Billing to the Cellular Companies for the Month of June, 2013				
Name of Company	No. Of Connections	TOU Billing	Billing under Normal Tariff	Difference
Cellular Companies	1,955	Rs.38.42 million	Rs. 52.30 million	Rs. 13.88 million

- DISCOs suggested discontinuation of TOU metering on all such connections and more specifically on cellular company connections. FESCO also requested for a separate tariff category for these connections.

36.4 Keeping in view the aforementioned arguments / comments submitted by the XW-DISCOs, the Authority decided to hold a separate hearing on the issue by taking stakeholder on board. In this regard a hearing was held on 8th July, 2014. The hearing was attended by representatives of IESCO and legal representatives of Cellular Companies. The representatives of IESCO reiterated their stance and requested the

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

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 DISCOs should be produced to review by cellular companies in order to provide further justification / evidence. The legal representatives further objected to the suo-moto proceedings and named it as a brain storming session which needs to be followed by examination of evidence by cellular companies and a 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, required both DISCOs and cellular companies to provide their evidences in this regard to the Authority for consideration.

36.5 As directed by the Authority during the hearing, IESCO submitted data vide letter No. 7617-20/CE/IESCO/CD(S) dated 21st July, 2014. In the meantime some initial information was provided by Warid Telecom Company.

36.6 A number of cellular companies instead of providing data, went to the higher court against the suo motto proceedings initiated by the Authority. The Honorable Islamabad High Court, dismissed their petition and the same was challenged by cellular companies before the Supreme Court of Pakistan. The decision of the Honorable Supreme Court is reproduced here as under;

"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, 1998."

36.7 The representatives of Cellular companies Telecom, Mobilink and Ufone, M/s Aqlal Advocates later on submitted Motion for leave for review 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;

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

- 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.

36.8 On the afore stated submissions, the Cellular companies made following pleas;

- 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.

36.9 As per decision of Supreme Court of Pakistan the Authority again started proceedings, the Authority vide letter No. 1085-91 dated 23-01-2015 shared the information provided by IESCO with cellular companies for their comments. In response only M/s Mobilink provided their comments vide letter dated 9th March, 2015.

36.10 Consequently a letter was issued to the concerned stakeholders dated July 06, 2015 for their comments on the data provided by IESCO. However, till date no comments had been received so far.

36.11 In view of aforementioned and as per the statutory requirements, the Authority framed the same issue in the instant petitions and the relevant data was sought from the DISCOs for the onwards comments from the cellular companies.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

36.12 The Authority keeping in view the sensitivity of the issue has decided to constitute an in house-committee having Technical and financial representation for the review/evaluation of the comments and arguments of the parties. The Authority in light of the findings of the committee may change terms and conditions, if any along with the biannual PPP adjustments.

37. Issue # Changing Terms & Condition of life line consumers and Creation of New General Services Category

37.1 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.

37.2 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 wellbeing 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;

- The criteria for Lifeline consumers is modified to only those residential consumers having single phase electric connection with a limited sanctioned load up-to 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.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

37.3 Although the Authority completed its consultative process but it still felt 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, in its tariff determination pertaining to the FY 2014-15 was 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. The submitted comments are already discussed by the Authority above under the head of directions, the Authority after careful consideration has decided to modify the Terms & Conditions to the extent of the following;

- The criteria for Lifeline consumers is modified to only those residential consumers having single phase electric connection with a sanctioned load up to 1 kW.

- At any point of time, if the floating average of last six months consumption exceed 50 units, then the said consumer would not be classified as life line for billing month even if its consumption is less than 50 units. For the purpose of calculating floating average, the consumption charged as detection billing would also be included.

37.4 On the issue of that whether all government offices, educational institutes and mosques should be removed from the category of residential consumers, the Authority has decided to create a New General Services Category by changing terms & conditions of the residential consumers and has decided to restrict residential category as Residences and Places of worship, excluding thereby all government and other offices, educational institution. Thus, the consumer category A3 General services shall include;

- Approved charitable/religious institutions
- Government and semi – Government Offices and institutions
- Government Hospitals and dispensaries
- Educational Institutions
- Water supply schemes including water pumps and tube wells operating on three phase 400 volts other than those meant for the irrigation or reclamation of Agricultural land.

NEPRA AUTHORITY

38. Issue # 27 Whether there should be any penalty as a cut on Distribution Margin (D.M) if desired level of performance standards are not achieved by the Petitioner?

38.1 The Petitioner submitted that the efficiency factor "X" shall automatically penalize the Company in case the Company does not meet its performance standards as it shall have to bear the costs of distribution over the set tariff (except for uncontrollable costs), i.e. the MYT tariff automatically adjusts for the performance level achieved by the company.

38.2 The Petitioner was therefore of the view that there should be no further need to additionally penalize the Company for not meeting the performance levels.

38.3 The Authority understands that the incorporation of the efficiency factor "X" caters for in case the Petitioner does not bring in the desired level of efficiency as the Petitioner would end up bearing the extra costs over the set tariff. However, in case the Authority observes any major deviation from the performance standards as committed by the Petitioner in its IGTDP, over the tariff control period, the Authority may consider introducing an extra cut on DM in the next tariff control period.

39. Issue # 28 whether there should be any mechanism for sharing of profits/benefits by the Petitioner with the consumers if the Petitioner performance exceeds the desired level?

39.1 The Petitioner submitted that as the MYT tariff has an efficiency/performance factor "X" that is set at pre-determined levels for the five-year period, under performance on which shall result in the Distributor bearing the costs, the over-performance on efficiency targets must also be the sole responsibility of the Petitioner and the rewards must go to the Company.

39.2 The Petitioner further submitted that given the tariff is structured to reward efficiency and promote continuing investments within the network, it is envisaged that the consumers and public at large will benefit from the tariff. However, being the first MYT tariff for the incoming private sector participant, the current efficiency factor "X" should remain at the current level and benefits on achievement of targets should remain with the Company.

39.3 The Authority has already prescribed the mechanism for sharing of profits / benefits with the consumers on account of savings in cost of debt's spread. The mechanism have been explained in detail under the respective head/ issue.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

39.4 However, after taking into account all the adjustments and assessments, as discussed in the instant determination, if the Petitioner still earns extra profits the same will be shared with the consumers and the Petitioner equally.

40. Issue #11. Whether the proposed revenue requirements and average sale rate for FY 2015-16 to FY 2019-20, is justified?

40.1 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

40.2 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;

40.3 Based on the assessments made in the preceding paragraphs the Revenue Requirement for the FY 2015-16 is assessed as per the following details;

1.	**Power Purchase Price**		**Rs. 99,785 Million**
	CpGenE	Rs.66,305 Million	
	CpGenCap	Rs. 29,704 Million	
	USCF	Rs. 3,775 Million	
2.	**Distribution Margin (Net)**		**Rs.13,575 Million**
	O&M Cost	Rs.10,864 Million	
	Depreciation	Rs. 2,381 Million	
	RORB	Rs. 2,896 Million	
	Gross DM	**Rs. 16,141 Million**	
	Less: Other Income	Rs. 2,565 Million	
	Net DM	**Rs. 13,575 Million**	
	Prior Year Adjustment		Rs. (16,787) Million
	Total Assessed Revenue Requirement		**Rs.96,573 Million**

NEPRA AUTHORITY
NATIONAL ELECTRIC POWER REGULATORY AUTHORITY

40.4 Based on the projected sales of 10,294 GWh for the FY 2015-16, the Petitioner's average sale rate works out as Rs.9.38/kWh, consisting of Rs.9.69/kWh of adjusted PPP, Rs. 1.32/kWh of DM and Rs. (1.63) /kWh of Prior Year Adjustment.

40.5 This revenue would be recovered from the consumers during the FY2015-16, through the projected units of 10,294 GWh, as per Annex – II.

41. ORDER

From what has been discussed above, the Authority hereby determines the tariff of the petitioner Company for the Financial Year 2015-16 to 2019-20 under the Multi-Year Tariff Regime 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 (G), adjustment of remaining components of PPP will be adjusted biannually.

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

$$UOSC \quad = \quad DM(Gross) \quad \times \quad \frac{(1-L)}{(1-0.01)} \times \text{AFI(T)} \qquad Paisa/kWh$$

ii) Where only 11 kV distribution systems is involved.

$$UOSC \quad = \quad DM(Gross) \quad \times \quad \frac{(1-L)}{(1-0.05)} \times \text{AFI(D)} \qquad Paisa/kWh$$

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

$$UOSC \quad = \quad DM(Gross) \quad \times \quad \frac{(1-L)}{(1-0.06)} \times \text{AFI(TD)} \qquad Paisa/kWh$$

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA AUTHORITY

Where:

Gross Distribution Margin for FY 2015-16 is set at Rs. 1.57/kWh (without excluding impact of other income)

'L' is the overall percentage loss assessment for the respective year.

AFI (T) = Adjustment factor for investment at 132 kV level i.e. 29%

AFI (D) = Adjustment factor for investment at 11 kV level i.e. 21%.

AFI (TD) =Adjustment factor for investment at both 132 kV & 11 kV level i.e. 52%.

Net Distribution Margin for FY 2015-16 is set at Rs. 1.32/kWh.

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

V. FESCO is hereby allowed the following T&D losses target over the five years tariff control period.

Year	2015-16	2016-17	2017-18	2018-19	2019-20
T&D losses target	9.50%	9.36%	9.02%	8.60%	8.10%

VII. FESCO is hereby allowed a total investment of Rs. 44,625 million including Rs. 13,060 million as given hereunder. Detail attached as Annexure-VII;

Description	2015-16	2016-17	2017-18	2018-19	2019-20	Total
STG	2828	3252	2722	2616	1637	**13056**
Distribution (Expansion & Rehabilitation)	994	1210	1443	1670	1993	**7309**
Vehicles and Tools &Plants	254	269	240	218	199	**1180**
Civil Works	380	382	344	146	148	**1400**
ERP Implementation	300	0	0	0	0	**300**
ELR & Commercial Improvement	42	525	525	900	1200	**3192**
Sub-Total	**4798**	**5638**	**5274**	**5550**	**5177**	**26437**
ADB Funded	**4,214**	**914**	**0**	**0**	**0**	**5,128**
Total	**9,012**	**6,552**	**5,274**	**5,550**	**5,177**	**31,565**
Consumer Financing	**2,072**	**2,251**	**2,583**	**2,867**	**3,287**	**13,060**
GRAND TOTAL	**11,084**	**8,803**	**7,857**	**8,417**	**8,464**	**44,625**

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

The Authority hereby determines and approves the following component wise cost and their adjustments/indexation mechanism in the matter of FESCO's MYT tariff petition for the FY 2015-16 to 2019-20.

TARIFF COMPONENT	Assessed Cost FY 2015-16	Reference Cost For tariff control period	ADJUSTMENTS/ INDEXATION	TIME LINES
POWER PURCHASE PRICE				
Energy Purchase Price				
Fuel Cost	62,823	62,823	Monthly, as per the approved mechanism.	Data to be provided by CPPA (G)by 3rd of close of the month
Variable O&M	3,483	3,483	Biannually, as per the approved mechanism.	Request to be furnished by the Petitioner not later than 10th July and 10th January, as the case may be.
Capacity Charges	29,704	29,704	Biannually, as per the approved mechanism.	Request to be furnished by the Petitioner not later than 10th July and 10th January, as the case may be.
Use of System Charges	3,775	3,775	Biannually, as per the approved mechanism.	Request to be furnished by the Petitioner not later than 10th July and 10th January, as the case may be.
T&D Losses	9.50%	9.50%	Biannually, as per the approved mechanism.	Request to be furnished by the Petitioner not later than 10th July and 10th January, as the case may be.
NET DISTRIBUTION MARGIN	**13,575**	-		
O&M Cost				
Salaries, wages & other benefits	5,971	5,971	Annually, as per Annex-VI	Request to be submitted by Petitioner by 7th July every year.
Post-Retirement benefits	3,242	-	As per the decision	
Repair and Maintenance	576	576	Annually, as per Annex-VI	Request to be submitted by Petitioner by 7th July every year.
Other operating expanses	1,074	1,074	Annually, as per Annex-VI	Request to be submitted by Petitioner by 7th July every year.
Depreciation	2,381	2,381	Annually, as per the Annex-VI	Request to be submitted by Petitioner by 7th July every year.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

Return on Rate Base	2,896	2,896	Annually, as per the Annex-VI	
Other Income	(2,565)	(2,565)	Annually, as per the Annex-VI	
Prior Year Adjustment	(16,787)	-	Annually, as per the existing Mechanism	
KIBOR Spread	2.75%	-	Annually, as per the decision	
KIBOR	7.01%		Bi-Annually, as per the decision.	

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

41.1 **Summary of Direction**

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

- To complete the pending installation of TOU meters as soon as possible.
- To finalize the procurement process of HHUs at the earliest and convert the billing process on HHU basis in order to eliminate the inefficiencies.
- To complete the installation of AMRs/ AMIs System within the time lines given by the Authority.
- To submit quarterly recovery report of receivables for consideration of the Authority.
- To clarify its statement with respect to the supplementary charges and excess payments to CPPA (G), not later than 31st March, 2016.
- To create separate accounts or fund (as the case may be) for each head of post retirement liability and transfer the amount in the post retirement liability in the fund or accounts (as the case may be).
- To maintain proper record of its assets by way of tagging each asset for its proper tracking.
- To spend at least 20% of the village electrification funds for improvement/ up-gradation of the grid. It is further directed not to undertake any village electrification which would result in overloading of the system. The village electrification would only be undertaken without augmentation of the grid if it already has spare MVAs.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA AUTHORITY

- To share the details of late payment charges recovered from consumers and any invoice raised by CPPA (G) under the head of mark up on delayed payments for the FY 2015-16.

- To complete study of its Transmission and Distribution losses on 132 KV, 11KV and below.

- To print bills with the snap shots of meter readings (both previous and current) not later than 30th June, 2016.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

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 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.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

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

Description	Sales		Tariff		Revnue		
	GWh	% Mix	Fixed Charge	Variable Charge	Fixed Charge	Variable Charge	Total
			Rs./kW/ M	Rs./ kWh		Mln. Rs.	
Residential							
Up to 50 Units	383	3.72%		4.00	-	1,531	1,531
For peak load requirement less than 5 kW							
01-100 Units	1917	18.62%		8.49	-	16,273	16,273
101-200 Units	812	7.89%		9.85	-	8,001	8,001
201-300 Units	814	7.91%		9.85	-	8,014	8,014
301-700Units	422	4.10%		13.20	-	5,574	5,574
Above 700 Units	105	1.02%		14.40	-	1,505	1,505
For peak load requirement exceeding 5 kW)							
Time of Use (TOU) - Peak	11	0.10%		14.40	-	154	154
Time of Use (TOU) - Off-Peak	49	0.47%		7.20	-	351	351
Temporary Supply	0	0.00%		14.40	-	6	6
Total Residential	**4,512**	**43.83%**			**-**	**41,408**	**41,408**
Commercial - A2							
For peak load requirement less than 5 kW	287	2.79%		13.20	-	3,787	3,787
For peak load requirement exceeding 5 kW							
Regular	4	0.04%	400.00	12.90	8	47	55
Time of Use (TOU) - Peak	37	0.36%		14.40	-	538	538
Time of Use (TOU) - Off-Peak	169	1.64%	400.00	7.20	489	1,217	1,705
Temporary Supply	9	0.09%		14.40	-	135	135
Total Commercial	**506**	**4.92%**			**497**	**5,724**	**6,221**
General Services-A3	**41**	**0.40%**	**-**	**10.65**	**-**	**439**	**439**
Industrial							
B1	121	1.18%		10.50	-	1,271	1,271
B1 Peak	43	0.41%		14.40	-	615	615
B1 Off Peak	257	2.49%		7.20	-	1,850	1,850
B2	18	0.18%	400.00	10.00	25	182	206
B2 - TOU (Peak)	222	2.16%		14.40	-	3,197	3,197
B2 - TOU (Off-peak)	1326	12.88%	400.00	7.10	2,424	9,416	11,841
B3 - TOU (Peak)	132	1.29%		14.40		1,907	1,907
B3 - TOU (Off-peak)	1183	11.49%	380.00	7.00	1,360	8,283	9,642
B4 - TOU (Peak)	101	0.98%		14.40		1,456	1,456
B4 - TOU (Off-peak)	683	6.64%	360.00	6.90	633	4,718	5,351
Temporary Supply	0	0.00%		14.40	-	3	3
Total Industrial	**4,086**	**39.69%**			**4,442**	**32,897**	**37,339**
Single Point Supply for further distribution							
C1(a) Supply at 400 Volts-less than 5 kW	0	0.00%		11.00	-	2	2
C1(b) Supply at 400 Volts-exceeding 5 kW	2	0.02%	400.00	10.50	5	26	31
Time of Use (TOU) - Peak	2	0.02%		14.40	-	36	36
Time of Use (TOU) - Off-Peak	12	0.11%	400.00	7.20	21	85	106
C2 Supply at 11 kV	16	0.16%	380.00	10.30	13	168	181
Time of Use (TOU) - Peak	16	0.15%		14.40	-	229	229
Time of Use (TOU) - Off-Peak	78	0.75%	380.00	7.00	99	544	643
C3 Supply above 11 kV	8	0.08%	360.00	10.20	18	85	104
Time of Use (TOU) - Peak	32	0.32%		14.40	-	467	467
Time of Use (TOU) - Off-Peak	158	1.53%	360.00	6.90	123	1,091	1,213
Total Single Point Supply	**326**	**3.16%**			**279**	**2,733**	**3,012**
Agricultural Tube-wells - Tariff D							
Scarp	14	0.13%		10.30	-	142	142
Time of Use (TOU) - Peak	4	0.04%		14.40	-	63	63
Time of Use (TOU) - Off-Peak	34	0.33%	200.00	7.10	47	243	290
Agricultual Tube-wells	6	0.06%	200.00	10.00	8	65	73
Time of Use (TOU) - Peak	139	1.35%		14.40	-	2,007	2,007
Time of Use (TOU) - Off-Peak	612	5.95%	200.00	7.10	1,102	4,350	5,452
Total Agricultural	**810**	**7.87%**			**1,158**	**6,869**	**8,026**
Public Lighting - Tariff G	8	0.07%		10.50	-	80	80
Tariff H - Residential Colonies attached to industries	4	0.04%		10.50	-	47	47
Sub-Total	**12**	**0.12%**			**-**	**128**	**128**
Special Contract - Tariff-J							
J-1 For Supply at 66 kV & above	-	0.00%	360.00	10.14	-	-	-
Time of Use (TOU) - Peak	-	0.00%		14.31	-	-	-
Time of Use (TOU) - Off-Peak	-	0.00%	360.00	6.88	-	-	-
J-2 (a) For Supply at 11, 33 kV	-	0.00%	380.00	10.50	-	-	-
Time of Use (TOU) - Peak	-	0.00%		14.69	-	-	-
Time of Use (TOU) - Off-Peak	-	0.00%	380.00	7.13	-	-	-
J-2 (b) For Supply at 66 kV & above	-	0.00%	360.00	10.14	-	-	-
Time of Use (TOU) - Peak	-	0.00%		14.31	-	-	-
Time of Use (TOU) - Off-Peak	-	0.00%	360.00	6.88	-	-	-
J-3 (a) For Supply at 11, 33 kV	-	0.00%	380.00	10.48	-	-	-
Time of Use (TOU) - Peak	-	0.00%		14.69	-	-	-
Time of Use (TOU) - Off-Peak	-	0.00%	380.00	7.13	-	-	-
J-3 (b) For Supply at 66 kV & above	-	0.00%	360.00	10.14	-	-	-
Time of Use (TOU) - Peak	-	0.00%		14.31	-	-	-
Time of Use (TOU) - Off-Peak	-	0.00%	360.00	6.88	-	-	-
Total Revenue	**10,294**	**100.00%**			**6,375**	**90,198**	**96,573**

Annex-III

SCHEDULE OF ELECTRICITY TARIFFS
FOR FAISALABAD ELECTRIC SUPPLY COMPANY (FESCO)

A-1 GENERAL SUPPLY TARIFF - RESIDENTIAL

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	-	8.49	
iii	101 - 200 Units	-	9.85	
iv	201 - 300 Units	-	9.85	
v	301 - 700 Units	-	13.20	
vi	Above 700 Units	-	14.40	
b)	For Sanctioned load 5 kW & above			
			Peak	Off-Peak
	Time Of Use	-	14.40	7.20

As per the Authority's decision residential consumers will be given the benefits of only one previous slab.

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 SUPPLY TARIFF - COMMERCIAL

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	
a)	For Sanctioned load less than 5 kW	-	13.20	
b)	For Sanctioned load 5 kW & above	400.00	12.90	
			Peak	Off-Peak
c)	Time Of Use	400.00	14.40	7.20

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

A-3 GENERAL SERVICES

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh
a)	General Services	-	10.65

Under tariff A-3, 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

SCHEDULE OF ELECTRICITY TARIFFS
FOR FAISALABAD ELECTRIC SUPPLY COMPANY (FESCO)
B INDUSTRIAL SUPPLY TARIFFS

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	
B1	Upto 25 kW (at 400/230 Volts)	-		10.50
B2(a)	exceeding 25-500 kW (at 400 Volts)	400.00		10.00
	Time Of Use		Peak	Off-Peak
B1 (b)	Up to 25 KW		14.40	7.20
B2(b)	exceeding 25-500 kW (at 400 Volts)	400.00	14.40	7.10
B3	For All Loads up to 5000 kW (at 11,33 kV)	380.00	14.40	7.00
B4	For All Loads (at 66,132 kV & above)	360.00	14.40	6.90

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 PURCHASE IN BULK BY A DISTRIBUTION LICENSEE AND MIXED LOAD CONSUMERS NOT FALLING IN ANY OTHER CONSUMER CLASS

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	-		11.00
b)	Sanctioned load 5 kW & up to 500 kW	400.00		10.50
C -2(a)	For supply at 11,33 kV up to and including 5000 kW	380.00		10.30
C -3(a)	For supply at 66 kV & above and sanctioned load above 5000 kW	360.00		10.20
	Time Of Use		Peak	Off-Peak
C -1(c)	For supply at 400/230 Volts 5 kW & up to 500 kW	400.00	14.40	7.20
C -2(b)	For supply at 11,33 kV up to and including 5000 kW	380.00	14.40	7.00
C -3(b)	For supply at 66 kV & above and sanctioned load above 5000 kW	360.00	14.40	6.90

D - AGRICULTURE TARIFF

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	
D-1(a)	SCARP less than 5 kW	-		10.30
D-2 (a)	Agricultural Tube Wells	200.00		10.00
			Peak	Off-Peak
D-1(b)	SCARP 5 kW & above	200.00	14.40	7.10
D-2 (b)	Agricultural 5 kW & above	200.00	14.40	7.10

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.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA AUTHORITY

SCHEDULE OF ELECTRICITY TARIFFS
FOR FAISALABAD ELECTRIC SUPPLY COMPANY (FESCO)
E - TEMPORARY SUPPLY TARIFFS

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh
E-1(i)	Residential Supply	-	14.40
E-1(ii)	Commercial Supply	-	14.40
E-2	Industrial Supply	-	14.40

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.

F - SEASONAL INDUSTRIAL SUPPLY TARIFF

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.

G- PUBLIC LIGHTING

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh
	Street Lighting		10.50

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

H - RESIDENTIAL COLONIES ATTACHED TO INDUSTRIAL PREMISES

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh
	Residential Colonies attached to industrial premises	-	10.50

J - SPECIAL CONTRACTS UNDER NEPRA (SUPPLY OF POWER) REGULATIONS 2015

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	
J -1	For supply at 66 kV & above and having sanctioned load of 20MW & above	360.00	10.14	
J-2				
(a)	For supply at 11,33 kV	380.00	10.50	
(b)	For supply at 66 kV & above	360.00	10.14	
J-3				
(a)	For supply at 11,33 kV	380.00	10.48	
(b)	For supply at 66 kV & above	360.00	10.14	
	Time Of Use		Peak	Off-Peak
J -1(b)	For supply at 66 kV & above and having sanctioned load of 20MW & above	360.00	14.31	6.88
J-2 (c)	For supply at 11,33 kV	380.00	14.69	7.13
J-2 (d)	For supply at 66 kV & above	360.00	14.31	6.88
J-3 (c)	For supply at 11,33 kV	380.00	14.69	7.13
J-3 (d)	For supply at 66 kV & above	360.00	14.31	6.88

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA AUTHORITY

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)	1,083	1,140	1,049	1,014	892	810	685	789	805	844	1,119	1,144	11,374

kWh

Fuel Cost Component	4.9811	4.7552	5.1217	5.2366	5.0497	5.8619	7.1241	5.7493	6.6429	6.7227	5.2908	4.9927	**5.523**
Variable O & M	0.2727	0.2678	0.2825	0.2891	0.2916	0.3337	0.3711	0.3234	0.3467	0.3577	0.3050	0.2891	**0.306**
CpGenCap	2.2472	2.0947	2.3052	2.3559	2.3750	3.0573	3.4998	2.9262	3.3620	2.9079	2.6889	2.2761	**2.611**
USCF	0.2839	0.2830	0.3164	0.3141	0.3307	0.3785	0.4017	0.3785	0.3846	0.3754	0.3071	0.3052	**0.3319**
Total PPP in Rs. /kWh	**7.7848**	**7.4006**	**8.0258**	**8.1956**	**8.0470**	**9.6313**	**11.3967**	**9.3774**	**10.7361**	**10.3636**	**8.5919**	**7.8630**	**8.7727**

Rs in Million

Fuel Cost Component	5,394	5,423	5,372	5,312	4,503	4,751	4,880	4,539	5,346	5,673	5,919	5,711	**62,823**
Variable O & M	295	305	296	293	260	270	254	255	279	302	341	331	**3,483**
CpGenCap	2,433	2,389	2,418	2,390	2,118	2,478	2,397	2,310	2,706	2,454	3,008	2,604	**29,704**
USCF	307	323	332	319	295	307	275	299	310	317	344	349	**3,775**
PPP	**8,430**	**8,439**	**8,419**	**8,313**	**7,176**	**7,805**	**7,806**	**7,403**	**8,641**	**8,745**	**9,613**	**8,995**	**99,785**

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

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

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) day	5 PM to 9 PM	Remaining 20 hours of the
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

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.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

123

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(G) means Central Power Purchasing Agency Guarantee Limited (CPPA)(G).

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 surcharge 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%.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

PART-II

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

A-1 RESIDENTIAL

Definition

"Life Line Consumer" means those residential consumers having single phase electric connection with a sanctioned load up to 1 kW.

At any point of time, if the floating average of last six months' consumption exceed 50 units, then the said consumer would not be classified as life line for the billing month even if its consumption is less than 50 units. For the purpose of calculating floating average, the consumption charged as detection billing would also be included.

1. This Tariff is applicable for supply to;
   - i) Residences,
   - ii) Places of worship,
2. Consumers having sanctioned load less than 5 kW shall be billed on single-part kWh rate i.e. A-1(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 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 convert it 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).

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

A-3 GENERAL SERVICES

1. This tariff is applicable to;

i. Approved religious and charitable institutions
ii. Government and Semi-Government offices and Institutions
iii. Government Hospitals and dispensaries
iv. Educational institutions
v. Water Supply schemes including water pumps and tube wells operating on three phase 400 volts other than those meant for the irrigation or reclamation of Agriculture land.

1. Consumers under General Services (A-3) shall be billed on single-part kWh rate i.e. A-3(a) tariff.

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.
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 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 upto a 25 kW.
2. Consumers having sanctioned load less than 25 kW shall be billed on single-part kWh rate.
3. All existing consumers under tariff B-1 shall be provided T.O.U metering arrangement by the Company and convert it to-B1 (b) Tariff.

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.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

126

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 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.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA AUTHORITY

C BULK SUPPLY

"Bulk Supply" for the purpose of this Tariff, means the supply given at one point for self-consumption not selling 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 a 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 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.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA AUTHORITY

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

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.
3. 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.
4. 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) 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.
2. Consumers having sanctioned load less than 5 kW shall be billed on single-part kWh rate i.e. D-2(a) tariff given in the Schedule of Tariff.
3. 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- 2(b) given in the Schedule of Tariff.
4. 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-2(a) till that time.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA AUTHORITY

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 bonafide 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.

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

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.

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NEPRA
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"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 bonafide 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.

I. TRACTION

Supply under this tariff means supply of power in bulk to Railways for Railway traction only.

J. SPECIAL CONTRACTS UNDER NEPRA (SUPPLY OF POWER) REGULATIONS 2015

Supply for the purpose of this tariff means the supply given at one or more common delivery points;

i. To a licensee procuring power from FESCO for the purpose of further supply within its respective service territory and jurisdiction.

ii. To an O&M operator under the O&M Agreement within the meaning of NEPRA (Supply of Power) Regulations 2015 duly approved by the Authority for the purpose of further supply within the service territory and jurisdiction of the FESCO

iii. To an Authorized agent within the meaning of NEPRA (Supply of Power) Regulations 2015, procuring power from the FESCO for further supply within the service territory and jurisdiction of the FESCO

J-1 SUPPLY TO LICENSEE

1. This tariff is applicable to a Licensee having sanctioned load of 20 MW and above receiving supply at 66 kV and above.

2. Existing consumers governed by this tariff shall be provided with T.O.U metering arrangement and converted to J-1(b).

3. All new consumers shall be provided TOU metering arrangement and shall be billed on the basis of tariff J-1(b) as set out in the Schedule of Tariff.

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NEPRA
AUTHORITY

SUPPLY UNDER O&M AGREEMENT

J-2 (a) SUPPLY AT 11 KV AND 33 KV

1. This tariff is applicable to an O&M operator receiving supply at 11 kV or 33 kV under the O&M Agreement duly approved by the Authority.

2. Existing consumers governed by this tariff shall be provided with T.O.U metering arrangement and converted to J-2(c).

3. All new consumers shall be provided TOU metering arrangement and shall be billed on the basis of tariff J-2(c) as set out in the Schedule of Tariff.

J-2 (b) SUPPLY AT 66 KV AND ABOVE

1. This tariff is applicable to an O&M operator receiving supply at 66 kV & above under the O&M Agreement duly approved by the Authority.

2. Existing consumers governed by this tariff shall be provided with T.O.U metering arrangement and converted to J-2(d).

3. All new consumers shall be provided TOU metering arrangement and shall be billed on the basis of tariff J-2(d) as set out in the Schedule of Tariff.

SUPPLY TO AUTHORIZED AGENT

J-3 (a) SUPPLY AT 11 KV AND 33 KV

1. This tariff is applicable to an authorized agent receiving supply at 11 kV or 33 kV.

2. Existing consumers governed by this tariff shall be provided with T.O.U metering arrangement and converted to J-3(c).

3. All new consumers shall be provided TOU metering arrangement and shall be billed on the basis of tariff J-3(c) as set out in the Schedule of Tariff.

J-3 (b) SUPPLY AT 66 KV AND ABOVE

1. This tariff is applicable to an authorized agent receiving supply at 66 kV & above.

2. Existing consumers governed by this tariff shall be provided with T.O.U metering arrangement and converted to J-3(d).

3. All new consumers shall be provided TOU metering arrangement and shall be billed on the basis of tariff J-3(d) as set out in the Schedule of Tariff.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

133

Annex-VI

O&M EXPENSE

The O&M part of Distribution Margin shall be indexed with CPI subject to adjustment for efficiency gains (X factor). Accordingly the O&M will be indexed every year according to the following formula:

$$O\&M_{(Rev)} = O\&M_{(Ref)} \times [1+(\Delta CPI - X)]$$

Where:

$O\&M_{(Rev)}$	=	Revised O&M Expense for the Current Year
$O\&M_{(Ref)}$	=	Reference O&M Expense for the Reference Year
ΔCPI	=	Change in Consumer Price Index published by Pakistan Bureau of Statistics latest available on 1st July against the CPI as on 1st July of the Reference Year in terms of percentage.
X	=	Efficiency factor

RORB

RORB assessment will be made in accordance with the following formula/mechanism:

$$RORB_{(Rev)} = RORB_{(Ref)} \times \frac{RAB_{(Rev)}}{RAB_{(Ref)}}$$

Where:

$RORB_{(Rev)}$	=	Revised Return on Rate Base for the Current Year
$RORB_{(Ref)}$	=	Reference Return on Rate Base for the Reference Year
$RAB_{(Rev)}$	=	Revised Rate Base for the Current Year
$RAB_{(Ref)}$	=	Reference Rate Base for the Reference Year

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA AUTHORITY

134

DEPRECIATION EXPENSE

Depreciation expense for future years will be assessed in accordance with the following formula/mechanism:

$$DEP_{(Rev)} = DEP_{(Ref)} \times \frac{GFAIO_{(Rev)}}{GFAIO_{(Ref)}}$$

Where:

$DEP_{(Rev)}$	=	Revised Depreciation Expense for the Current Year
$DEP_{(Ref)}$	=	Reference Depreciation Expense for the Reference Year
$GFAIO_{(Rev)}$	=	Revised Gross Fixed Assets in Operation for the Current Year
$GFAIO_{(Ref)}$	=	Reference Gross Fixed Assets in Operation for the Reference Year

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OTHER INCOME

Other income will be assessed in accordance with the following formula/mechanism:

$$OI_{(Rev)} = OI_{(1)} + \left(OI_{(1)} - OI_{(0)}\right)$$

Where:

$OI_{(Rev)}$	=	Revised Other Income for the Current Year
$OI_{(1)}$	=	Actual Other Income as per latest Financial Statements.
$OI_{(0)}$	=	Actual/Assessed Other Income used in the previous year.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
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A. Target Projects in Next 5 Years:

A-1 Number of sub-projects under STG is as follows:

A-1.1 Grid Station Projects to Overcome Overloading and Low Voltage Problems at 132 kV Level:

S. #	Description	Total No.	Total Capacity (MVA)	2015-16 (Nos.)	2016-17 (Nos.)	2017-18 (Nos.)	2018-19 (Nos.)	2019-20 (Nos.)
1	**New**							
a)	132 kV	15	719.00	3	4	3	4	1
2	**Conversion**							
a)	66 to 132 kV	5	81.22	3	1	1	0	0
3	**Augmentation**							
a)	132 kV	33	459.00	1	10	4	9	9
b)	66 kV	-	13.80	-	-	-	-	-
4	**Extension (T/Bay)**							
a)	132 kV	13	261.00	2	4	1	1	5
5	**Extension (L/Bay)**							
a)	132 kV	35	-	13	10	6	4	2
6	**Sub-Total**	**101**	**1534**	**22**	**29**	**15**	**18**	**17**

A-1.2 New Transmission Line Projects to Overcome Power Evacuation Constraints:

S. #	Description	Total Length (KM)	2015-16 (KM)	2016-17 (KM)	2017-18 (KM)	2018-19 (KM)	2019-20 (KM)
1	132 kV D/C	**367.5**	68.5	91	100	98	10
2	132 kV SDT	**80**	31	-	34	-	15
3	**Sub-Total**	**447.5**	**99.5**	**91**	**134**	**98**	**25**

A-1.3 2nd Circuit Stringing of Existing SDT Transmission Lines:

S. #	Description	Total Length (KM)	2015-16 (KM)	2016-17 (KM)	2017-18 (KM)	2018-19 (KM)	2019-20 (KM)
1	132 kV SDT	**186.3**	49.3	135	2	-	-

A-1.4 Reconductoring/Up-Gradation of Existing Transmission Lines:

S. #	Description	Total Length (KM)	2015-16 (KM)	2016-17 (KM)	2017-18 (KM)	2018-19 (KM)	2019-20 (KM)
1	132 kV D/C	**73**	50	16	7	-	-

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA AUTHORITY

136

A-1.5 Capacitor Installation Projects to Improve Power Factor:

S. #	Description	Total MVAR	2015-16 (MVAR)	2016-17 (MVAR)	2017-18 (MVAR)	2018-19 (MVAR)	2019-20 (MVAR)
1	11 kV Fixed Capacitors	**414**	88.8	121.2	67.2	75.6	61.2
2	132 kV Fixed Capacitors	**72**	36	-	36	-	-
3	**Sub-Total**	**486**	**124.8**	**121.2**	**103.2**	**75.6**	**61.2**

A-2 Names of New 132 kV Grid Stations and Transmission Lines under STG in Next 5 Years:

Year	New 132 kV Grid Stations	New 132 kV Transmission Lines
2015-16	Chenab Nagar KotShakir Jaranwala Road	F/F Lundianwala F/F Chenab Nagar F/F KotShakir F/F Jaranwala Rd. F/F Fazal F/F PathanKot F/F Nia Lahore F/F FSD City F/F ShahbazKhel
2016-17	UsmanGani Bandala-II (RasoolPura) MamuKanjan Dijkot	F/F UsmanGani F/F RasoolPura F/F MamuKanjan F/F Dijkot F/F Trug 132 kV Chak-126/SB-Liberty Power (In & Out at 220 kVLalian) 132 kVChiniot Ind.-Lalian (In & out at 220 kVLalian)
2017-18	Awagat College Rd. FSD Silanwali Rd. Sargodha-IV	F/F Awagat F/F College Rd. F/F Silanwali Rd. Sargodha F/F AdhiKot 132 kVNarwala Rd-Jhang Rd. (In & Out at 500 kV FSD West) 132 kVJhang Rd-Factory Area (In & out at 500 kV FSD West)
2018-19	Bukharian Sargodha-III (SabziMandi) Aminpur Rd. FSD Darya Khan Rd. Bhakkar	F/F Bukharian F/F Sargodha-III F/F Aminpur F/F Darya Khan Rd. Bhakkar 132 kV D/C Barana-Bhumb 220 kVSammundri-Gojra (In & out at Sammundri)
2019-20	Bagh T.T Singh	F/F Bagh T.T Singh 132 kV SDT Bhowana-Khewa

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA AUTHORITY

137

A-3 Number of sub-projects under DOP Expansion and Rehabilitation are as follows:

A-3.1 DOP Expansion Projects to Cater Future Demand:

S. #	Description	Unit	Quantities					
			2015-16	2016-17	2017-18	2018-19	2019-20	Total
A.	**Scope of work for 11 kV Expansion**							
1	**New HT Lines**							
	Length of New HT Lines	KM	265	290	315	345	370	**1585**
2	**Transformers**							
	a. 10 KVA	Nos.	451	451	501	551	551	**2505**
	b. 15 KVA	Nos.	350	351	401	451	451	**2004**
	c. 25 KVA	Nos.	2004	2005	2505	2505	3005	**12024**
	d. 50 KVA	Nos.	910	950	1000	1050	1100	**5010**
	e. 100 KVA	Nos.	350	351	401	451	451	**2004**
	f. 200 KVA	Nos.	140	145	150	155	161	**751**
	g. 400 KVA	Nos.	12	14	15	16	17	**75**
	h. 630 KVA	Nos.	4	5	5	5	6	**24**
	Sub Total							**24397**
B.	**Scope of work for LT Expansion**							
1	**New LT Lines**							
	Length of New LT Lines	KM	158	168	178	188	200	**892**
C.	**Service Connections**							
1	Single Phase	Nos.	127410	132310	137210	142410	145416	684756
2	Three Phase	Nos.	22454	29554	39654	52454	70448	214564
3	TOU Meter	Nos.	136	136	136	136	136	680
Sub-Total		Nos.	**150000**	**162000**	**177000**	**195000**	**216000**	**900000**

A-3.2 DOP Rehabilitation Projects to Reduce Overloading at 11 kV Level:

S. #	Description	Unit	Quantities					
			2015-16	2016-17	2017-18	2018-19	2019-20	Total
A.	**Scope of work for 11 kV Distribution System Rehabilitation**							
1	**New HT Lines**							
	Number of Proposals	Nos.	30	35	40	45	50	200
	Bifurcation	KM	340	330	320	360	400	1750
	Reconductoring	KM	300	335	320	320	350	1625
	Re-Routing	KM	10	-	-	-	-	10
2	**Replacement of Over Loaded Transformers**							
	a. 50 KVA	Nos.	150	175	200	225	250	1000
	b. 100 KVA	Nos.	150	175	200	225	250	1000
	c. 200 KVA	Nos.	100	100	100	100	100	500
	Sub Total		**400**	**475**	**500**	**550**	**600**	**2500**
3	**Replacement of defective/burnt Transformers**							
	a. 50 KVA	Nos.	535	490	450	410	350	2235
	b. 100 KVA	Nos.	613	550	505	435	365	2468
	c. 200 KVA	Nos.	555	490	450	400	300	2195

	d. Other KVA	Nos.	200	180	150	120	100	750
	Sub Total	Nos.	1903	1710	1555	1365	1115	7648
4	11 kV Panels for replacement and Bifurcation of feeders	Nos.	20	17	16	17	15	85
B.	**Scope of work for LT Rehabilitation**							
1	**LT Line Rehabilitation**							
	Number of Proposals	Nos.	700	750	800	850	900	4000
	New LT Lines	KM	530	557	592	629	666	2974

A-4 Number of sub-projects under ELR Program is as follows:

A-4.1 Energy Loss Reduction Projects to Reduce T&D Losses through GIS Mapping:

S. #	Description	Unit	Quantities					
			2015-16	2016-17	2017-18	2018-19	2019-20	Total
1	**HT Mapping**							
	Number of 11 KV Feeders	Nos.	165	331	83	83	83	**898**
	Length of HT Lines mapped	KM	9600	19200	4800	4800	4800	**48083**
2	**LT Mapping**							
	Number of LT Lines	Nos.	-	-	4500	5600	8400	**18500**
	Length of LT Lines mapped	Nos.	-	-	1900	2400	3600	**7900**
3	**Tools Required**							
	GIS mapping software Licences	Nos.	1	1	1	-	-	**3**
	Hardware including plotters, computers, GPS devices etc.	Nos.	1	1	1	-	-	**3**

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA AUTHORITY

139

Study Based Planning using GIS Maps with Modern Planning Tools-Transition Plan								
1	**HT**							
	Circles	Nos.	165	331	83	83	83	**898**
2	**LT Mapping**							
	Number of LT Lines	Nos.	-	-	4500	5600	8400	**18500**
3	**Tools Required**							
	Simulation software Licences	Nos.	2	2	2	2	2	**10**
	Hardware including plotters, computers etc.	Nos.	1	1	1	1	1	**5**

A-5 Sub-projects under Commercial Improvement Plan are as follows:

A-5.1 Projects to Reduce Metering Complaints/Errors

(Rs. in Million)

S. #	Description	Nos.	2015-16	2016-17	2017-18	2018-19	2019-20	Total
A	AMR/AMI Metering	1010000	30.00	450.00	450.00	900.00	1200.00	**3030.00**
B	New CIS system	Cost is included in ERP						
C	HHUs for meter reading (Mobile Unit for Meter Reading)	600 mob units/ 1500HHUs	12mln. For 600 Mobile Units	75 mln. For 750 HHUs	75 mln. For 750 HHUs	0	0	**162.00**
D	Consumer Census	4.3 Mln. Cnsmrs.		Census of 1st circle consumer		Census of remaining consumers		**0.00**
E	Anti-theft efforts	Checking of 100% Industrial connection and 25% others through FESCO staff						**0.00**
F	IT infrastructure to support new initiatives	Setting of control for reading of AMR/AMI meters						**0.00**

140

A-6. Sub-projects under the head of Vehicle, Mechanical Tolls and Plants are as follows:

A-6.1 Vehicles Required for STG, DOP and ELR Operations:

S. #	Description	Unit	Quantities											
			2015-16		2016-17		2017-18		2018-19		2019-20		Total	
			STG	ELR/ DOP	STG	ELR/ DOP	STG	ELR/ DOP	STG	ELR/ DOP	STG	ELR/ DOP	STG	ELR/ DOP
1	Single Cabin Pick-up	No.	02	14	02	11	01	04	01	05	01	05	07	40
2	Double Cabin Pick-up	No.	01	01	0	01	01	01	0	0	0	0	02	03
3	Trucks	No.	02	03	04	06	04	06	04	06	02	03	16	24
4	Crane 20 Tons	No.	0	01	0	0	0	0	0	0	0	0	0	01
5	Crane 40 Tons	No.	01	0	0	0	0	0	0	0	0	0	01	0
	Total	**No.**	**07**	**24**	**12**	**21**	**12**	**12**	**08**	**13**	**04**	**12**	**43**	**82**

A-6.2 Vehicles for Operation at Sub-Division Level:

S. #	Description	2015-16	2016-17	2017-18	2018-19	2019-20	Total
1	Bucket Mounted Trucks	30	30	30	30	30	150

A-6.3 Vehicles Required for Officers and Staff:

S. #	Description	Unit	Quantities											
			2015-16		2016-17		2017-18		2018-19		2019-20		Total	
1	Suzuki Cultus Car	No.	02	02	02	02	01	02	00	00	00	0	05	06
2	Toyota Car (XLI)	No.	00	00	01	01	01	01	00	00	00	0	02	02
3	Motor Cycle	No.	00	20	10	10	05	05	00	00	0	0	15	35
	Total	**No.**	**02**	**22**	**13**	**13**	**07**	**08**	**00**	**04**	**00**	**00**	**22**	**43**

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

141

NEPRA AUTHORITY
NATIONAL ELECTRIC POWER REGULATORY AUTHORITY

A-6.4 Tools and Plants:

(Rupees)

S. #	Description	2015-16	2016-17	2017-18	2018-19	2019-20	Total
Tools & Plants							
1	Earthing Set	155346	155346	155346	155346	109656	731040
2	Earth Tester	44251	44251	44251	44251	31236	208240
3	Magger (1000 Volts)	290462	290462	290462	290462	205032	1366880
4	Measuring Tape	22049	22049	22049	22049	15564	103760
5	Fiber Glass Extension Ladder	881739	881739	881739	881739	622404	4149360
6	Cuffing Hoist (1500 kg)	167637	167637	167637	167637	118332	788880
7	Cuffing Hoist (750 kg)	125358	125358	125358	125358	88488	589920
8	Galvanized Steel Bucket	19224	17088	19224	17088	10680	83304
9	Fire Extinguisher	9764	12205	9764	9764	7323	48820
10	Clip On Volt Ampt Meter	131804	164755	131804	131804	98853	659020
11	Clip On kW Meter	131804	164755	131804	131804	98853	659020
12	Stop Watch	26860	26860	26860	26860	18960	126400
12	Black Smith Anvil (76 kg)	38896	38896	38896	38896	27456	183040
13	Chain Pullley Block (3 Ton)	25942	25942	25942	25942	18312	122080
14	Chain Plley Block (5 Ton)	124335	110520	124335	110520	69075	538785
15	Nylon Rope (19mm Dia)	351458	351458	351458	351458	248088	1653920
16	Pick Axes	2482	2482	2482	2482	1752	11680
17	Kassies	6222	6222	6222	6222	4392	29280
18	First Aid Box	23341	23341	23341	23341	16476	109840
19	DEO J Spanner (9/6" X 5/8")	16864	16864	16864	16864	11904	79360
20	DEO J Spanner (5/8" X 3/4")	16864	16864	16864	16864	11904	79360
21	Pulling Grip (6-10')	47243	47243	47243	47243	33348	222320
22	Pulling Grip (12-15')	62067	62067	62067	62067	43812	292080
23	Hammers	2074	2074	2074	2074	1464	9760
24	Adjustable Screw Wrench	13498	13498	13498	13498	9528	63520
25	Line Man Tool Bag	9860	9860	9860	9860	6960	46400
26	Line Man Knife	884	884	884	884	624	4160
27	Torch 3 Cells	4862	4862	4862	4862	3432	22880

(Rupees)

S. #	Description	2015-16	2016-17	2017-18	2018-19	2019-20	Total
Personal Protective (T&P)							
1	Safety Hat Insulated	12975	12975	12975	12975	10380	62280
2	Line Man Safety Belt	18250	18250	18250	18250	14600	87600
3	Protective Rubber Gloves (Pair)	26925	26925	26925	26925	21540	129240
4	Protective Lather Globes (Pair)	15975	15975	15975	15975	12780	76680
5	Line Man Safety Boots (8,9,10 Size)	28650	28650	28650	28650	22920	137520

142

6	Live Wire Tester (4000 Volts)	368	368	460	368	276	1840
7	Insulated Screw Driver	1975	1975	1975	1975	1580	9480
8	Rain Coat	63920	63920	63920	79900	47940	319600
9	D-Operating Rod	29288	29288	36610	29288	21966	146440
10	Insulated Plyer	5725	5725	5725	5725	4580	27480
Total (Rs.)		**2957241**	**3009633**	**2964655**	**2957270**	**2092470**	**13981269**
In Millions		**2.96**	**3.01**	**2.96**	**2.96**	**2.01**	**13.9**

A-7. Sub-projects under **Civil Works** are as follows:

Enhancement in the number of sub-divisions, divisions, revenue offices and operation circles is essential to provide prompt/effective services to the prospective new consumers in next 5 years. The restraining instructions are that FESCO will not claim additional amount on recruitment of new employees. The number of employees may vary but the allowance in salaries etc. will remain the same.

There is no need for construction circles, construction division and construction sub-division as the job of construction would be out sourced and for the purpose of supervision, the existing strength of supervisory staff is ample. The following projects under the Civil Works are recommended:

(Rs. in Million)

S. #	Description	No.	2015-16	2016-17	2017-18	2018-19	2019-20	Total
1	New Circle Offices	2	50	50	0	0	0	**100**
2	New Division Offices	8	90	60	90	0	0	**240**
3	New Sub-Divisional Offices	29	90	100	100	0	0	**290**
4	Revamping of Training Centers / Provision of Safety T&P and Promoting Safety Culture		30.20	50.20	30.21	20.22	20.16	**151**
5	Improvement required in existing buildings		120	122	124	126	128	**620**
Total			**380.2**	**382.2**	**344.21**	**146.22**	**148.16**	**1401**

A-8. Sub-projects under **Human Resource Improvement Plan** are as follows:

S. #	Description	2015-16	2016-17	2017-18	2018-19	2019-20	Total
1	Human Resource Information System Implementation	ERP Module of HR, cost included in Capital Expenditure Summary					
2	IT Infrastructure to support new initiatives	ERP Implementation is under progress					

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143

Annex-VIII

List of Interested / Affected Parties to send the Notices of Hearing in the matter of Petition Filed by Faisalabad Electric Supply Co. Ltd. FESCO) in respect of determination of its Multi- Year Consumer-End Tariff determination Pertaining to the FY 2015-16 to 2019-20 Based on Actual /Estimated Results of FY 2014-15 as Base Year

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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

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

144

`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. <u>Chambers of Commerce & Industry, Telecom Companies & General Public</u>

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
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. 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

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA AUTHORITY

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. TheNetwork for Consumer Protection
Flat No. 5, 40-A, Ramzan Plaza
G-9 Markaz, Islamabad

14. Kissan Ittehad Mianwali Khushab

15. M/s Anwar Kamal Law Associates
1-Turner Road
Lahore - 54000

16. Chief Executive Officer PTCL
Corporate Head Quarters, Block – E
G-8/4, Islamabad-44000

17. Chief Executive Officer
Mobilink
Mobilink House 1-A

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

Kohistan Road, F-8 Markaz
Islamabad

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

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

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

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

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

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

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA AUTHORITY

24. Pakistan Hosiery Manufactures Association
Sheikhupura Road, Gulistan Colony 2,
Faisalabad Punjab

25. Mr. Muhammad Ihsanullah Khan,
Resident of Akwal Trag,
Tehsil Isakhel District Mianwali

26. Secretary General
All Pakistan Textile Processing Mills Association (APTPMA)
213 Main Susan Road

1st Floor, Ibrahim Plaza
Madina Town,Faisalabad.

27. Chairman All Pakistan Cotton Power Loom Association
Rana Ikhlaq Ahmad,
Chief Executive,
Mubarik Textiles,
Famous as Allahoo-Akbar Factory,
17-Km. Jaranwala Road, Faisalabad.
Phone:041-2020901, 041-2020903 Fax:041-8547408
Mobile: 0322-8666202 & 0300-8666202
E. mail: mubariktextiles@yahoo.com

28. Chief Executive Officer
Transparency International Pakistan
5-C, 2nd Floor, Khayaban-e-Ittehad
Phase-VII, DHA, Karachi.
Tel: (092)(021) 35390408
Fax: (092)(021) 35390410

29. Chairman
Whistleblower Pakistan
72-F,/II Jami Commercial Street No. 9
Phase-VII, DHA, Karachi.
Tel: (092)(021) 35391778

30. M/s Mohammad & Ahmed
Constitutional. Corporate & Tax Counsel
Ground Floor, Almas Tower. Begun Tassadug Road
26-The Mall
I,ahore

31. Faisalabad Chamber Of Commerce & Industry
Canal Road Faisalabad.

C. **Heads of Various Organizations**

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

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

2. Managing Director
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 Director
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. <u>Petitioner</u>

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

2. In addition to above the letters may also be sent to all the Provincial Chief Secretaries and Energy secretaries.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

Annex-IX

"The News" 06-09-15

National Electric Power Regulatory Authority (NEPRA)

NOTICE OF ADMISSION / HEARING

PETITION FILED BY FAISALABAD ELECTRIC SUPPLY COMPANY LIMITED (FESCO) FOR THE DETERMINATION OF ITS MULTI-YEAR CONSUMER-END TARIFF PERTAINING TO THE FY 2015-16 TO 2019-20 BASED ON THE ACTUAL/ESTIMATED RESULTS OF THE FY 2014-15 AS BASE 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 the determination of its multi-year consumer-end tariff pertaining to the FY 2015-16 to 2019-20 based on actual/estimated results of the FY 2014-15 as base year.

[illegible]

1. The petitioner has prayed for the determination of its multi-year consumer-end tariff pertaining to the Financial Year 2015-16 to 2019-20, requesting approval of following components.

Sr.	Description	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
1	Distribution Margin (Rs./kWh)	1.936	2.046	2.099	2.118	2.115
2	Investment (Mln. Rs.)	12,723	10,593	9,364	9,632	9,293
3	Line Losses (%)	10.90	10.56	10.40	10.15	9.98
4	Average Sale Rate (Rs. / kWh)	12.209	12.787	12.942	13.061	13.171

2. Based on above tariff components the petitioner requested following category-wise tariff:

Description	NEPRA Determined Tariff Pertaining to the FY 2014-15		Requested Tariff for the FY 2015-16	
	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		9.00		10.14
101-200 Units		10.20		11.50
201-300 Units		10.20		11.50
301-700 Units		14.00		15.78
Above 700 Units		16.00		18.03
For Peak Load Requirement 5 kW & above				
Time of Day (TOU) – Peak		16.00		18.03
Time of Day (TOU) -Off-Peak		10.00		11.27
Total Domestic				
Commercial - A2				
For peak load requirement less than & up to 5kW		15.00		16.91
For Peak load requirement (<20KW) exceeding 5 kW				
Regular	400	14.50	400	16.34
Time of Day (TOU) –Peak		16.00	400	18.03
Time of Day (TOU) - Off-Peak	400	10.00	400	11.27
Total Commercial				
Industrial				
B1 up to 25 kW (400/230 volts)		13.00		14.65
B1(b) up to 25 kW (Peak)		16.00		18.03
B1(b) up to 25 kW (Off-Peak)		10.00		11.27
B2(a) exceeding 25-500KW (400 volts)	400	12.50	400	14.09
B2(b) - TOU (Peak) at 400 volts		16.00	400	18.03
B2(b) - TOU (Off-Peak) at 400 volts	400	9.60	400	10.82
B3 - TOU (Peak) all loads up to 5000KW at 11/33 Kv		16.00	380	18.03
B3 - TOU (Off-Peak) all loads up to 5000KW at 11/33 Kv	380	9.50	380	10.71
B4 - TOU (Peak) all loads 66/132 Kv and above		16.00	360	18.03
B4 - TOU (Off-Peak) all loads 66/132 Kv and above	360	9.40	360	10.59
Total Industrial				
Single Point Supply (Bulk)				
C1 (a) Supply at 400/230 Volts less than 5 KW		13.50		15.21
C1(b) Supply at 400/230 Volts- 5 KW& up to 500KW	400	13.00	400	14.65
Time of use (TOU) Peak		16.00	400	18.03
Time of use (TOU) Off Peak	400	10.00	400	11.27
C2 Supply at 11 Kv ,33 Kv up to and including 5000 Kw	380	12.80	380	14.43
Time of use (TOU) Peak		16.00	380	18.03
Time of use (TOU) Off Peak	380	9.60	380	10.82
C3 Supply at 66 Kv & above	360	12.70	360	14.31
Time of use (TOU) Peak		16.00	360	16.03
Time of use (TOU) Off Peak	380	9.50	360	10.71
Total Bulk Supply				
Agricultural Tube-wells - Tariff D				
Scarp D-1(a) less than 5 kW		13.00		14.65
D-2 Agricultural Tube Well	200	12.50	200	14.09
Scrap and Agriculture 5 KW and above Time of use (TOU) Peak		16.00	200	18.03
Scrap and Agricultura 5 KW and above Time of use (TOU) Off Peak	200	9.50	200	10.71
Total Agricultural Tube well Tariff-D				
Public Lighting - Tariff –G		14.00		15.78
Housing Colonies - H		14.00		15.78
Company Total				

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 receipts 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:	September 21, 2015 (Monday)
Time:	10.30 a.m.
Venue:	Serena Hotel Faisalabad

All communications should be addressed to

Registrar NEPRA, NEPRA Tower, G-5/1, Islamabad.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEPRA
AUTHORITY

"The News" 10-09-15.

National Electric Power Regulatory Authority (NEPRA)

NOTICE OF ADMISSION / HEARING

[illegible] ... Distribution Company ... Determination of ... Consumer-End Tariff ... FY 2015-16 ... Based on the Actual/estimated Results ... FY 2014-15 As Base Year

It is notified to all the stakeholders and the general public that the hearing on the subject matter scheduled for September 21, 2015 at Serena Hotel Faisalabad, as published in daily newspapers on September 06, 2015, has been rescheduled as below;

Date:	September 21, 2015 (Monday)
Time:	11:00 AM
Venue:	NEPRA Tower, G-5/1, Islamabad

All other information will remain the same. A copy of petition and Issues framed for the hearing can be obtained from NEPRA office or downloaded from website: www.nepra.org.pk

All communications should be addressed to:

[illegible] NEPRA [illegible]

Phone: [illegible] Fax: [illegible] Email: [illegible]

PID (I) 1324/15

"Express" 10-09-15.

نیشنل الیکٹرک پاور ریگولیٹری اتھارٹی (نیپرا)

داخلہ نوٹس / شنوائی

تمام اسٹیک ہولڈرز اور عوام الناس کو آگاہ کیا جاتا ہے کہ متعلقہ معاملے میں شنوائی 21 ستمبر 2015 کو سرینا ہوٹل فیصل آباد میں ہونا تھی جس کا اشتہار روزنامہ اخبارات میں 06 ستمبر 2015 کو شائع کیا گیا تھا، شنوائی کی تاریخ میں درج ذیل شیڈول کے مطابق تبدیلی کر دی گئی ہے۔

تاریخ: 21 ستمبر 2015 (سوموار)

وقت: دن 11:00 بجے

مقام: نیپرا ٹاور G-5/1 اسلام آباد

تمام دیگر معلومات حسب سابق رہیں گی۔ شنوائی کیلئے تشکیل دیئے گئے معاملات اور پٹیشن کی نقل نیپرا کے دفتر سے حاصل کی جا سکتی ہے یا ویب سائٹ www.nepra.org.pk سے ڈاؤن لوڈ کر سکتے ہیں۔
تمام تر رابطے درج ذیل کے نام ہونے چاہئیں:

[illegible]

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY ★ NEPRA AUTHORITY