National Electric Power Regulatory Authority
Islamic Republic of Pakistan

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No. NEPRA/TRF-284/HESCO-2014/5114-5116
April 7, 2015

Subject: **Determination of the Authority in the matter of Petition filed by Hyderabad Electric Supply Company Ltd. (HESCO) for the Determination of its Consumer end Tariff Pertaining to FY 2014-2015 [Case # NEPRA/TRF-284/HESCO-2014]**

Dear Sir,

Please find enclosed herewith the subject Determination of the Authority along with Annexure-I, II, III, IV, V, VI & VII (73 pages) in Case No. NEPRA/TRF-284/HESCO-2014.

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

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

Enclosure: As above

07.04.15
(Syed Safeer Hussain)

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

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

National Electric Power Regulatory Authority
(NEPRA)

PETITION NO: NEPRA/TRF-284/HESCO-2014

TARIFF DETERMINATION

FOR

HYDERABAD ELECTRIC SUPPLY COMPANY

(HESCO)

DETERMINED UNDER

NEPRA TARIFF (STANDARDS AND PROCEDURE) RULES - 1998

Islamabad

07th April , 2015

Abbreviations

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

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

CASE NO. NEPRA/TRF-284/HESCO-2014

PETITIONER

Hyderabad Electric Supply Company Limited (HESCO), WAPDA Officers Complex, Husainabad, Hyderabad.

INTERVENER

Nil

COMMENTATOR

Nil

REPRESENTATION

1. Muhammad Saleem Jat, Chief Executive Officer
2. Umaid Ali Qureshi, Chief Operating Officer
3. Imtiaz Kalhoro, Chief Engineer (P&E)
4. Jamil Ahmed Rao, Chief Commercial Officer
5. Usman-ul-Haq Ansari, Finance Director

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.

3.4.15

(Khawaja Muhammad Naeem)
Member

3/4/15

(Maj (Rtd) Haroon Rashid)
Member

6.4.15

(Himayatuallah Khan)
Member

3/4/2015

(Habibullah Khilji)
Vice Chairman

6/4/15

(Brig(Rtd) Tariq Soddozai)
Chairman

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07.04.15

1. BACKGROUND

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

- To approve and determine tariff pertaining to FY 2014-15 at Rs.18.26 /kWh in accordance with the category wise details as appended, with the petition w.e.f., 1st July, 2014;
- Investment Plan of Rs. 6,423 Million may be allowed;
- Distribution margin amounting to Rs. 13,226 Million be allowed including provision for bad debts amounting to Rs. 1,415 million;
- T&D loss target may be approved as 22% for the FY 14-15;

2. PROCEEDINGS:

2.1 In terms of rule 4 of the Rules, the Petition was admitted by the Authority on 30th September, 2014. 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 1st November, 2014.

3. FILING OF OBJECTIONS/ COMMENTS:

3.1 Comments/replies and filing of intervention request, if any, was desired from the interested person/ party within 7 days of the publication of notice of admission, i.e., November 1, 2014 in terms of Rule 6, 7 & 8 of the Rules. In response thereof, neither any reply was filed nor any intervention request was filed.

4. FRAMING OF ISSUES

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

i. Whether the Petitioner has complied with the direction of the Authority passed in the last year's tariff petition?

ii. Whether the Petitioner's projected purchases of 4,890 GWhs and sales of 3,814 GWhs units for the FY 2014-15 is reasonable?

iii. Whether the Petitioner's proposed transmission and distribution losses of 22% for the FY 2014-15, are justified?

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iv. Whether the Petitioner's projected power purchase cost of Rs. 56,398 million (Rs.14.79/kWh) for the FY 2014-15 is justified for FY 2013-14?

v. Whether the Petitioner's projected O&M cost of Rs.8,111 million (Rs.2.13/kWh) for the FY 2014-15 after accounting for inflation/increments, is justified?

vi. Whether the Petitioner proposed depreciation charge of Rs. 1,317million (0.35 /kWh) for the FY 2014-15 is justified?

vii. Whether the Petitioner projected Return on Regulatory Asset base of Rs. 1,968 million (Rs.0.52 /kWh) for FY 2014-15, is justified?

viii. Whether the Petitioner's projected other income of Rs. 1,545 million (Rs.0.41/kWh) for the FY 2014-15, is reasonable?

ix. Whether the Petitioner's proposed Investment plan of Rs. 6,423 million for the FY 2014-15 is justified?

x. Whether the proposed revenue requirements of Rs. 69,625 at an average sale rate of Rs.18.26/kWh for the FY 2014-15 is justified?

xi. Whether the Petitioner's claim financial cost Interest amounting Rs.1,961 million for the FY2014-15,is justified?

xii. Whether the Petitioner's proposed provision for bad debts amounting Rs.1,415 million for the FY2014-15, is justified?

xiii. Whether the existing service delivering structure of circles, divisions and sub-divisions etc can provide satisfactory services for supply of electric power to the consumer with the substantial expansion in the system?

xiv. Whether the existing financial, administration and technical powers concentrated at different layers of hierarchy is required to be developed in order to provide better services from the door step of the consumer?

xv. What are the concerns of Petitioner on changing terms and conditions of lifeline consumers and Residential consumers?

xvi. What are the concerns of the Petitioner on TOU metering of cellular company connections and similar connections?

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

5. HEARING

5.1 The pleadings so available on record were examined by the Authority in terms of rule 9 of the Tariff Rules; accordingly in order to arrive at a just and informed decision, it was decided to conduct a hearing in the matter on 11th November, 2014. In compliance of Rule 5 of the Tariff Rules, notice of admission/hearing was sent to the concerned parties and was published in the leading newspapers on 1st November, 2014. In compliance thereof, the hearing was conducted on 11th November, 2014 at Marriot Hotel, Karachi. During the hearing, the Petitioner was represented by Mr. Muhammad

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Saleem Jat, Chief Executive Officer of the Petitioner along with his financial and technical team. The general public also participated in the hearing.

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

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

Tariff Methodology for the FY 2014-15.

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

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

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

- Assessment of T&D losses target.
- Assessment of Sales target.
- Impact of Consumer mix variance.
- Month wise assessment of reference values with respect to PPP (including energy, capacity & transmission charges).
- Impact of extra and lesser units purchased.
- Assessment of Distribution Margin, and ;
- Assessment of prior period assessment, if any.

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

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Quarterly Adjustments

6.4 The quarterly adjustments would also be done for the FY 2014-15 as per the following scope.

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

Monthly Fuel Adjustments

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

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

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

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

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

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7. **Issue #2 . Whether the Petitioner has complied with the directions of the Authority passed in the last year's tariff petition?**

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

TOU Meters

7.2 The Petitioner submitted the following progress on installation of TOU meters vide letter no. FD/HESCO/CPC/13535-36 dated 28th August, 2014;

Customer Category	Total No. of Connections for Installation of TOU Meters	Connections with TOU meters installed up to July, 2014	% installed	TOU meters yet to be installed
Residential	4684	2,909	62%	1,775
Commercial	4,013	3,357	84%	656
Industrial	7,660	6,589	86%	1,071
Bulk Supply	220	98	45%	122
Agricultural	10,187	7,775	76%	2,412
Total	26,764	20,728	77%	6,036

7.3 Subsequently, the Petitioner submitted the following updated position of number of TOU meters installed during the hearing of the instant petition;

Total No. of Connections for Installation of TOU Meters	Connections with TOU meters installed up to September 2014	% installed	TOU meters yet to be installed
27,017	21,026	78%	5,991

7.4 The Petitioner further stated that it has procured 4,057 TOU meters which shall be installed very soon and also tendering has been done for 3000 TOU meters which shall be procured soon. Subsequently, the Petitioner submitted the following updated status of TOU meters installation vide letter no. CEO/HESCO/CCO/M(C)/DCM/971-80 dated 14th January, 2015;

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Customer Category	Total No. of TOU Connections	Connections with TOU meters installed up to December, 2014	% installed	Connections pending installation of TOU meters
Residential	4,788	3,070	64%	1,718
Commercial	4,094	3,445	84%	649
Industrial	7,860	6,833	87%	1,027
Bulk Supply	220	104	47%	116
Agricultural	10,311	7,865	76%	2,446
Total	27,273	21,317	78%	5,956

7.5 Based on the available record , the Authority has observed that the Petitioner's progress with respect to the implementation of the decision is very slow and could be construed as non serious attitude of the Petitioner. In view thereof, the Authority has decided not to give any further deadline and decided to initiate proceedings against the Petitioner under the relevant law.

7.6 In the past the Authority also directed the Petitioner to continue the campaign of consumer awareness with respect to TOU meters, on the back of the each consumer bill in addition to aforementioned and share the information regarding the training sessions of its concerned staff from the manufacturing companies of TOU meters. In response to this direction, the Petitioner informed the Authority vide letter no. FD/HESCO/CPC/3492-94 dated 28th March, 2014 that the campaign of consumer awareness through FM Radio and on the back of each consumer bill is continued. The Petitioner further stated that the campaign has been extended to Newspapers through press releases and panaflex banners have also been placed in its offices and customer service centers. In addition to this, the Petitioner stated that with regard to training sessions of its concerned staff from the manufacturing companies of TOU meters, letters have been issued by HR directorate to the manufacturing companies to extend the cooperation in this regard and notify the names of instructors and availability of instructors. The copies of letters written to these companies have been provided.

7.7 The Authority appreciates the Petitioner's efforts in this regard and directs the Petitioner to continue with the same and submit the response from TOU meters manufacturing companies or any evidence which establishes that the required training to the staff is actually provided to its staff. Furthermore, also to share the evidence of press releases, snap shots of consumer bills and banners etc with the Authority. The required evidences must reach the Authority's Office not later than 30th June, 2015 .

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Concrete Recovery Plan and Issue of Subsidy with GoP

7.8 Although Authority determines the Petitioner's tariff on 100 % recovery basis yet considering the ongoing circular debt situation , the Authority decided to analyze the receivables of the Petitioner and the recovery plan submitted by it along with the tariff petition pertaining to the FY 2013-14. The Authority directed the Petitioner to implement the proposed measures in letter in sprit and send a monthly report to the Authority's Monitoring Division which would continuously update the Authority on the issue of recoveries. In addition to this, the Authority also observed significant amount appearing as subsidy receivable from GoP and directed it to take up the issue of its recovery to the relevant quarters and report back to the Authority not later than 31st March, 2014.

7.9 The Petitioner, vide its letter no. FD/HESCO/CPC/3492-94 dated 28th March, 2014 informed the Authority that there is no procedure available for ageing of receivables therefore, it has requested Power Information Technology Company Limited Lahore to develop a software whereby the recoveries from various slab/ aging of receivables especially pertaining to receivables overdue for more than three years may be made available for communication to the Authority. Subsequently, the Petitioner submitted another letter vide no. FD/HESCO/CPC/13535-36 dated 28th August, 2014 and submitted the following recoveries pertaining to the receivables overdue for more than three years;

Month	Government	Private	Total
May, 2014	83,435,875	30.017,083	113,452,958
June, 2014	112,564,360	27,788,737	140,353,097
July, 2014	5,606,537	11,117,330	16,723,867

The Petitioner also stated that this information shall be submitted on monthly basis. Further during the hearing for tariff determination of the FY 2014-15, the Petitioner referred to the afore stated information.

7.10 The Authority having considered the information is of the view that the information is not complete as it is does not reconcile with the overall amount of receivables appearing on the Petitioner's audited accounts. If the reported figures are part of the overall reported figure then it is again not clear whether it is after charging of provision for doubtful debts Or not. In view thereof , the Authority directs the Petitioner to submit the required information. Taking the amount appearing in the

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balance sheet without provision for doubtful debts bifurcated into government and private duly reconciled then taking into account the impact of provision and any writing off of debtors. The requested information must reach Authority's Office not later than 30th June, 2015.

8. **Issue # 3. Whether the petitioner's projected purchases of 4,890 GWhs and sales of 3,814 GWhs for the FY 2014-15, is reasonable?**

8.1 As per the Petitioner, the projected units purchased for the FY 2014-15 will be 4,890 GWh and units sold will be 3,814 GWh. The Petitioner stated during the hearing that it estimated the growth in sales units to be 6%, based on the actual increase in sales of 4.55% during the FY 2013-14. The Petitioner further stated that it aims to control theft and reduce commercial losses.

8.2 Although, there is an inbuilt mechanism for adjusting actual variation in sales against the estimated sales, yet in order to avoid unnecessary fluctuations in the consumer-end tariff it is appropriate to make realistic assessment of the purchases and sales. Moreover, it is also important for the realistic assessment of monthly reference fuel cost for making monthly fuel cost adjustment pursuant to Section 31(4) of Regulation of Generation, Transmission and Distribution Act (XL 1997). In view thereof, the Authority has carried out a detailed exercise for estimating station wise generation pertaining to the FY 2014-15. An increase of 0.78% has been assumed over the actual generation pertaining to the FY 13-14, as generation growth. Here it pertinent to mention that the actual generation for the FY 2013-14 was 9% more than the actual generation for the FY 2012-13. After incorporating all the upcoming additional generation, it is estimated that in the FY 2014-15 the overall system generation will be about 95,892 GWh. After adjusting for the permissible transmission losses of 3.0% about 93,015 GWh are expected to be delivered to the distribution companies; the estimated share for the Petitioner from the pool for the FY 2014-15, is accordingly assessed as 5,021 GWh as against 4,890 GWh projected by it. After incorporating the T&D losses target for the FY 2014-15 (discussed below) the sales target in the instant case for the same period worked out as 3,992 GWhs.

9. **Issue #4. Whether the Petitioner's proposed transmission and distribution losses of 22% for the FY 2014-15, are justified?**

9.1 The Petitioner requested a T&D losses target 22% for the FY 2014-15. The Petitioner, during the hearing, submitted that it has reduced losses by 0.8% in the FY 2013-14 as compared to the actual T&D losses for the FY 2012-13. The Petitioner further stated that it is undertaking the following steps to reduce technical and administrative losses;

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- Replacement of 800 km L.T Bare Conductor with Aerial Bundle Cable (ABC) which shall reduce losses by 2.05% and to be completed by June, 2015;
- Installation of AMR Meters in Qasimabad Sub-Division under USAID Program which shall reduce losses by 0.14% and to be completed by June, 2015;
- Upgradation of 24 Grid stations from 66kV to 132 kV under PSDP program which shall reduce losses by 2.19% and to be completed by June, 2015;
- Upgradation of 24 Grid stations from 66kV to 132 kV under ADB program which shall reduce losses by 0.20% and to be completed by June, 2015;
- Replacement of 8,069 sluggish meters which shall reduce losses by 0.42% and to be completed by June, 2015;

In total the Petitioner has estimated losses to reduce by 5% with the aforementioned projects to be completed by June, 2015.

9.2 In addition to this, the Petitioner presented a progress of Installation of ABC cable under World Bank funded program and claimed that the cables shall be installed in three divisions, Gari Khata/Qasimabad, Latifabad and Phulleli by 31st March, 2015 which shall reduce overall T&D losses by 99MkWh per annum. The Petitioner also presented progress of AMR Meters installed up to 29th October, 2014 in Qasimabad sub-division under USAID funded program as below;

Description	Type of Meter	Required	Received	Installed	To be installed
Meters installed on Transformers	MDI	**424**	**424**	**388**	**36**
Meters installed on Consumer Premises	Single Phase	14,000	14,000	3,796	10,204
	Three Phase	1,700	1,700	194	1,506
	Total	**15,700**	15,700	3,990	**11,710**

The Petitioner showed a summary of schemes funded by ADB, World Bank and PSDP for augmentation of grid stations and transmission lines.

9.3 During the hearing , the Petitioner also highlighted the issue of administrative losses in its area due to law and order situation in some of its distribution area.

9.4 The Authority directed the Petitioner in the last year's tariff determination to complete the study of T&D losses pertaining to 11kV and below and to communicate

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the exact deadline for the completion of study not later than 31st March, 2014. The Petitioner informed the Authority, during the hearing, in the matter of motion for leave for review filed by the Petitioner against the tariff determination for the FY 2013-14, that the study of T&D losses by Power Planner International, Lahore (PPI) is in the process and as per the latest communication from PPI, the final study shall be completed by mid May, 2014, however, management of the Petitioner is pressing hard for the completion of study by April, 2014. Subsequently, the Petitioner vide its letter no. FD/HESCO/CPC/6645 dated 3rd June, 2014 informed the Authority that the consultant has intimated that the report on Transmission and Transformation (T&T) losses shall be submitted by first week of June and no deadline has been given for submitting the report on LT network although the planning department of Petitioner is negotiating with the consultant for earliest completion and submission of report.

9.5 Thereafter, the Petitioner sent another compliance report vide letter no. FD/HESCO/CPC/13535-36 dated 28th August, 2014 and stated that the consultant has submitted a draft report of T&T losses whereas the report of distribution losses of 11kV and below is in the final stages of drafting and shall be submitted to the Petitioner in the month of September, 2014. During the hearing for the tariff determination, the Petitioner informed the Authority that the study shall be submitted to Petitioner by the end of December and simultaneously will be submitted to the Authority.

9.6 To date we have not received the study report from the Petitioner. The losses target requested by the Petitioner for the FY 2014-15 is 22% as against the assessed target of 15% for the FY 2013-14. Here it is pertinent to mention that while deciding the motion for leave for review, the Authority re-assessed its set target of T&D losses as 15% (without any margin of law and Order) for the FY 2013-14 against the Petitioner's request to revise the target to 23%.

9.7 The Authority considers that the projects presented by the Petitioner which include installation of ABC and AMR meters are very effective in the reduction of technical and administrative losses. A review of information submitted by the Petitioner shows a marginal reduction of 0.83% from the last years actual level of T&D losses. Here it is pertinent to mention that the more or less the same projects were referred by the Petitioner during the hearing of tariff determination of FY 2013-14 i.e. last year. In view of the aforementioned, the Petitioner is directed to share the final report of the projects to be completed by June, 2015 with the actual amounts invested and the actual reduction in T&D losses achieved against the claimed results , not later than 31st July, 2015.

9.8 Further, the direction of the Authority is very clear to complete the study of its entire system including 132 KV, 11 KV and below from an independent consultant. Unless the direction is complied with the Authority is constrained to rely on its own assessment in this regard. Thus, the Authority has decided to assess the technical level of losses as before i.e. 15% for the FY 2014-15. However, keeping in view the

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Petitioner's efforts to reduce its existing level of administrative losses by undertaking initiatives such as installation of ABC and AMR meters and the fact that the Authority did not allow any margin of law and order to the Petitioner last year, it has decided to allow a margin of law and order to the tune of 5.5% for the FY 2014-15. In view thereof , an overall T&D level of 20.50 % has been allowed to the Petitioner for the FY 2014-15.

9.9 The Petitioner is again directed to submit the study of T&D losses at earliest . The Authority may review its assessment on the basis of findings of the study for future assessments.

9.10 The Petitioner is further directed to monetize all the incremental costs which cause them additional losses and incorporate these as a part of project cost while calculating the IRR or NPVs for any village electrification project, in future.

10. <u>Issue #5. Whether the Petitioner's proposed Investment plan of Rs 6,423 million for the FY 2014-15, is justified?</u>

10.1 The Petitioner has requested Rs. 6,423 million to execute its development/ investment plan for the FY 2014-15 in the areas of Distribution of Power (DOP), Energy Loss-Reduction (ELR), Secondary Transmission & Grid (STG), Village Electrification and others. The break-up of proposed investment provided by the Petitioner is as under:

Particulars	Rs. In Million
Distribution of Power (DOP)	993
Energy Loss Reduction (ELR)	600
Secondary Transmission & Grid (STG)	3,400
Village Electrification	600
Others (deposit works)	830
Total	6,423

10.2 The Petitioner plans to fund the aforementioned investments through;

Foreign Loan	Rs. 2,000 million
PSDP/ Own Resources	Rs. 2,993 million
Village Electrification	Rs. 600 million
Others (Deposit Works)	Rs. 830 million
Total	Rs.6,423 million

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10.3 The details of the requested investments as submitted by the Petitioner is as below:

10.3.1 Distribution of Power (DOP)

i. Objectives:

- Reliability of the system
- Stability of power supply
- Overloaded system
- Quality and safety of the system

ii. Scope:

- New HT Line of 187.9 km
- Reconductoring of HT Line of 56.36 km
- New LT Line of 75.496 km
- Reconductoring of LT Line of 22.72 km
- New Transformers 36 in number
- Civil Works

10.3.2 Energy Loss Reduction (ELR)

i. Objectives:

- Energy loss Reduction
- Improvement in Quality of Supply
- Improvement in Reliability
- Improvement in Safety
- Release of Generation, Transmission and Distribution Capacity.
- Improve Customer Service and Reduce Complaints
- Reduce Cost of Operation and Maintenance
- Improve Life of Equipment

ii. Scope:

- New HT Line of 281.85 km
- Re conductoring of HT Line of 140.92 km
- New LT Line of 113.244 km
- Re conductoring of LT Line of 34.08 km
- New Transformers 53 in number
- Civil Works

10.3.3 Secondary Transformation and Grid (6th STG Project)

i. Objectives: The Petitioner has stated that the objective of this project is to give relief to the existing overloaded system and to meet future expansion in its distribution area.

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ii. Scope: The Petitioner has submitted the scope of work for the FY 2014-15 as below;

- 132 kV Grid Station near River Bund (2x40 MVA)
- Feeding Transmission Line L/O Kotri Site Kohsaar Ck-I (D/C)
- 132 kV Grid Station Shaikh Bhirkio (1x10 / 13MVA)
- Feeding SDT Transmission Line from Chamber G/S
- 1-Line bay at Chamber G/S
- Rehabilitation of 132 kV Grid Station Old Jamshoro
- Remodeling of 132 kV New Jamshoro - Old Jamshoro (Ck-I)
- Remodeling of 132 kV New Jamshoro - Old Jamshoro (Ck-II)
- 4-Line bays (02 at both ends)
- Stringing of 2nd Circuit T.M. Khan - Matli New
- 1-Line bay at T.M Khan Grid Station
- Stringing of 2nd Circuit T.M. Khan Road T.M Khan
- 2-Line bays (01 at both end)
- Spare Power Transformer (1 x 40MVA)
- Remaining works of World Bank

10.4 The Authority has reviewed the details provided by the Petitioner and is of the view that although the basic level details are provided yet the quality of information is not up to the mark. The Petitioner has neither substantiated the requested investments with any details such as PC-1s nor it has submitted any cost benefit analysis of the projects. It has failed to provide a concrete reconciliation whereby the Petitioner would claim in advance that after carrying out the aforementioned investments, it would achieve a certain efficiency level with respect to T&D losses and customer service in terms of meeting Authority's set Performance standards.

10.5 Despite the aforementioned, the Authority cannot ignore the importance of the investments which ensures smooth and reliable supply of electricity to the consumers. For the matter of record, the Authority while allowing the return on Regulatory Asset Base had taken an impact of investments to the tune of Rs. 3,895 million and Rs. 3,895 million for the FY 2012-13 and FY 2013-14 respectively. However, based on the audited accounts of the Petitioner, it has incurred a capital expenditure of of Rs. 3,997 million & Rs. 3,606 million during the FY 2012-13 and FY 2013-14 respectively . The aforementioned amounts include the impact of consumer contribution to the extent of Rs. 2,228 million & Rs. 1,593 million respectively. Thus, net capital expenditure carried out through loans and own resources, works out as Rs. 1,769 million and Rs. 2.013 million during the FY 2012-13 and FY 2013-14 respectively.

10.6 Based on the available record, arguments, evidence and the fact that these allowed investments indirectly affect the annual Return on Rate Base (RORB) for a DISCO, hence, while allowing investments for any control period the Authority has to keep in view the past trend of investment made by the Petitioner along with its funding

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arrangements and its previous trend of closing CWIP and transferring of useful assets from CWIP to operating assets.

10.7 Based on the discussions in preceding paragraphs, it is expected that the Petitioner would be able to undertake the investment of Rs. 4,993 million during the FY 2014-15 (including the impact of consumer contributions of Rs. 830 million). Here it is pertinent to mention that the existing mechanism of determining RORB is self adjusting with respect to the benefits of investments, thus any investments beyond Authority's assessment, carried out by the Petitioner during the FY 2014-15 (which is desirable), would be catered for in next year's returns. The Authority also directs the Petitioner to submit the details of actual investment projects undertaken during the FY 2014-15 along with its next tariff Petition. Also, the Petitioner is directed to submit relevant PC-1s of any and all investment projects to be requested in future along with next tariff Petition.

11. <u>Issue #6. Prior Year Adjustment</u>

11.1 The Petitioner, in its petition or during the hearing did not request any amount under Prior Year adjustment.

11.2 The Authority considers that in order to pass on the favorable impact of late notification of tariff to the end-consumers, it is necessary that Prior year adjustment (PYA) be computed and reflected in the final revenue requirement of the Petitioner. Consequently, the Authority has worked out the PYA based on the standard formula used for all XWDISCOs. The Authority also brings on record that it had been disallowing consumer mix variance to the Petitioner based on the fact that the Authority observed unusual consumption behavior under the lifeline category in the tariff determination for the FY 2012-13, which was not reconciling with the provided evidence. Consequently, the consumer-mix variance was disallowed and the Petitioner was directed to conduct an investigative audit of the data from their external auditors and report by 30th June, 2013 under para 14.3 of the determination pertaining to the FY 2012-13. The Petitioner failed to submit the same and consequently, the Authority again disallowed the mix variance to the Petitioner in the tariff determination for the FY 2013-14 as stated in para 12.3 of the referred decision.

11.3 Although the Petitioner has filed to provide the required certificate however, a review of data submitted with the Petition shows 1% of the total sales as life line consumption. Here it is pertinent to mention that the same figure was previously 8% of the total sales of FY 2012-13. Consequently, the Authority concludes that the Petitioner has rectified the error and therefore has decided to allow the mix variance to the Petitioner. In view of aforementioned, the Authority after doing its own due diligence has worked out the following PYA;

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		Rs. Million
	Notified reference PPP during the FY 2013-14	50,569
	Assessed Distribution Margin for the FY 2013-14	6,696
	Assessed PYA for the FY 2013-14	(3,759)
Add ;	1st Qrt's PPP adjustment pertaining to the FY 2013-14	1,369
Add;	2nd Qrt's PPP adjustment pertaining to the FY 2013-14	1,247
Add;	3rd Qrt 's PPP adjustment pertaining to the FY 2013-14	545
Add;	4th Qrt's PPP adjustment pertaining to the FY 2013-14	1,216
Less ;	Regulated PPP recovery on notified rates during the FY 2013-14	54,923
Less;	Regulated DM recovery on notified rates during FY 2013-14	6,802
Less;	Regulated PYA recovery on notified rates during FY 2013-14	5,877
Less;	Net impact of assessed & actual Other Income for the FY 2013-14	256
Add;	Impact of Consumer – Mix Variance for the FY 2013-14	(622)
Total Unrecovered/ (Over recovered) Costs for the FY 2013-14		**(10,596)**

12. **Issue #7. Whether the Petitioner's projected O&M Cost of Rs 8,111 million (Rs 2.13 /kWh) for the FY 2014-15 is justified?**

12.1 The Petitioner requested an amount of Rs. 8,111 million on account of O&M cost. According to the Petitioner its O&M expenses include salary and other benefits, cost of recoupment of HR, repair and maintenance, traveling allowance, vehicle maintenance allowance and other operating costs related to its distribution and supply business. A history of O&M expenses of the Petitioner is provided as here under:

Rs. In million

Description	2013 Audited	2014 Audited	2015 Requested
Salaries & Other Benefits	5,485	5,620	6,214
Maintenance Expenses	1,051	846	1,000
Traveling Expenses	311	321	314
Vehicle Running Expenses	214	263	288
Other Expenses	292	299	295
Total	7,353	7,349	8,111

12.2 **Salaries Wages & Other Benefits**

12.2.1 The Petitioner in its petition submitted that it has estimated salaries and wages expense based on the Government's announcement in the budget regarding increase in salary

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of employees and other benefits that monetize to 10% and after considering the annual increment impact of 6%. The Petitioner submitted the following break-up of proposed expense under this head;

Rs. In million

Description	2013-14 Provisional	2014-15 Projected	Increase/ (Decrease)
Salary and Other benefits	3,772	4,044	272
Post Retirement Benefits	1,973	2,170	197
Total	**5,745**	**6,214**	**469**

12.2.2 The Petitioner has not submitted any other detail / rational or break-up of its request. The Authority directed the Petitioner in the last year's tariff determination to submit an auditor's certificate in respect of financial impact of replacement hiring, which the Petitioner claimed to be as Rs. 128 million as on 30th June, 2012 . The Authority considering the importance of the issue principally allowed the replacement hiring in the Petitioner's tariff determination pertaining to the FY 2012-13. In this particular scenario no additional / incremental cost would be incurred by the Petitioner. The Authority further stated that if the Petitioner intends to carryout replacement hiring in future, it must procure a certificate from the Auditor, certifying that the recruitment is done as replacement hiring with no additional/incremental cost impact. The Authority also directed that any other additional recruitment must be linked with the comprehensive recruitment plan which would link the additional work, quantified benefits and would base on best utility practices. The Petitioner vide its letter no. FD/HESCO/CPC/6645 dated 3rd June, 2014 submitted to the Authority the terms of reference provided by their external auditor, prior to starting of the required audit.

12.2.3 Here it is pertinent to mention that, keeping in view the quality of compliance in this regard, the Authority had already issued an audit frame work on the compliance, which is already communicated to the Petitioner vide its letter # NEPRA/R/TRF-100-DISCO/7332-41 dated 30th June, 2014. .The framework was issued after the NEPRA Professional's several meetings with the representatives of different XWDISCOs and Auditor (M/s Deloitte & co). The revised format of report as per the applicable International Standard on Auditing (ISA) was agreed and consequently directions were given to all the XWDISCOs to submit the required certificate as per the agreed ISA and format of certificate, which was also shared with all the XWDISCOs on 30th June, 2014. The Petitioner subsequently, informed the Authority vide its letter no. FD/HESCO/CPC/13535-36 dated 28th August, 2014 that the framework has been

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forwarded to M/s Deloitte & co. Chartered Accountants for the provision of engagement letter including fee vide letter no. FD/HESCO/Comp/8357-59 dated 10th July, 2014, however, the reply is still awaited from the Auditors. Subsequently, during the hearing the Petitioner stated that through many telephonic discussion and latest personal meeting with M/s Deloitte & Co. Held on 28-10-2014, it has been suggested by the auditor to get confirmation from NEPRA, whether the audit report of the audit conducted by M/s Deloitte & Co, in respect of GEPCO is acceptable to NEPRA to proceed further in the matter on the same line.

12.2.4 The Authority clarifies that it has provided a clear framework for the audit to all the XWDISCOs (including GEPCO) . The Authority directs the Petitioner to go ahead with similar engagement letter and framework as approved by NEPRA. Also the Authority hereby states that it had been deducting replacement hiring cost in the last two tariff determinations, however, considering the fact that as per the approved future tariff methodology the Petitioner's reference/base expense would be established for a period of three years, the Authority considers it unjust on the part of the Petitioner if the same cost is disallowed again this year. In view thereof , the Authority has decided to allow this cost this year on a provisional basis. At the same time the Authority directs the Petitioner that if the required certificate is not provided before the finalization of the tariff determination pertaining to the FY 2015-16, the referred cost would be disallowed permanently and no further directions would be given to the Petitioner in this regard.

12.2.5 Considering the overall liquidity position in the power sector and in order to ensure that the Petitioner fulfils its legal liability with respect to the post retirement benefits, the Authority directed the Petitioner to create a separate fund in this regard before 30th June 2012. Subsequently, this deadline was extended by the Authority. The rationale was that the creation of funds would ensure that the Petitioner records it liability more prudently since the funds would be transferred into 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. The Petitioner vide its letter no. FD/HESCO/CPC/6645 dated 3rd June, 2014 informed the Authority that the point had been discussed in the Risk and Management committee dated 14th May, 2014 and approval of the creation of fund will be taken from Board of Directors (BoD) in the next meeting. Subsequently, the Petitioner vide its letter no. FD/HESCO/CPC/13535-36 dated 28th August, 2014 informed the Authority that after getting the approval from BOD, it contacted M/s Sidat Hyder & Co. Chartered Accountants but no response was received from his side. The Petitioner further stated that later it contacted M/s Riaz Ahmed & Co, Chartered Accountants, to come under agreement for the subject assignment and has also contacted certain banks to offer profit rates on the proposed investments. Additionally, during the hearing for

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determination of tariff for the FY 2014-15, the Petitioner informed the Authority that after the approval from the BOD, for opening of separate pension benefit funds accounts, Actuarial Consultants were requested to offer their consent for providing services regarding creation of requisite Funds. Five Consultant Firms have responded and offered TORs for the following works;

- Drafting of Trust Deed and rules.
- Registration of trust Deed with the Registrar.
- Obtaining approval of Pension Fund Deed from Commissioner in Land.
- Providing assistance to the Company and Trustees of the Funds, etc.

The Petitioner also stated that the TORs shall be put up in the next BoD meeting to accord approval for award of contract to the selected Consultant as well as the Bank for opening of the account.

12.2.6 The Authority after careful consideration of the Petitioners statement is of the view that it directed the Petitioner to create a separate fund in the tariff determination of FY 2011-12 and till today the Petitioner had not been able to finalize, a Consultant for the completion of legal formalities in this regard. in view thereof, the Authority has again decided not to allow provision in this regard and has decided to take actual payments as a base expense for future increases with respect to post retirement benefits. Once the fund is created, the actual amounts / provision transferred to the fund shall be allowed with respect to the post retirement benefits.

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

- The matter not only pertains to the Petitioner but also to all the XWDISCOs, and GENCOs.
- In the light of Business Transfer Agreement (BTA) and subsequent Supplementary Business Agreement (SBTA), Pension SOPs 2002 and subsequent changes thereafter, the issue solely pertains between WAPDA , XWDISCOs and GENCOS.

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- The issue has two components, one is the accumulated effect till 30th June, 2012 and the other is the subsequent ownership of these retired employees as the SBTA is not clear on it.
- Since aforementioned agreements were signed mutually between WAPDA and Others hence the Authority directed the WAPDA and Other (including Petitioner) to come up clearly on the settlement modality of accumulated costs in this regard till 30th June 2012 and a way forward for the future payments of these retired employees not later than 30th June, 2013.

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

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

12.3 Key Facts of the Case

The Key Facts of the case are as below;

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

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retired employees was missed out and not shown in the financial statements of any XWDISCOs or WAPDA (Hydel).

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

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

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

12.3.4 Based on the discussion made in the preceding paragraphs, incorporating all the aforementioned increases, the Authority has assessed Rs. 4,420 million on account of salaries, wages and other benefits for the FY 2014-15.

12.4 Maintenance Expenses

12.4.1 The Petitioner requested Rs. 1,000 million on account of repair and maintenance, an increase of 18% over last year's audited expense of Rs. 846 million. The Petitioner, while justifying the request, explained that the repair and maintenance is necessary for smooth operation due to the following reasons;

- Replacement of Distribution Transformers, on account of over load.
- Replacement of distribution lines due to rust and old lines.
- Repair & Maintenance of grid stations, offices, building and colonies due to damages occurred during flood & rains

The Petitioner further stated that on the basis of these reasons, the Repair and maintenance cost has been estimated as Rs. 1,000 million by giving 5% increase in the

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cost allowed by the Authority for the FY 2013-14 whereas the actual expenditures for the FY 2013-14 are Rs. 950 million (provisional).

12.4.2 An analysis of the financial statements of the Petitioner reveals that the actual expense under this head has decreased by 205 million (20%) in the FY 2013-14 vis-a-vis FY 2012-13. The Petitioner was allowed an expense of Rs. 891 million in the FY 2013-14, against which it undertook an expense of Rs. 846 million. A comparison of the Authority allowed and actual expenses incurred by the Petitioner for the last two years is given as here under ;

Rs. in Million

Description	FY 2012-13	FY 2013-14
Authority's Assessment of Maintenance Expense	810	891
Actual Cost carried by the Petitioner under the head of Maintenance expense (as per audited statements)	1,051	846
Difference	(241)	45

12.4.3 From the analysis it is evident that the Authority allowed the Petitioner more than what it actually spent under the head of repair and maintenance so that the smooth and reliable supply of electricity is ensured. Here it is pertinent to mention that the Petitioner has not submitted break-up of this expense or the reason for decrease in actual expense.

12.4.4 After careful consideration of the Petitioner's arguments, the Authority is of the view that the requested cost is needed to be rationalized keeping in view the audited expense for the last year of the Petitioner under the same head. But having said that the Authority cannot negate the importance of routine maintenance for the Petitioner. Thus, keeping in view the impact of inflation, variation in the gross assets in operation due to addition of new consumers, new investments, past trend of actual costs and comparison with other DISCOs, the Authority has assessed repair and maintenance cost to the tune of Rs. 973 million for the FY 2014-15.

12.5 Traveling Expenses

12.5.1 The Petitioner in its Petition requested an amount of Rs. 314 million for the FY 2014-15. The requested amount is 2% less than the audited figure for the FY 2013-14. The Petitioner while justifying the request informed the Authority that it has estimated the expense based on the actual provisional expense of FY 2013-14 i.e., Rs. 314 million. The Petitioner further stated that travelling expenses are related with the operational

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duties on regular basis as per policy such as regular vigilance, maintenance, meter reading, electricity bills distribution, recovery campaigns, disconnection of defaulters, attending complaints etc. The Petitioner also submitted that of the total employees, about 60% technical staff avail the Travelling allowance (TA) on frequent basis and 40% administrative / supervisory staff avail TA on requirement basis.

12.5.2 The Petitioner has not substantiated its request with any evidence or details of the actual TA claims, designation wise, pertaining to the last year to justify its requested increase under this head. In view thereof, the Authority is constrained to rely on available record.

12.5.3 Based on the comparison with other DISCOs, Petitioner's submissions and its actual results in this regard, the Authority has decided to allow this cost to the tune of Rs. 288 million for the FY 2014-15.

12.6 Vehicle Running Expenses

12.6.1 The Petitioner requested Rs. 288 million under the head of vehicle running expense for the FY 2014-15.The requested amount is 19% more than the audited expense for the FY 2013-14. As per the Petitioner, it has estimated the transportation expense for the FY 2014-15 by giving 15% increase in the cost allowed by the Authority for the FY 2013-14, keeping in view the increasing trend in prices of POL. The Petitioner informed the Authority that the transportation charges include repair and maintenance of vehicles, POL and annual renewal of registration fees. The Petitioner also stated that the utility vehicles are very old and have almost utilized their life and due to the fact that its distribution area is scattered, the expenditures under this head are increasing day by day. The Petitioner, in its petition, also submitted the following break-up of actual expense in the FY 2013-14;

Description	Actual Expense for the FY 2013-14 (Provisional)	% Share
Vehicle Expense - Repairs	184	73.6%
Vehicle Expense - Fuel and Oil	64	25.6%
Vehicle Expense - License & Insurance	2	0.8%
Total	250	100%

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12.6.2 The Authority considers that vehicle maintenance cost is not only affected by the fuel prices but also with the variation in the number of vehicles of the Petitioner, which in turn is dependent on the distribution area of the Petitioner. The Authority agrees to the plea of old / deteriorated vehicle conditions of the Petitioner and the vast distribution area. In view of the aforementioned arguments, available evidence/information, past trend, fuel price fluctuations and comparison with other DISCOs, the Authority has decided to allow this cost to the tune of Rs. 278 million.

12.7 Other Expenses

12.7.1 The Petitioner requested Rs. 295 million for the FY 2014-15, pertaining to the expenses like postage, telephone, PEPCO supervisory charges, software license fee, NEPRA license and tariff petition fee, insurance charges, Professional fees to lawyers, photo state charges, cleaning material, office stationery and other miscellaneous expenses etc. The requested amount is almost equal to the audited expense for the FY 2013-14 and FY 2012-13. The Petitioner while justifying the basis for its request stated that it has estimated the expense based on the expense demanded for the FY 2013-14.

12.7.2 Based on arguments, available evidence/information, past trend and comparison with the other DISCOs, the Authority has decided to accept the Petitioner's request as such and has assessed the cost of Rs. 295 million on account of other expenses for the FY 2014-15.

13. <u>Issue # 8. Whether the Petitioner's proposed depreciation charge of Rs 1,317 million (Rs 0.35 /kWh) for the FY 2014-15, is justified?</u>

13.1 The Petitioner in its petition requested a depreciation charge of Rs. 1,317 million for the FY 2014-15 submitting that it has computed depreciation on the value of existing assets plus the addition in assets during the FY 2013-14.

13.2 The depreciation expense allowed to the Petitioner for the FY 2013-14 amounted to Rs. 1,122 million.

13.3 In order to make fair assessment, the Authority keeps in view the investments approved by it for the year. The Authority considers that after taking into account new investments, the Gross Fixed Assets in Operation for the FY 2014-15 will be Rs. 34,048 million. Accordingly the depreciation charge for the FY 2014-15 is assessed as Rs. 1,176 million.

13.4 After carefully examining the relevant details and information pertaining to the deferred credit and amortization as per the accounts for the FY 2012-13 & FY 2013-14, the Authority has projected amortization of deferred credit to the tune of Rs. 525 million for the FY 2014-15. Accordingly, the consumers would bear net depreciation of Rs. 651 million.

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14. Issue # 9. Whether the Petitioner's projected Return on Regulatory Asset base of Rs 1,968 million (Rs 0.52 /kWh) for the FY 2014-15 is justified?

14.1 The return requested by the Petitioner for FY 2014-15 is Rs. 1,968 million. The Petitioner has not submitted the working of Rate base with the Petition. However, during the hearing for tariff determination, the Petitioner submitted the working for Return on rate base using a Rate of Return of 11% as against the Authority's assessed rate of 10.99% for the FY 2013-14.

14.2 The Petitioner has not submitted the basis for using the revised rate. However, the Authority has decided to revise the working of Rate of Return based on the request of multiple XWDISCOs. In view thereof, the Authority has decided to reassess the risk free rate of return based on rate of return of Market Treasury bills having a maturity of one year as published by State Bank of Pakistan. The revised rate is 9.45%. As regard the cost of debt, the Authority has accepted the request of XWDISCOs and re-worked the cost of debt based on the weighted average cost of debt of all the loans appearing in the financial statements of the Petitioner. Consequently, the rate has been revised to 16.79%. Furthermore, the Authority had been taking post tax cost of debt based on the fact that any tax to be paid by Petitioner will be considered as pass through and would be adjusted as per actual payments made on this account. However, since the Petitioner is not taking any benefit of tax shield, the cost of debt to be taken in working shall be without any impact of tax shield i.e., 16.79%. Here it is pertinent to mention that the same issue was initially highlighted by USAID PDIP Team.

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

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

The cost of debt is taken as pre tax;

$$kd = 16.79\%$$

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

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

$$WACC = \{20.09\% \times 20\%\} + \{16.79\% \times 80\%\} = 17.45\%$$

14.4 The Authority reiterates that in its opinion the Rate of Return should be reasonable enough to assure the confidence in the financial soundness of the utility company, and should be adequate to maintain and support its credit and enable it to raise

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money necessary for the proper discharge of public service. From the investor's or the company's point of view it is important that there be enough revenue not only for operating expenses but also for the capital cost of the business including the service of its debt. The Authority further considers that return to the equity should be commensurate with the return on investment of other enterprises having comparable risks. Thus, using the **Plain vanilla WACC of 17.45%**, the Authority has assessed Rs. 2,789 million as return on rate base as per the following calculations:

Description	Rupees in Million	
	FY 2013-14 Audited	FY 2014-15 Projected
Opening fixed assets in operation	28,926	31,329
Assets Additions during the year	2,403	2,718
Closing Fixed Assets in Operation	**31,329**	**34,048**
Less: Accumulated Depreciation	12,637	13,813
Net Fixed Assets in operation	**18,692**	20,234
+ Capital Work in Progress (Closing)	11,251	13,526
Total Fixed Assets	29,943	33,760
Less: Deferred Credit	15,722	16,027
Total	**14,221**	**17,733**
Average Regulatory Assets Base		15,977
Return on Rate Base @ 17.45%		2,789

15. Issue # 10. Whether the Petitioner's projected Other Income of Rs 1,545 million (Rs 0.41/kWh) for the FY 2014-15 is reasonable?

15.1 The Petitioner has projected Rs. 1,545 million as other income for the FY 2014-15. The Petitioner stated that other Income has been projected based on the trend of other income to total revenue average of two years audited accounts figures and includes markup on bank deposits, late payment surcharge, amortization of deferred credits, etc.

15.2 The XWDISCOs have been requesting to eliminate Late Payment charges from other income in the assessment. The request was based on the rational that the Authority has been disallowing markup on delayed payments to IPPs, at CPPA level, yet on the other hand late payment charges were included in the DISCO's other income passing on the benefit to this extent to the consumers affecting the DISCOs liquidity adversely. XWDISCOs requested to offset the two markups against each other. The Authority declined the request on the grounds that each company is different legal entity and in the absence of any bilateral agreements which govern the issue, the request cannot be accepted. Accordingly XWDISCOs were directed to enter into bilateral agreements with CPPA. The set deadline was passed and nothing concrete was on the ground. The

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Authority took an initiative whereby GEPCO was directed to draft a proposed agreement which was complied with by GEPCO and the same was sent to all the XWDISCOs for their comments. XWDISCOs rather than giving their comments on the draft, submitted the Electricity Supply Agreement signed between DISCOs and WAPDA on 29th June, 1998. As per XWDISCOs, a novation of the same agreement was also signed between individual DISCOs and NTDC. The Authority after going through the claimed agreement observed some clauses which were required to be revisited.

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

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

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

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

15.6 In the light of above discussion, the Authority has assessed Rs. 1,051 million as Other Income which does not include late payment charge and includes amortization of deferred credit.

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16. <u>Issue # 11. Whether the Petitioner's request to allow provision for bad debts amounting to Rs. 1,415 million (Rs. 0.37/kWh) merits consideration?</u>

16.1 The Petitioner submitted in the Petition that the socio-economic condition of its customers is very poor and the capability of making payment of utility bills is weak, due to which its recovery position was 79.18% of which the recovery from the Government is 21.18% and private is 91.39%.

16.2 Subsequently, during the hearing, the Petitioner submitted a working of provision for bad debts as below;

Category	Amount Outstanding (Rs.)	Provision percentage	Provision for bad debts (Rs.)
Over 3 years	35,946,000,000	30.28%	11,080,762,856.78
Over 1-3 years	9,783,000,000	19.70%	1,927,560,054.95
Upto 1 year	2,236,000,000	2.45%	54,924,250.89
Total	**47,965,000,000**		13,063,247,162.62
Provision already provided up to June, 2014			11,648,476,713
Provision to be provided for this year			**1,414,770,449**

16.3 In the past, keeping in view the peculiar area in which the Petitioner operates, the Authority has been allowing the Petitioner a reasonable level of provision against doubtful debts. But the allowed provision has not been consistent with actual write-offs. Considering the documents required for new connection/extension and reduction of load or change of name in terms of Chapter 2.3 (b) & (h) of the Consumer Service Manual, the risk of credit sales transfers to the third party, i.e., Owner of the premises or purchaser of the property. Currently DISCOs are functioning in a monopolized environment and in case of default the connection of the premises, if disconnected, cannot be restored till the outstanding dues are paid. Electricity in today's life is a basic necessity and the consumers cannot afford to live without it and as per referred Chapter of Consumer Service Manual, the risk transfers to the occupant of the premises. In addition to this, at the time of connection, DISCO also collects one months billing from the consumers in the shape of security deposits, which also serves as a deterrence for a consumer to default. In view thereof, the Authority during the tariff determination for the FY 2010-11 allowed actual write offs instead of allowing provision. Since FY 2010-11, the Petitioner had been requesting provision for bad debts since the last few years tariff petition and the Authority had been denying it on

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the grounds that it shall allow only actual write-off of bad debts as appearing in the audited financial statements. A review of the audited financial statements of the Petitioner reveals that it has not written off any amount as bad debts during the FY 2013-14. Consequently, no amount can be approved under this head. The working of provision for bad debts as presented by the Petitioner is also erroneous as it shows the total outstanding receivables as Rs. 47,965 million as on 30th June, 2014 whereas, the Gross Receivables as per the audited financial statements are Rs. 38,373 million. Also, it does not give any basis for the percentages applied on the receivables to calculate the figure of provision. In view thereof , the Authority rejects the working.

16.4 The Authority considers it important to discuss that in the last year, the Petitioner had written off an amount of Rs. 7,796.6 million from the outstanding receivables. The same was pointed out by the Authority in the tariff determination of FY 2013-14 and the Petitioner was directed to submit the details of this write off not later than 31st March, 2014.

16.5 Subsequently, the Petitioner filed a motion for leave for review on the tariff determination of the Authority for the FY 2013-14, wherein it explained the basis for amount written off. As per the Petitioner, the write offs pertain to multiple electricity connections of Departments of Government of Sindh (GoS) that are using electricity through both sanctioned and unsanctioned connections but avoid from payment by taking different pleas. As per the Petitioner, the issue has been raised at multiple foras, yet the GoS has not honored these decisions as enlisted below;

a) Decision of Task force constituted by National Assembly Standing Committee on Water & Power, resolved billing dispute of the period July, 2002 to December, 2004 passed in February 2005.

b) Decision on billing of Government connections for the period January, 2005 to June, 2006 undertaken by Honourable M.A Jalil, Advisor to Chief Minister Sindh on 30th June, 2006.

c) Decision on billing of Government connections for the period ending June, 2007 undertaken by the Chairman, Sub Committee of Standing Committee on Water & Power including payment of balance of Rs. 306 million by GoS on 27th June, 2007.

d) GoS filed a Civil Suit No. 351/2010 against PEPCO, HESCO and Federal Adjustor in Honorable High Court Karachi, where upon Court ordered "Status quo" to refrain federal adjustor from deduction at source.

e) Order by Honorable High Court on HESCO's request dated 24th December, 2010 to GoS for payment of current bills. However, 100% bills were not paid including essential connection like Hospitals, Water Supply, Drainage and scarp Tube Wells. Defaulting connection had frequently been disconnected but due to non-availability of water supply to people law and order situation arises on disconnection.

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f) Intervention by the General secretary to the President of Pakistan into the matter and arrangement of an agreement between MD PEPCO and Finance Secretary GoS for resolution of billing dispute on 11th April, 2010 at Karachi. In this meeting two separate criteria were decided for payment of billing of sanctioned and unsanctioned / direct connections, as narrated here under:-

i) The amount billed in FY 2002-03 will be the bench mark for payment of billing sanctioned connection i.e., Average Billing per connection on the basis of amount Billed of FY 2002-03 with increase of rates as per SROs for onward period.

ii) Billing against direct Connections will be resolved as per connected load found at site joint teams of both departments.

g) A meeting of sub Committee constituted by Counsel of Common Interest (CCI) to resolve the issue related to electricity dues of the province was held under the chairmanship of the Chief Minister Sindh on 28th January, 2013 wherein it was decided to close the matter of billing dispute upto June, 2010 as under;

i) An amount of Rs. 19.28 billion billed against sanctioned connections for the period July, 2003 to June, 2010 was recalculated / decided on the basis of per connection billing of FY 2003-04 which came to Rs. 17.06 billion. Hence Rs. 2.2 billion was proposed to be written-off.

ii) The billing against direct connections for the same period was Rs. 7.37 billion but Sub Committee of Counsel of Common Interest directed GoS for payment of Rs. 2.5 billion to both HESCO and SEPCO, resultantly GoS paid Rs. 1.25 billion to HESCO and Remaining Rs. 6.12 billion to be written off.

16.6 The Petitioner also submitted that in the light of above decision of Sub Committee of CCI, the Board of Directors (BOD) of HESCO approved write off of Rs. 8.45 billion to settle the long outstanding dispute on 31st May, 2013. As per the Petitioner, the BOD of HESCO is empowered to approve the write offs as per Companies Ordinance 1984, which is also confirmed by Ministry of Law & Justice, GOP in memo No. 645/2012-law-1 dated 4th December, 2012 and the same has also been endorsed by Ministry of Water & Power vide memo No. 5(48)2011-B&F dated 10th December, 2012. The Petitioner further submitted that the Chief Auditor PEPCO in letter No. DPS/503-Policy/PAC/7444 dated 17th December, 2012 clarified that the BOD of DISCO's are empowered to write-off.

16.7 The Authority again refused the request of Petitioner and directed it to submit the ageing analysis and details of the nature of billing on these connections which caused it to be written off. Furthermore, the Authority construed that considering the fact that the amount is significant, the Authority cannot pass on its burden to consumers

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without detailed verification. The Authority also directed the Petitioner to resubmit its case with afore stated evidences with the next year's tariff petition, i.e. of FY 2014-15.

16.8 Later on, the Petitioner vide its letter no. FD/HESCO/CPC/3492-94 dated 28th March, 2014 also submitted a summary of balance written off. The summary is as follows;

Year	Net Billing*	Billing Agreed by GoS **	Net Payment from July, 2003 to June, 2010	Balance Written Off
2003-04	1,908.2	1,907.3	1,947.4	0.3
2004-05	2,050.3	2,049.2	2,018.1	1.1
2005-06	2,595.8	2,115.5	2,079.8	480.2
2006-07	3,134.2	2,332.3	2,989.5	801.9
2007-08	4,342.0	2,812.7	2,894.0	1,529.3
2008-09	5,504.2	3,329.6	2,963	2,174
2009-10	7,232.6	3,768.3	2,033.1	3,464.3
Total	**26,565.1**	**18,314.96**	**16,924.86**	**8,452.28**

* Net billing includes billing on direct connections as Rs. 7,370.9 million (i.e., 28% of total billing)

** Billing agreed includes billing on direct connections as Rs. 1,250 million.

16.9 The Petitioner during the hearing for determination of tariff for the FY 2014-15 informed the Authority that the detail of write-offs has been submitted to NEPRA vide letter no. CEO/HESCO/CCO/M(COM)/Govt/21703-05 dated 07-11-2014. The letter contains the information was submitted with the review motion.

16.10 The Authority considers that from the details submitted it is evident that the write off is in respect of the billing which was not agreed by the GoS. The break-up of billing agreed is as below;

Total Billing agreed by GoS	-	Rs. 18,315 million
Billing against Regular Connections	-	Rs. 17,064 million
Billing against Direct Connections	-	Rs. 1,250 million

The above information implies that of the total billing against direction of Rs. 7,371 million, the GoS agreed to billing of Rs. 1,250 million which is 17%. It is still not clear

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that why GoS has not agreed to the billing on direct connections. Is it based on the notion that the claimed direct connections did not exist at all OR the amount was over billed / bogusly billed by the Petitioner.

16.11 The Authority again clarifies that it cannot pass on the burden of inefficiency and wrong billing of the Petitioner to the consumers, consequently, it has decided to disallow the write off to the Petitioner in principal and no amount shall be allowed in this regard. Further , directs the Petitioner to again take up the matter to the relevant foras to the extent of written off amount, if it consider it genuine billing. In addition, the Authority directs the Petitioner to reconcile its billing with the GoS on regular / monthly basis to avoid any such errors / events in future.

17. **<u>Issue # 12. Whether the proposed revenue requirement of Rs. 69,624 million at an average sale rate of Rs 18.26 /kWh for the FY 2014-15 is justified ?</u>**

17.1 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

17.2 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;

17.3 Power Purchase Price (PPP)

17.3.1 The Petitioner has requested for a Power Purchase Price (PPP) of Rs. 14.79/kWh (Rs. 11.53/kWh unadjusted). The Petitioner did not submit any basis of the projection.

17.3.2 All the power generated from different sources is procured by the Central Power Purchasing Agency (CPPA) on behalf of DISCOs at the rates as per the Power Purchase Agreements (PPAs) as per the Authority's determination. The overall power purchase cost constitutes a pool price which is transferred to the DISCOs according to a mechanism prescribed by the Authority and notified by the Federal Government in the Official Gazette. The Power Purchase Price has been projected, which in turn formulates the reference values for the monthly fuel adjustments & quarterly adjustments with respect to Capacity and Transmission Charges.

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

Description	Generation		Energy Charges	
	GWh	Share	Rs. Million	Share
Hydel	32,294	34%	3,224	0.46%
Coal	112	0.12%	419	0.06%
HSD	1,653	2%	32,888	5%
Thermal - RFO	37,277	39%	541,622	77%
Thermal - Gas	18,341	19%	101,684	14.50%
Nuclear	4,402	5%	5,820	0.83%
Mixed	1,108	1%	11,283	1.61%
Import from Iran	419	0.44%	4,416	0.63%
Wind	263	0.27%	0.5879	0.0001%
Bagasse	23	0.02%	143	0.02%
Total	95,892	100%	701,499	100%
Capacity Charge			228,145	
Total Generation Cost			929,644	

17.3.4 Here it is pertinent to mention that the aforementioned energy charge includes variable O&M charges. But as per the tariff methodology, variable O&M charges would not be made part of monthly fuel adjustment and would be adjusted as part of quarterly adjustment. From the above table it is clear that 39% of total generation is expected on Residual Fuel oil (RFO) but its share in overall energy cost is expected to be around 77%, which means that variation in generation mix and oil prices will have great impact on the cost of generation and will ultimately affect the consumer-end tariff. The RFO prices over the last year have shown a highly decreasing trend. During the FY 2013-14, the RFO price was projected at an average of Rs. 80,748 [excluding Sales Tax and including freight] per metric ton, whereby the RFO prices during the five months of the FY 2014-15 have remained an average of Rs. 69,610 [excluding Sales Tax and including freight] per metric ton and touched a low of Rs. 59,392 per metric ton. The RFO prices in Pakistan are not only affected by the international market but also by the Pak Rupee devaluation. Based on the international market condition, it can be presumed that this lower trend shall continue in the next seven months to come, consequently, for the FY 2014-15, RFO prices have been assumed on an average of Rs. 65,769 per metric ton [excluding Sales Tax and including freight] after incorporating the possible determinants of RFO prices. Following the previous generation trend

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

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

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

XTC = XCTC + XETC

Where:

XTC = Transfer charge to XWDISCOs & KESC

XCTC = Capacity Transfer Charge to XWDISCOs & KESC

XETC = Energy Transfer Charge to XWDISCOs & KESC

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

Where:

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

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

(iii) USCF = the fixed charge part of the use of system charges in Rs per kW per month.

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

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 & KESC during a billing period.

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

17.3.7 According to the above mechanism Rs. 14,221 million and Rs. 1,276 million is the share of the Petitioner on account of CpGenCap and USCF respectively for the FY 2014-15. The overall fixed charges comprising of CpGenCap and USCF in the instant case works out as Rs. 15,497 million, which translate into Rs. 1,244 /kW/month or Rs. 3.09/kWh.

17.3.8 The annual PPP for the FY 2014-15 in the instant case works out as Rs. 53,335 million. With the projected purchase of 5,021 GWh for the same period the average PPP turns out to be as Rs. 10.62/ kWh (Annex – IV). On the basis of 20.50% T&D losses, the PPP per kWh is assessed as Rs. 13.36/kWh.

17.3.9 Considering the timing of the determination the Authority has decided to include quarterly adjustment pertaining to the first quarter of the FY 2014-15. In the matter of Petitioner the 1st quarters PPP adjustment works out as Rs. 175 million .

17.4 Distribution Margin (DM)

17.4.1 The assessment of O&M Cost, Other Income, depreciation and RORB has been assessed in the preceding paragraphs.

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17.5 Revenue Requirement

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

1.	Power Purchase Price		Rs. 53,335 Million
	CpGenE	Rs. 37,838 Million	
	CpGenCap	Rs. 14,221 Million	
	USCF	Rs. 1,276 Million	
2.	Distribution Margin		Rs. 9,168 Million
	O&M Cost	Rs. 6,254 Million	
	Depreciation	Rs. 1,176 Million	
	RORB	Rs. 2,789 Million	
	Gross DM	Rs.10,219 Million	
	Less: Other Income	Rs. 1,051 Million	
	Net DM	**Rs.9,168 Million**	
	Prior Year Adjustment		Rs. (10,596) Million
	1st Qrt PPP Adj		Rs. 175 Million
	Total Assessed Revenue Requirement		**Rs. 52,083 Million**

17.5.2 Based on the projected sales of 3,992 GWh for the FY 2014-15, the Petitioner's average sale rate works out as Rs. 13.05/kWh, consisting of Rs. 13.36/kWh of adjusted PPP, Rs. 2.30/kWh of DM, Rs. 0.04/kWh of PPP Adjustment and Rs. (2.65) /kWh of Prior Year Adjustment.

17.5.3 This revenue would be recovered from the consumers during the FY 2014-15, through the projected units of 3,992 GWh, as per Annex – II.

18. <u>Issue #13. Whether the Petitioner request to allow Financial Cost Interest Expense amounting to Rs. 1,961 million merits consideration?</u>

18.1 The Petitioner has worked out the distribution margin in the petition by including an interest expense of Rs. 1,961 million. However, the Petitioner has not submitted any detail of the request with the Petition. Subsequently, the Petitioner stated during the hearing that interest has been worked out as allowed by Economic Affair Division, Government of Pakistan in Amortization Schedule as below:

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S. No	Loans	Interest Rate %	FY 2013-14	FY 2014-15				Total
1	World Bank Loan No 7565 & Credit No. 4464-PK	17%	368.282	99.137	99.137	99.137	99.137	396.548
2	ADB Loan No 2438-PK Tranche-I	17%	316.66	79.165	79.165	79.165	79.165	316.662
3	ADB Loan No 2727-PK Tranche-II	17%	39.411	176.697	166.870	373.073	331.032	1,047.672
4	ADB Loan No 2972-PK Tranche-III	17%	0.000	2.204	14.442	57.875	125.667	200.188
Total			724.35	357.20	359.61	609.25	635.00	1,961.07

18.2 The Authority clarifies to the Petitioner that this interest cost is already allowed to the Petitioner under RORB. The cost of debt component of return on rate is based on the actual loans appearing in the financial statements of the Petitioner and hence the cost is already allowed.

19. <u>Issue # 14. Whether the existing service delivering structure of circles, divisions and sub-divisions etc can provide satisfactory services for supply of electric power to the consumer with the substantial expansion in the system?</u>

19.1 Faisalabad Electric Supply Company (FESCO) and Lahore Electric Supply Company (LESCO) raised requests for creation of new circles, divisions and sub-divisions in the tariff petitions for the FY 2013-14. The Authority directed both the DISCOs to take appointments for a separate presentation on this issue and deferred the decision till that time. Also, the Authority made this issue a matter for discussion for all XWDISCOs in the tariff petition for the FY 2014-15. All the XWDISCOs including the Petitioner were directed to file comments on the matter vide letter no. NEPRA/R/SAT-I/TRF-100-DISCOs/13653-61 dated 31st October, 2014.

19.2 The Petitioner did not respond to the letter, however, subsequently the Petitioner submitted during the hearing that the Existing structure of Circles, Divisions and Sub

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Divisions etc. are providing satisfactory services for supply of electric power to the consumer. However, the Petitioner further stated that 1 new Circle, 1 New Division and 4 New Sub Divisions are being been created due to expansion in the system vide Notification No. CEO/HESCO/Admn&HR Dir/TMP/A-11/42395-443 dated 24-10-2014.

19.3 The Authority hereby directs the Petitioner to submit details of the said new creation of circles not later than 30th April, 2015.

20. **Issue # 15. Whether the existing financial, administration and technical powers concentrated at different layers of hierarchy is required to be developed in order to provide better services from the door step of the consumer?**

20.1 FESCO presented its request for new circles in a meeting held on 9th July, 2014, and additionally requested the Authority to consider its proposal for dissolution of powers to lower hierarchy of employees so that responsibility can be shared and delays in processing can be avoided.

20.2 Consequently, the Authority directed FESCO to bring forward its proposal in writing and made this proposal a separate issue in the tariff petition hearings of all DISCOs for the FY 2014-15 to get comments of DISCOs and other stakeholders.

20.3 The Petitioner did not respond to the letter, however, subsequently the Petitioner submitted during the hearing that the existing financial, administrative and technical power concentrated at different levels of hierarchy are sufficient, however, the revision in financial powers may be made with the approval of BOD. The Authority, based on the comments of all XWDISCOs nay decide this matter in the tariff determination of FY 2015-16.

21. **Issue # 16. What are the concerns of the Petitioner on changing terms and conditions of lifeline consumers and Residential consumers?**

21.1 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.

21.2 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

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reiterated their stance and requested the Authority to modify the terms and conditions in the interest of well being of the consumers. No comments / intervention against the proposal were received. Consequently, the Authority proposes following modification to the terms and conditions of lifeline and residential consumers in Annex-V;

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

21.3 Although the Authority has completed its consultative process but it still feels that before modifying the Terms & Conditions further analysis as to how much consumers will be reduced on monthly basis along with it financial implication from the Petitioner needs to be obtained. Accordingly the Petitioner was required to give comments on the proposal. The Petitioner, during the hearing for tariff determination of FY 2014-15, stated that lifeline consumer facility will only be allowed to consumer whose sanctioned load is up to 01 KW and consumption upto 50 units (KWH).

21.4 The Authority directs the Petitioner to share the financial impact of proposed revision of criteria of lifeline consumers on its revenue with the next year's tariff Petition.

22. <u>Issue # 17. What are the concerns of the Petitioner on TOU metering of cellular company connections and similar connections?</u>

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

22.2 Based on the Authority's decision, a hearing was held on 8th July, 2014, under a suo motto proceedings, inviting all the stakeholders. The hearing was attended by representatives of IESCO and legal representatives of Cellular Companies. The representatives of IESCO reiterated their stance and requested the Authority to discontinue the installation of TOU meters on these connections. Whereas, the legal representatives of Cellular companies objected to the proceedings and demanded that evidence of losses being faced by XWDISCOs should be produced and reviewed by cellular companies before they give any justification / evidence on the matter. The

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legal representatives further objected to the suo motto proceedings and named it as a brain storming session which needs to be followed by examination of evidence by cellular companies and further hearing opportunity. The legal representatives of IESCO objected to the concerns of cellular companies' representatives and offered to present all the facts to the Authority. The Authority, during the hearing, directed both XWDISCOs and cellular companies to provide their evidences in this regard to the Authority for consideration.

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

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

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

- A detailed schedule for the orderly disposition of the proceeding, inter alia, for filing of interrogatories, discovery motions, objections and responses to

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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.

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

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

22.6 The Petitioner also stated during the hearing that there is no necessity to allow such facility to Government Offices, Educational Institutions, Cellular Companies, Bank and Allied Corporate and other offices having sanctioned load 05 KW and above. The Petitioner further stated that TOU Facility introduced to conserve the energy but these organization remained operative round the clock or do not use extra electricity in Peak hours and getting benefit of Off-Peak rates. In view of aforementioned, the Authority would proceed on the matter, in accordance with the decision of the Honorable Supreme Court.

23. <u>Summary of Directions</u>

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

- To complete installation of TOU meters and submit the response from TOU meters manufacturing companies or any evidence which establishes that the required training to the staff is actually provided to its staff. Furthermore, also to share the evidence of consumer awareness campaign in the shape of press releases, snap shots of consumer bills and banners etc with the Authority. The required evidences must reach the Authority's Office not later than 30th June, 2015 .

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- The Authority had directed DISCOs vide Registrar's letter dated 21.12.2012 to submit their plans regarding introduction and expansion of Automatic Meter Reading System (AMR). DISCOs were also required to submit progress reports on NEPRA's directions. Subsequently vide letter No. NEPRA/R/L/LAD-21/9016-26 Dated 7th August 2014, the Authority also directed DISCOs to install AMR and Automatic Metering Infrastructure (AMI) at all of their Common Delivery Points (CDPs). It is noted that except for initiating certain pilot projects, DISCOs have not been able to show serious efforts on the installation of AMR and AMI systems.

    - The Authority considers that one of the key reasons for high transmission and distribution losses in DISCOs is absence of any mechanism for tracking of electricity flow from the points of their electricity purchases (CDP) down to the final consumer. A reliable metering and recording system at every voltage level starting with the 132 kV grid, at the 11 kV and to 400 and 230 volts is therefore critical for not only elimination of theft, unaccounted for electricity and diagnosing technical problems, such systems would also enable NEPRA in analyzing DISCOs' genuine investment requirements. Consequently reduction in losses would help save billion of rupees annually and support GOP's efforts in eliminating circular debt. Reportedly the results through the model projects have been quite encouraging and noticeable reductions in the losses have been observed.

    - The Authority therefore directs all DISCOs as follows:

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

        - To install AMR and AMI on the receiving end of at least 30% of their 11 kV feeders (as existing on 30 June 2014) by 31st December 2015 and remaining 70% till June, 2016.

        - To initiate and install AMR/AMI at the consumer level in at least 10 of their high loss making subdivisions by 31st December, 2015 and remaining 70% by 30th June 2016.

- To submit the required information by taking the amount appearing in the balance sheet without provision for doubtful debts bifurcated into government and private duly reconciled then taking into account the impact of provision and any writing off of debtors. The requested information must reach Authority's Office not later than 30th June, 2015.

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- To share the final report of the investment projects to be completed by June, 2015 with the actual amounts invested and the actual reduction in T&D losses achieved against the claimed results , not later than 31st July, 2015.
- To complete study of its Transmission and Distribution losses on 132 KV , 11KV and below .
- To monetize all the incremental costs which cause them additional losses and incorporate these as a part of project cost while calculating the IRR or NPVs for any village electrification project, in future.
- To submit the details of actual investment projects undertaken during the FY 2014-15 along with its next tariff Petition. Also, the Petitioner is directed to submit relevant PC-1s of any and all investment projects to be requested in future along with next tariff Petition .
- To provide the required replacement hiring certificate before the finalization of the next year's tariff petition, or else the same cost would be disallowed permanently .
- To again take up the matter to the relevant foras to the extent of written off amount, if it consider it genuine billing. In addition, the Authority directs the Petitioner to reconcile its billing with the GoS on regular / monthly basis to avoid any such errors / events in future.
- To share the financial impact of proposed revision of criteria of lifeline consumers on its revenue with the next year's tariff Petition.
- To print bills with the snap shots of meter readings (both previous and current) not later than 30th June, 2015.
- To submit its investment requirements for the implementation of Hand Handled Units (HHU) the completion timelines along with its next tariff petition.
- To share the details of late payment charges recovered from consumers and any invoice raised by CPPA under the head of mark up on delayed payments for the FY 2014-15. The information must be submitted before the next tariff petition is filed

24. ORDER

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

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

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

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

i) Where only 132 kV system is involved

$$UOSC = DM \times \frac{(1-L)}{(1-0.0368)} \quad Paisa/kWh$$

ii) Where only 11 kV distribution systems is involved.

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

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

$$UOSC = DM \times \frac{(1-L)}{(1-0.0868)} \quad Paisa/kWh$$

Where:

Distribution Margin for FY 2014-15 is set at Rs 2.30/kWh. 'L' will be the overall percentage loss assessment for the year set at 20.50% or FY 2014-15.

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

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

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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.

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Hyderabad Electric Supply Company (HESCO)
Estimated Sales Revenue on the Basis of New Tariff

(0)

Description	Sales	Sales Mix	New Tariff (NEPRA		Revenue (as per NEPRA)		
	Sales GWh	Sales Mix	Fixed Charge Rs./kW/ Month	Variable Charge Rs./ kWh	Fixed Charge Rs.Mlns.	Variable Charge Rs.Mlns.	Total
Residential							
Up to 50 Units	125	3.12%		4.00	-	499	499
For peak load requirement less than 5 kW							
01-100 Units	518	12.99%		9.79	-	5,072	5,072
101-300 Units	739	18.52%		14.00	-	10,353	10,353
301-700Units	308	7.71%		15.00	-	4,617	4,617
Above 700 Units	357	8.95%		16.00	-	5,715	5,715
For peak load requirement 5 kW & above)	-						-
Time of Use (TOU) - Peak	2	0.05%		16.00	-	29	29
Time of Use (TOU) - Off-Peak	0	0.00%		10.20	-	0	0
Total Residential	**2,049**	**51.34%**			**-**	**26,285**	**26,285**
Commercial - A2							
For peak load requirement less than 5 kW	172	4.30%		15.00	-	2,574	2,574
For peak load requirement 5 kW & above							-
Regular	0	0.01%	400.00	13.00	1	5	7
Time of Use (TOU) - Peak	56	1.41%		16.00		903	903
Time of Use (TOU) - Off-Peak	31	0.78%	400.00	10.20	337	317	655
Total Commercial	**260**	**6.50%**			**339**	**3,799**	**4,138**
Industrial							
B1	345	8.64%		12.50	-	4,310	4,310
B1 - TOU (Peak)		0.01%		16.00			
B1 - TOU (Off-peak)		0.00%		10.20			
B2	144	3.61%	400.00	12.00	282	1,731	2,013
B2 - TOU (Peak)	0	0.01%		16.00	-	6	6
B2 - TOU (Off-peak)	47	1.18%	400.00	10.00	74	471	545
B3 - TOU (Peak)	8	0.20%		16.00	-	128	128
B3 - TOU (Off-peak)	177	4.43%	380.00	9.80	169	1,733	1,902
B4 - TOU (Peak)	-			16.00	-	-	-
B4 - TOU (Off-peak)	157	3.94%	360.00	9.70	115	1,525	1,640
Total Industrial	**879**	**22.02%**			**640**	**9,903**	**10,544**
Single Point Supply for further distribution							
C1(a) Supply at 400 Volts-less than 5 kW	3	0.09%		13.00	-	45	45
C1(b) Supply at 400 Volts- 5 kW &	60	1.49%	400.00	12.50	82	745	827
Time of Use (TOU) - Peak	1	0.03%		16.00	2	20	22
Time of Use (TOU) - Off-Peak	-		400.00	10.20	-	-	-
C2 Supply at 11 kV	28	0.70%	380.00	12.30	20	343	363
Time of Use (TOU) - Peak	13	0.32%		16.00	9	204	213
Time of Use (TOU) - Off-Peak	-		380.00	10.00	-	-	-
C3 Supply above 11 kV	-		360.00	12.20	-	-	-
Time of Use (TOU) - Peak	-			16.00	-	-	-
Time of Use (TOU) - Off-Peak	-		360.00	9.80	-	-	-
Total Single Point Supply	**105**	**2.63%**			**112**	**1,357**	**1,469**
Agricultural Tube-wells - Tariff D							
Scarp	413	10.34%		12.50		5,160	5,160
Agricultual Tube-wells	1	0.02%	200.00	12.00	1	10	10
Time of Use (TOU) - Peak	195	4.88%		16.00		3,117	3,117
Time of Use (TOU) - Off-Peak	14	0.34%	200.00	9.80	143	133	276
Total Agricultural	**622**	**15.58%**			**143**	**8,419**	**8,562**
Public Lighting - Tariff G	73	1.84%		14.00	-	1,028	1,028
Tariff H - Residential Colonies attached to industries	4	0.10%		14.00	-	56	56
Total	**3,992**	**100.00%**			**1,235**	**50,848**	**52,083**

Annex-III

SCHEDULE OF ELECTRICITY TARIFFS
FOR HYDERABAD ELECTRIC SUPPLY COMPANY (HESCO)

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	01-100 Units	-	9.79	
iii	101-300 Units	-	14.00	
iv	301-700Units	-	15.00	
v	Above 700 Units	-	16.00	
b)	For Sanctioned load 5 kW & above			
			Peak	Off-Peak
	Time Of Use	-	16.00	10.20

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

Under tariff A-1, there shall be minimum monthly customer charge 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		15.00	
b)	For Sanctioned load 5 kW & above	400.00	13.00	
			Peak	Off-Peak
c)	Time Of Use	400.00	16.00	10.20

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

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SCHEDULE OF ELECTRICITY TARIFFS FOR HYDERABAD ELECTRIC SUPPLY COMPANY (HESCO)

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)	-		12.50
B2(a)	exceeding 25-500 kW (at 400 Volts)	400.00		12.00
	Time Of Use		Peak	Off-Peak
B1 (b)	Up to 25 KW		16.00	10.20
B2(b)	exceeding 25-500 kW (at 400 Volts)	400.00	16.00	10.00
B3	For All Loads up to 5000 kW (at 11,33 kV)	380.00	16.00	9.80
B4	For All Loads (at 66,132 kV & above)	360.00	16.00	9.70

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	-		13.00
b)	Sanctioned load 5 kW & up to 500 kW	400.00		12.50
C -2(a)	For supply at 11,33 kV up to and including 5000 kW	380.00		12.30
C -3(a)	For supply at 66 kV & above and sanctioned load above 5000 kW	360.00		12.20
	Time Of Use		Peak	Off-Peak
C -1(c)	For supply at 400/230 Volts 5 kW & up to 500 kW	400.00	16.00	10.20
C -2(b)	For supply at 11,33 kV up to and including 5000 kW	380.00	16.00	10.00
C -3(b)	For supply at 66 kV & above and sanctioned load above 5000 kW	360.00	16.00	9.80

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SCHEDULE OF ELECTRICITY TARIFFS
FOR HYDERABAD ELECTRIC SUPPLY COMPANY

D - AGRICULTURE

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	
D-1(a)	SCARP less than 5 kW	-		12.50
D-2	Agricultural Tube Wells	200.00		12.00
			Peak	Off-Peak
D-1(b)	SCARP and Agricultural 5 kW & above	200.00	16.00	9.80

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.

E - TEMPORARY SUPPLY

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh
E-1(i)	Residential Supply	-	16.00
E-1(ii)	Commercial Supply	-	15.00
E-2	Industrial Supply	-	12.50

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		14.00

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

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SCHEDULE OF ELECTRICITY TARIFFS
FOR HYDERABAD ELECTRIC SUPPLY COMPANY (HESCO)

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	-	14.00

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Annex-IV

HESCO Power Purchase Price

Name	July	August	September	October	November	December	January	February	March	April	May	June	Total
Units Purchased by DISCOs (GWh)	490	472	471	467	409	357	314	319	353	400	468	502	5,021

kWh

Fuel Cost Component	6.4933	6.4562	6.4326	7.3369	7.3040	8.1037	9.8670	7.2603	8.0985	7.6273	6.7764	6.8283	**7.2655**
Variable O & M	0.2436	0.2429	0.2295	0.2574	0.2667	0.2961	0.3118	0.2901	0.3050	0.2977	0.2762	0.2621	**0.2698**
CpGenCap	2.2918	2.5546	2.1843	2.7006	3.1067	3.3250	3.6040	3.2274	3.5863	3.0642	2.7837	2.3732	**2.8321**
USCF	0.2197	0.2504	0.2108	0.2538	0.2780	0.2919	0.3088	0.2720	0.2898	0.2514	0.2521	0.2199	**0.2542**
Total PPP in Rs. /kWh	**9.2484**	**9.5041**	**9.0572**	**10.5487**	**10.9554**	**12.0167**	**14.0916**	**11.0498**	**12.2797**	**11.2407**	**10.0883**	**9.6835**	**10.6217**

Rs in Million

Fuel Cost Component	3,181	3,050	3,030	3,424	2,987	2,896	3,095	2,313	2,855	3,054	3,171	3,426	**36,483**
Variable O & M	119	115	108	120	109	106	98	92	108	119	129	132	**1,355**
CpGenCap	1,123	1,207	1,029	1,260	1,271	1,188	1,130	1,028	1,264	1,227	1,303	1,191	**14,221**
USCF	108	118	99	118	114	104	97	87	102	101	118	110	**1,276**
PPP	**4,531**	**4,490**	**4,267**	**4,922**	**4,480**	**4,294**	**4,420**	**3,520**	**4,329**	**4,501**	**4,721**	**4,859**	**53,335**

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

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Annex-V

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

PART-I

GENERAL DEFINITIONS

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

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

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

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

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

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

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

14. NTDC means the National Transmission and Dispatch Company.

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

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

GENERAL CONDITIONS

1. "The Company shall render bills to the consumers on a monthly basis or less on the specific request of a consumer for payment by the due date.
2. The Company shall ensure that bills are delivered to consumers at least seven days before the due date. If any bill is not paid by the consumer in full within the due date, a Late Payment Charge of 10% (ten percent) shall be levied on the amount billed excluding Govt. tax and duties etc. In case bill is not served at least seven days before the due date then late payment 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%.

PART-II

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

A-1 RESIDENTIAL AND GENERAL SERVICES

1. This Tariff is applicable for supply to;

i) Residences,
ii) Places of worship,
iii) Approved religious and charitable institutions,

iv) Government and Semi-Government Offices and institutions,
v) Government Hospitals and Dispensaries,
vi) Educational institutions.

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

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

A-2 COMMERCIAL

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

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

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

B INDUSTRIAL SUPPLY

Definitions

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

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

Conditions

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

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

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

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

B-2 SUPPLY AT 400 VOLTS

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

B-3 SUPPLY AT 11 kV AND 33 kV

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

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

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

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

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

C SINGLE POINT (SINGLE-METERING) SUPPLY

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

i) To a licensee converted from a bulk supply status (who was procuring power from HESCO as a consumer prior to grant of license to HESCO) for the purpose of further distribution within its respective exclusive territory and jurisdiction.

ii) To a mix-load consumer not reselling to any other consumer such as residential, commercial, tube-well and others.

General Conditions

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

C-I SUPPLY AT 400/230 VOLTS

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

C-2 SUPPLY AT 11 kV AND 33 kV

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

C-3 SUPPLY AT 66 kV AND ABOVE

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

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

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

D AGRICULTURAL SUPPLY

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

Special Conditions of Supply

1. This tariff shall apply to:
   i) Reclamation and Drainage Operation under Salinity Control and Reclamation Projects (SCARP):
   ii) Bona fide forests, agricultural tube-wells and lift irrigation pumps for the irrigation of agricultural land.
   iii) Tube-wells meant for aqua-culture, viz. fish farms, fish hatcheries and fish nurseries.
   iv) Tube-wells installed in a dairy farm meant for cultivating crops as fodder and for upkeep of cattle.
2. If, for any reason, the meter reading date of a consumer is altered and the acceleration/retardation in the date is up to 4 days, no notice shall be taken of this acceleration or retardation. But if the date is accelerated or retarded by more than 4 days, the fixed charges shall be assessed on proportionate basis for the actual number of days between the date of the old reading and the new reading.
3. The lamps and fans consumption in the residential quarters, if any, attached to the tube-wells shall be charged entirely under Tariff A-1 for which separate metering arrangements should be installed.
4. The supply under this Tariff shall not be available to consumer using pumps for the irrigation of parks, meadows, gardens, orchards, attached to and forming part of the residential, commercial or industrial premises in which case the corresponding Tariff A-1, A-2 or Industrial Tariff B-1, B-2 shall be respectively applicable.

D-1 (a)

1. This tariff is applicable to all Reclamation and Drainage Operation pumping under SCARP related installation having sanctioned load of less than 5 kW.
2. Consumers having sanctioned load less than 5 kW shall be billed on single-part kWh rate i.e. D-1(a) tariff given in the Schedule of Tariff.

D-1 (b)

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

D-2

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

E -1 TEMPORARY RESIDENTIAL/COMMERCIAL SUPPLY

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

Special Conditions of Supply

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

E -2 TEMPORARY INDUSTRIAL SUPPLY

"Temporary Industrial Supply" means the supply given to an Industry for the 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.

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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

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

H RESIDENTIAL COLONIES ATTACHED TO INDUSTRIES

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

Definitions

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

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

"Residential Colony" attached to the Industrial Supply Consumer, means a group of houses annexed with the factory premises constructed solely for residential purpose of the 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.

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Annex-VI

Summary of Directions for HESCO

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

- To complete installation of TOU meters and submit the response from TOU meters manufacturing companies or any evidence which establishes that the required training to the staff is actually provided to its staff. Furthermore, also to share the evidence of consumer awareness campaign in the shape of press releases, snap shots of consumer bills and banners etc with the Authority. The required evidences must reach the Authority's Office not later than 30th June, 2015 .
- The Authority had directed DISCOs vide Registrar's letter dated 21.12.2012 to submit their plans regarding introduction and expansion of Automatic Meter Reading System (AMR). DISCOs were also required to submit progress reports on NEPRA's directions. Subsequently vide letter No. NEPRA/R/L/LAD-21/9016-26 Dated 7th August 2014, the Authority also directed DISCOs to install AMR and Automatic Metering Infrastructure (AMI) at all of their Common Delivery Points (CDPs). It is noted that except for initiating certain pilot projects, DISCOs have not been able to show serious efforts on the installation of AMR and AMI systems.
    - The Authority considers that one of the key reasons for high transmission and distribution losses in DISCOs is absence of any mechanism for tracking of electricity flow from the points of their electricity purchases (CDP) down to the final consumer. A reliable metering and recording system at every voltage level starting with the 132 kV grid, at the 11 kV and to 400 and 230 volts is therefore critical for not only elimination of theft, unaccounted for electricity and diagnosing technical problems, such systems would also enable NEPRA in analyzing DISCOs' genuine investment requirements. Consequently reduction in losses would help save billion of rupees annually and support GOP's efforts in eliminating circular debt. Reportedly the results through the model projects have been quite encouraging and noticeable reductions in the losses have been observed.
    - The Authority therefore directs all DISCOs as follows:
        - To install AMR and AMI at all of their CDPs by December 31, 2015.
        - To install AMR and AMI on the receiving end of at least 30% of their 11 kV feeders (as existing on 30 June 2014) by 31st December 2015 and remaining 70% till June, 2016.
        - To initiate and install AMR/AMI at the consumer level in at least 10 of their high loss making subdivisions by 31st December, 2015 and remaining 70% by 30th June 2016.

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- To submit the required information by taking the amount appearing in the balance sheet without provision for doubtful debts bifurcated into government and private duly reconciled then taking into account the impact of provision and any writing off of debtors. The requested information must reach Authority's Office not later than 30th June, 2015.
- To share the final report of the investment projects to be completed by June, 2015 with the actual amounts invested and the actual reduction in T&D losses achieved against the claimed results , not later than 31st July, 2015.
- To complete study of its Transmission and Distribution losses on 132 KV , 11KV and below .
- To monetize all the incremental costs which cause them additional losses and incorporate these as a part of project cost while calculating the IRR or NPVs for any village electrification project, in future.
- To submit the details of actual investment projects undertaken during the FY 2014-15 along with its next tariff Petition. Also, the Petitioner is directed to submit relevant PC-1s of any and all investment projects to be requested in future along with next tariff Petition .
- To provide the required replacement hiring certificate before the finalization of the next year's tariff petition, or else the same cost would be disallowed permanently .
- To again take up the matter to the relevant foras to the extent of written off amount, if it consider it genuine billing. In addition, the Authority directs the Petitioner to reconcile its billing with the GoS on regular / monthly basis to avoid any such errors / events in future.
- To share the financial impact of proposed revision of criteria of lifeline consumers on its revenue with the next year's tariff Petition.
- To print bills with the snap shots of meter readings (both previous and current) not later than 30th June, 2015.
- To submit its investment requirements for the implementation of Hand Handled Units (HHU) the completion timelines along with its next tariff petition.
- To share the details of late payment charges recovered from consumers and any invoice raised by CPPA under the head of mark up on delayed payments for the FY 2014-15. The information must be submitted before the next tariff petition is filed

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Annex – VII

List of Interested / Affected Parties to send the Notices of Hearing regarding Petition filed
by Hyderabad Electric Supply Co. Ltd. (HESCO) for the determination of Consumer-end tariff Pertaining to the FY 2014-15

*****

A. Secretaries of various Ministries

1. Secretary
   Cabinet Division
   Cabinet Secretariat
   Islamabad

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

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

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

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

6. Secretary
   Privatization Commission
   EAC Building
   Islamabad

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

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

9. Secretary,
Irrigation & Power Department
Govt. of Sindh
Sindh Secretariat No. 2,
Tughliq House,
Karachi

10. Secretary
Energy Department
Government of Sindh
Laxon Square Building No. 3
7th Floor, Opposite Press Club,
Karachi

11. The Secretary
Energy Department, Government of Sindh,
Plot No ST/2/1, Sector 23, Korangi Industrial Area
Karachi

B. Chambers of Commerce and Industry & General Public

1. Chairman
Public Sector Utility, Sub-Committee
Karachi Chamber of Commerce & Industries
Aiwan-e-Tijarat Road, Shahrah-e-Liaquat
Karachi-2

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

3. President,
Islamabad Chamber of Commerce & Industry,
Chamber House, Aiwan-e-Sanat-o-Tijarat Road,
Sector G-8/1, Islamabad.

4. President,
Hyderabad Chamber of Commerce & Industry
Aiwan-e-Tijarat Road, Saddar
Hyderabad

5. President
Senior Citizen Foundation of Pakistan
5-P, Markaz G-7, Sitara Market
Islamabad

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

7. Chairman
S.I.T.E. Association of Industry
H-16, S.I.T.E.
Karachi

8. SHEHRI
206-G, Block – 2, P.E.C.H.S
Karachi – 75400

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

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

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

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

13. Central Chairman
All Pakistan CNG Association
Suite No. 229-B, St.No. 35
F-10/1, Islamabad

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

15. PTCL
Corporate Head Quarters, Block – E
G-8/4, Islamabad-44000

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

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

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

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

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

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

22. Chairman
Public Sector Utility, Sub-Committee
Karachi Chamber of Commerce & Industries (KCCI)
Aiwan-e-Tijarat Road, Shahrah-e-Liaquat
Karachi

23. President
Hyderabad Chamber of Commerce & Industry
488, Chamber Road, Saddar, Hyderabad

24. President
Kotri Association of Trade and Industry
Plot no. F-24, SITE
Kotri, District Jamshoro
Sindh

25. Hyderabad SITE Association of Industry
Plot No. C-41
SITE Area
Hyderabad

26. Secretary General
Federation Pakistan Chambers of Agriculture and Livestock
507, 5th Floor, Business Plaza
Mumtaz Hassan Road, Off II Chundrigar Road
Karachi 75000

C. Power Companies

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

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. Chief Executive Officer
Karachi Electric Supply Corporation Ltd.
KESC House, Punjab Chowrangi,
39-B, Sunset Boulevard, Phase II
Defence Housing Authority
Karachi

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

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

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

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

D. Petitioner

Chief Executive Officer
Hyderabad Electric Supply Co. Ltd. (HESCO)
WAPDA Offices Complex,
Hussainabad, Hyderabad.

Express 11/14

نیشنل الیکٹرک پاور ریگولیٹری اتھارٹی

نوٹس وصولی درخواست/عوامی سماعت

مالی سال 14-2013 کے نتائج کو بطور آزمائشی سال تسلیم کرتے ہوئے حقیقی / تخمینہ نتائج کی بنیاد پر مالی سال 15-2014 کیلئے

حیدرآباد الیکٹرک سپلائی کمپنی (HESCO) کے کنزیومر END ٹیرف تعین کیلئے دائر کردہ پٹیشن

SALIENT FEATURES OF THE PETITION

The petitioner has prayed for the determination of its consumer end tariff pertaining to the Financial Year 2014-15, approval of Distribution Margin @ 3.47/kWh, investment for Rs. 6,423 million, Line Losses @ 22% and Average Sales Rate Tariff at Rs. 18.26/kWh with the following Category-wise Tariff:

Description	Requested Tariff for the FY 2014-15		NEPRA Determined Tariff Pertaining to the FY 2013-14	
	Fixed Charges Rs./kW/M	Var. Charges Rs./KWh	Fixed Charges Rs./kW/M	Var. Charges Rs./KWh
Residential - A1				
For Peak Load Requirement less than 5 kW				
Up to 50 Units				
1-100 Units		4.60		4.00
101-300 Units		12.72		11.06
301-700 Units		14.38		12.50
Above 700 Units		17.93		15.50
For Peak Load Requirement 5 kW & above		20.13		17.50
Time of Day (TOU) - Peak				
Time of Day (TOU) - Off Peak		20.13		17.50
Total Domestic		13.23		11.50
Commercial - A2				
For Peak load requirement less than & upto 5 kW				
Commercial (< 100)				17.50
For Peak load requirement (< 20 kW) exceeding 5 kW		20.13		
Regular		-		
Time of Day (TOU) - Peak	400	17.26	400	15.00
Time of Day (TOU) - Off Peak	400	20.13		17.50
Total Commercial	400	13.23	400	11.50
Industrial				
B1 upto 25 kW (400/230 Volts)				
B1 (b) upto 25 kW (Peak)		16.68		14.50
B1 (b) upto 25 kW (Off Peak)		16.11		17.50
B2 (a) exceeding 25-500 kW (400 Volts)		20.13		11.50
B2 (b) - TOU (Peak) at 400 Volts	400	13.00	400	14.00
B2 (b) - TOU (Off Peak) at 400 Volts	400	20.13		17.50
B3 - TOU (Peak) all loads up to 5000 kW at 11/33 kV	400	12.89	400	11.30
B3 - TOU (Off Peak) all loads upto 5000 kW at 11/33 kV	380	20.13		17.50
B4 - TOU (Peak) all loads 66/132 kV and above	380	12.77	380	11.20
B4 - TOU (Off Peak) all loads 66/132 kV and above	360	16.68		17.50
Total Industrial	360	-	360	11.10
Single Point Supply (Bulk)				
C1 (a) Supply at 400/230 Volts less than 5 kW				
C1 (b) Supply at 400/230 Volts 5 kW & upto 500 kW		17.26		15.00
Time of Use (TOU) - Peak	400	16.68	400	14.50
Time of Use (TOU) - Off Peak	400	20.13		17.50
C2 Supply at 11 kV/33 kV upto and including 5000 kW	400	13.23	400	11.50
Time of Use (TOU) - Peak	380	16.45	380	14.30
Time of Use (TOU) - Off Peak	380	20.13		17.50
C3 Supply at 66 kV & above	380	13.00	380	11.30
Time of Use (TOU) - Peak	360	18.34	360	14.20
Time of Use (TOU) - Off Peak	360	20.13		17.50
Total Bulk Supply	360	12.89	360	11.20
Agricultural Tube Wells - Tariff D				
Scarp D-1(a) less than 5 kW				
Time of Use (TOU) - Peak D-1		16.68		14.50
Time of Use (TOU) - Off Peak D-1	200	20.13		
D-2 Agricultural Tube Well	200	12.89		
Scarp and Agriculture 5 kW and above Time of Use (TOU) - Peak	200	16.11	200	14.00
Scarp and Agriculture 5 kW and above Time of Use (TOU) - Off Peak		-		17.50
Total Agricultural Tube Well Tariff-D		-	200	11.20
Public Lighting - Tariff - G				
Housing Colonies - H		17.28		15.00
Company Total		17.26		15.00

PID(I)2072/14

رجسٹرار نیپرا

نیپرا ٹاور، عطاترک ایونیو (ایسٹ)، سیکٹر G-5/1، اسلام آباد۔ فون نمبر: 051-920 6500، فیکس نمبر: 051-921 0215، ای میل: office@nepra.org.pk

The News

01-11-14

National Electric Power Regulatory Authority (NEPRA)

NOTICE OF ADMISSION / HEARING

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

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

SALIENT FEATURES OF THE PETITION

1. The petitioner has prayed for the determination of its consumer-end tariff pertaining to the Financial Year 2014-15, approval of Distribution Margin @ 3.47/kWh, investment for Rs. 6,423 million, Line Losses @ 22% and Average Sales Rate / Tariff at Rs. 18.26/kWh with the following Category-wise Tariff.

Description	Requested Tariff for the FY 2014-15		NEPRA Determined Tariff Pertaining to the FY 2013-14	
	Fixed Charges Rs./kW/M	Var. Charges Rs./kWh	Fixed Charges Rs./kW/M	Var. Charges Rs./kWh
Residential - A1				
For Peak Load Requirement less than 5 kW				
Up to 50 Units		4.60		4.00
1-100 Units		12.72		11.08
101-300 Units		14.38		12.50
301-700 Units		17.83		15.50
Above 700 Units		20.13		17.50
For Peak Load Requirement 5 kW & above				
Time of Day (TOU) - Peak		20.13		17.50
Time of Day (TOU) - Off Peak		13.23		11.50
Total Domestic				
Commercial - A2				
For Peak load requirement less than & upto 5 kW				17.50
Commercial (<100)		20.13		
For Peak load requirement (<20 kW) exceeding 5 kW		-		
Regular	400	17.26	400	15.00
Time of Day (TOU) - Peak	400	20.13		17.50
Time of Day (TOU) - Off Peak	400	13.23	400	11.50
Total Commercial				
Industrial				
B1 upto 25 kW (400 / 230 Volts)		18.68		14.50
B1 (b) upto 25 kW (Peak)		18.11		17.50
B1 (b) upto 25 kW (Off Peak)		20.13		11.50
B2 (a) exceeding 25-500 kW (400 volts)	400	13.00	400	14.00
B2 (b) - TOU (Peak) at 400 Volts	400	20.13		17.50
B2 (b) - TOU (Off Peak) at 400 Volts	400	12.89	400	11.30
B3 - TOU (Peak) all loads up to 5000 kW at 11 / 33 kV	380	20.13		17.50
B3 - TOU (Off Peak) all loads upto 5000 kW at 11 / 33 kV	380	12.77	380	11.20
B4 - TOU (Peak) all loads 66 / 132 kV and above	380	18.68		17.50
B4 - TOU (Off Peak) all loads 66 / 132 kV and above	360	-	360	11.10
Total Industrial				
Single Point Supply (Bulk)				
C1 (a) Supply at 400 / 230 Volts less than 5 kW		17.26		15.00
C1 (b) Supply at 400 / 230 Volts - 5 kW & upto 500 kW	400	18.68	400	14.50
Time of Use (TOU) - Peak	400	20.13		17.50
Time of Use (TOU) - Off Peak	400	13.23	400	11.50
C2 Supply at 11 kV 33 kV upto and including 5000 kW	380	18.45	380	14.30
Time of Use (TOU) - Peak	380	20.13		17.50
Time of Use (TOU) - Off Peak	380	13.00	380	11.30
C3 Supply at 66 kV & above	380	18.34	360	14.20
Time of Use (TOU) - Peak	360	20.13		17.50
Time of Use (TOU) - Off Peak	360	12.88	360	11.20
Total Bulk Supply				
Agricultural Tube Wells - Tariff D				
Scarp D-1(a) less than 5 kW		18.68		14.50
Time of Use (TOU) - Peak D-1	200	20.13		
Time of Use (TOU) - Off Peak D-1	200	12.89		
D-2 Agricultural Tube Well	200	18.11	200	14.00
Scarp and Agriculture 5 kW and above Time of Use (TOU) - Peak	-	-	-	17.50
Scarp and Agriculture 5 kW and above Time of Use (TOU) - Off Peak		-	200	11.20
Total Agricultural Tube Well Tariff-D				
Public Lighting - Tariff - G		17.26		15.00
Housing Colonies - H		17.26		15.00
Company Total				

2. 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 (7) 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 Seven (7) days of receipts of copy of intervention request.
3. Any person may also file the comments in the matter within Seven (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.
4. 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:	**11th November, 2014**
Time:	**02:00 p.m. (Tuesday)**
Venue:	**Marriott Hotel, Karachi**

All communications should be addressed to:

PID (I) 2072/14

Registrar NEPRA
NEPRA Tower, Attaturk Avenue (East), Sector G-5/1, Islamabad
Phone: 051-920 6500, Fax: 051-921 0215, E-mail: office@nepra.org.pk