



National Electric Power Regulatory Authority Islamic Republic of Pakistan

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No. NEPRA/TRF-340/HESCO-2016/15617-15619
September 18, 2017

Subject: Re-determination of the Authority in the matter of Request for Reconsideration pertaining to the Tariff Determination dated April 1, 2016 and Review Decision dated May 18, 2016 with respect to Hyderabad Electric Supply Company Ltd. (HESCO) for the FY 2015-16 under Section 31(4) of NERPA Act 1997 [Case # NEPRA/TRF-340/HESCO-2016]

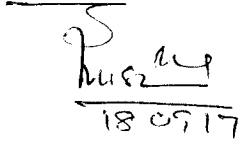
Dear Sir,

Enclosed please find herewith the subject Re-determination of the Authority along with Annex-I, II, III, IV & V (total 52 pages including Additional Note of Mr. Himayat Ullah Khan, Member NEPRA at page 35) in Case No. NEPRA/TRF-340/HESCO-2016.

2. The Re-Determination is being intimated to the Federal Government for notification in the official Gazette pursuant to Section 31(4) of the Regulation of Generation, Transmission and Distribution of Electric Power Act (XL of 1997).

3. The Order Part along with Annex-I, II, III, IV and V of Re-determination of the Authority are to be notified in the official Gazette.

Enclosure: As above


(Syed Safeer Hussain)

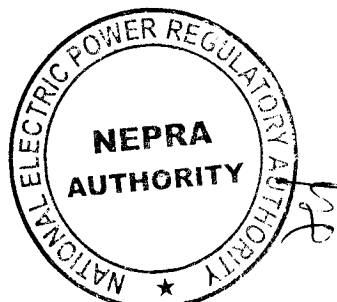
Secretary
Ministry of Energy
'A' Block, Pak Secretariat
Islamabad

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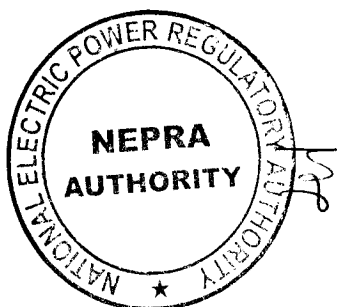
1. Secretary, Cabinet Division, Cabinet Secretariat, Islamabad.
2. Secretary, Ministry of Finance, 'Q' Block, Pak Secretariat, Islamabad.

RE-DETERMINATION OF THE AUTHORITY IN THE MATTER OF REQUEST FOR RECONSIDERATION PERTAINING TO THE TARIFF DETERMINATION DATED APRIL 01, 2016 AND REVIEW DECISION DATED MAY 18, 2016 WITH RESPECT TO HESCO FOR THE FY 2015-16 UNDER SECTION 31(4) OF NEPRA ACT 1997

1. As per Section 31 (4) of the NEPRA Act, notification of the Authority's approved tariff, rates, charges and other terms & conditions for the supply of electric power services by the generation, transmission and distribution companies is to be made in the official gazette by the Federal Government.
2. Hyderabad Electric Supply Company Limited (HESCO)'s tariff was determined in accordance with the procedure provided under NEPRA Tariff (Standards & Procedure) Rules, 1998 vide tariff determination # NEPRA/TRF-340/HESCO-2015/4215-4217 dated April 01, 2016. The same was intimated to the Federal Government under Section 31(4) of the NEPRA Act, for notification in the official gazette.
3. HESCO, being aggrieved from the aforesaid determination, filed a Motion for Leave for Review (MLR) which was accordingly disposed-of vide decision # NEPRA/TRF-340/HESCO-2015/6781-6783 dated May 18, 2016. The MLR decision was also intimated to the Federal Government under Section 31(4) of the NEPRA Act for notification in the official gazette.
4. Under the first proviso to the Section 31(4) of NEPRA Act, 1997, when a tariff is intimated by NEPRA to the Federal Government for notification in the official gazette, the same is to be notified within 15 days or alternatively a re-consideration request could be filed by the Federal Government within 15 days of receipt of such determination or decision, whereupon the Authority has to determine the same anew within 15 days.
5. In the instant case, the tariff determination for HESCO was intimated by the Authority on April 01, 2016 and the reconsideration request, if any, should have been filed within 15 days from the date of such intimation. A reconsideration request was, however, filed by the Federal Government on June 03, 2016, which was barred by time. The Authority, however, in the interest of justice, condoned the delay and the request was admitted on June 07, 2016. The request was filed for reconsideration of the tariff determination on the following issues:-
 - a. The deduction and quantum of Prior Period Adjustment
 - b. The target for distribution losses be set forth as per the third party technical study and linked with execution of investments and its implementation, including arrangement of finances and



- c. The assumption of 100% recovery be re-fixed as per the sound business practices, ground realities prevalent in Pakistan and including the aspects with respect to area specific situation leading to non-collection by Distribution Companies.
6. Although, there is no specific requirement in section 31(4) of the NEPRA Act, 1997 to conduct any hearing for the consideration of re-consideration request, however, in order to consider the request of the Federal Government, hearings were scheduled but were not attended by the parties. In the meanwhile, order dated 23.06.2016 passed by Lahore High Court Multan Bench in Writ Petition No. 6565/2016 was received whereby it was directed by the Court that NEPRA should decide the request filed by the Federal Government within 7 working days. Accordingly, the reconsideration request filed by the Federal Government was declined by the Authority vide its decision dated 1.7.16 after recording reasons.
7. Thereafter, HESCO filed a Writ Petition No.3024/2016 in the Honorable Islamabad High Court (IHC), Islamabad whereby the decisions of the Authority for determination of tariff dated April 01, 2016 and the decision given upon motion for leave for review dated May 18, 2016 were assailed.
8. The Honorable High Court decided the said WP No.3024/2016 vide its judgment, announced on June 22, 2017, received in the office of Registrar NEPRA on July 13, 2017. The crux of the decision of the Honorable High Court is as under;
- The Writ Petition is allowed, consequently the redetermination order passed by NEPRA is set aside.
 - NEPRA to provide an opportunity of hearing to the Federal Government as well as the DISCOs, while adjudicating/deciding redetermination petition filed by the Federal Government.
 - DISCOs / Federal Government shall not obtain adjournments /postponements and shall facilitate NEPRA to decide the matter within time frame provided in proviso to sub-section (4) of Section 31 of the Act.
 - NEPRA while deciding the redetermination petition, shall keep in view the observations made in the judgment.
9. It may be observed that the decision of NEPRA given upon re-consideration request (which has been set aside by the Honorable Islamabad High Court) was never challenged by the Federal Government and the findings of Honorable Islamabad High Court may be considered to be beyond the pleadings and NEPRA reserves its right to challenge the decision before Honorable Supreme Court of Pakistan. Without prejudice to the given situation, the re-consideration



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request of the Federal Government is being re-considered accordingly as per directions of Honorable Islamabad High Court.

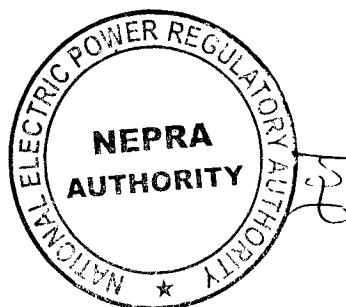
10. Pursuant of the directions of Honorable Islamabad High Court, hearing of the parties to the re-consideration request was scheduled for which notices were sent to the Federal Government and all the parties which participated at the time of determination of tariff dated April 01, 2016 and thereafter, a hearing was conducted on July 24, 2017 at NEPRA Tower Islamabad.

11. **Hearing**

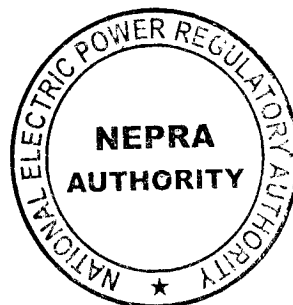
11.1 The hearing was held as per the Schedule i.e. on July 24, 2017 at NEPRA Tower and was attended by representatives from the Ministry of Water & Power and the representative of HESCO as well as other XWDISCOs. The MoWP was represented by Mr. Zargham Ishaque Khan, Joint Secretary and Mr. Abid Latif Lodhi, CEO CPPA-G, whereas XWDISCOs were represented by their counsel Mr. Munawar-us-Salam.

11.2 Written submissions vide letter dated July 24, 2017 were also made; crux whereof is given as under:-

- Through the IHC Judgment it has been held that when the petition for redetermination of tariff is made, the matter has to be decided anew, as if no previous decision on the same has been rendered.
- With respect to the rules and regulations framed by NEPRA, it has been held in the judgment that the same are subservient to the parent statute i.e., Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (the "NEPRA Act"), and thus imposition of restriction on the right of any party to seek review is violation of the NEPRA Act and NEPRA has been directed to amend the relevant rules and regulations so as to bring the same in harmony with the NEPRA Act.
- In respect of the policies framed by Council of Common Interest (CCI) vis-a-vis the subject of electricity; the same have a binding effect on NEPRA.
- The Guidelines issued by the Federal Government from time to time cannot be ignored by NEPRA and, in so far as the same are not explicitly inconsistent with the NEPRA Act, the same are to be applied and followed in order to balance the interests of the consumers and the power sector companies.
- The Petitions filed by Ex-WAPDA Distribution Companies have been allowed as prayed for and the Tariff Petitions filed by DISCOs have been directed to be decided anew after providing opportunity of hearing to all concerned.



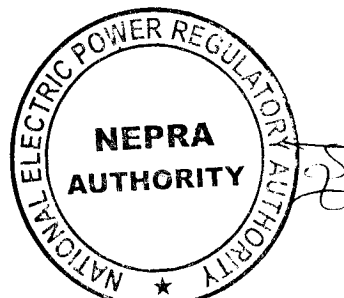
- 11.3 In the backdrop of the above mentioned decision of the IHC, the Federal Government made a reference to the Power Policy, 2013, duly approved by CCI dated 31-07-2013, which prescribes policy methodology to alleviate, inter alia, market inefficiencies and financial burdens from the national power sector by:
- (i) *Promoting world class efficiency power generation;*
 - (ii) *Creating a cutting-edge transmission network;*
 - (iii) *Minimizing inefficiencies of the distribution system; and*
 - (iv) *Minimizing financial losses across system."*
- 11.4 The Federal Government stated that the Power Policy 2013 prescribes thresholds for standards of efficiencies to be attained and observed within the Power Sector of Pakistan, which, inter alia, includes;
- i. *The distribution market would be deemed efficient, affordable and financially viable, if, Transmission and Distribution losses incurred by DISCOs decreased from 23-25% in 2013-2014 to 16% by 2017;*
 - ii. *The distribution market would be deemed efficient, affordable and financially viable, if, recovery/collection by DISCOs was increased from 85 in 2013-2014 to 95% by 2017.*
- 11.5 The Federal Government also mentioned that in furtherance whereof the Federal Government has formulated National Power Tariff and Subsidy Policy Guidelines duly approved by ECC dated 28-01-2014 and the Policy Guidelines to Rationalize T&D Losses 2013-2014 duly approved by ECC dated 28-05-2014.
- 11.6 The Federal Government further submitted that NEPRA, while determining the Consumer-End Tariff for DISCOs since 2013-2014, did not adhere to such targets/benchmarks set out in the Power Policy, 2013 duly approved by CCI and instead, proceeded to determine the Tariffs on assumptions of 100% recovery and assumed lesser targets for Transmission and Distribution Losses, purportedly on the pretext of prudence in terms of Rule 17 of the Tariff Rules, whereas, the more circumspect, judicious and cautious way forward is enshrined in the targets set by CCI, which NEPRA is obligated to implement.
- 11.7 The Federal Government also submitted that while determining the Prior Year Adjustment component of Revenue Requirement of a DISCO, in a subsequent Tariff determination, NEPRA does not take into account the component of subsidy provided by the Federal Government and by doing so, NEPRA, in essence, puts additional financial burden on the Federal Government as the subsidy component is again passed on to the consumers leading to double burden, which is resulting in lesser cost recovery and consequent damage to the Power Sector.



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- 11.8 The Federal Government further mentioned that while deciding the instant Tariff Petitions, NEPRA is required to determine the adjustments on account of:
- Capacity and Transmission charges as per the notified Transfer Pricing Mechanism;
 - Impact of T&D losses on the components of PPP as per the 2014-2015 Tariff determination;
 - Variable O&M as per actuals as per the notified Transfer Pricing Mechanism; and
 - Impact of Extra or Lesser Purchase of Units.
- 11.9 The Federal Government pleaded that these adjustments are of crucial significance so as to pass through the prudent cost already determined by NEPRA, therefore a mechanism for future quarterly adjustments be developed in line with the mechanism for Fuel Price Adjustment by way of billing adjustment, subject only to the modification that such decision shall be notified by the Federal Government.
- 11.10 In view of the above, the Federal Government submitted that:
- NEPRA may determine the Tariff for each of the DISCO "anew" in light of the directions contained in IHC Judgment and submissions made herein;
 - While determining the Tariff anew, NEPRA is bound to follow the policies framed by CCI as well as the Guidelines framed by the Federal Government, and in pursuance thereof adopt the benchmarks provided therein for making the distribution market efficient, affordable and financially viable;
 - While determining the revenue requirement of each DISCO, NEPRA may duly take into account the amount of subsidy provided by the Federal Government in relation to the "Prior Year Adjustment" component of such "revenue requirement" of each DISCO;
 - In the Tariff Determination to be made in pursuance of the IHC Judgment, NEPRA is to ensure recovery of costs incurred, which were/have not been allowed to be recovered on account of pendency of the Petitions;
 - Individual issues of each of the DISCO as well as CPPA-G may also be considered and determined in the Tariff Determination.
- 11.11 Having considered the available record, submissions made by the Federal Government in its original reconsideration request, during hearing held on July 24, 2017 & letter dated July 24, 2017, the Authority observed that the Federal Government's request for reconsideration of HESCO's tariff determination is on the following grounds:-
- NEPRA in pursuance of CCI guidelines should adopt the benchmarks provided therein for making the distribution market efficient, affordable and financially viable;

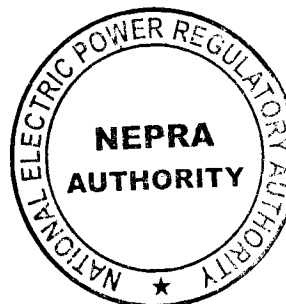



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- b. The deduction and quantum of Prior Period Adjustment should also take into account the amount of subsidy provided by the Federal Government, while determining the revenue requirement of each DISCO in relation to the "Prior Year Adjustment" component of such "revenue requirement";
- c. The target for distribution losses be set forth as per the third party technical study and its gradual reduction be as proposed in the tariff petition linked with execution of investments and its implementation, including arrangement of finances;
- d. The assumption of 100% recovery be re-fixed as per the sound business practices, ground realities prevalent in Pakistan and including the aspects with respect to area specific situation leading to non-collection by Distribution Companies;
- e. To ensure recovery of the costs which have been incurred but were/have not been allowed to be recovered on account of pendency of the Petitions and a mechanism for future quarterly adjustments be developed in line with the mechanism for Fuel Price Adjustment by way of billing adjustment, subject only to the modification that such decision shall be notified by the Federal Government;
- f. Individual issues of each of the DISCOs as well as CPPA may be considered and determined in the decision of reconsideration request;
- g. NEPRA may determine the Tariff for each of the DISCO "anew" in light of the directions contained in IHC Judgment and submissions made herein.

12. Applicability of Power Policy 2013 (Without Prejudice)

- 12.1 It has been pleaded by the GoP/ XWDISCOs that Constitution of Pakistan confers the power /authority to the Council of Common Interests to regulate and formulate policies for the Federation in relation to a number of subjects including electricity and regulatory bodies. The decision of the Council of Common Interests has a binding/obligatory effect unless the same is modified by the Parliament as provided in Article 154(7) of the Constitution, hence any policy viz-a-viz the electricity and NEPRA formulated by the Council of Common Interests, has a binding effect on NEPRA.
- 12.2 It is believed that no policy can override the statutory provisions of law, however, without going into the controversy; the policy being referred has been gone through. That policy set out the following goals:-
- i. Build a power generation capacity that can meet Pakistan's energy needs in a sustainable manner.
 - ii. Create a culture of energy conservation and responsibility



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- iii. Ensure the generation of inexpensive and affordable electricity for domestic, commercial, and industrial use by using indigenous resources such as coal (Thar coal) and Hydel.
- iv. Minimize pilferage and adulteration in fuel supply
- v. Promote world class efficiency in power generation
- vi. Create a cutting edge transmission network
- vii. Minimize inefficiencies in the distribution system
- viii. Minimize financial losses across the system
- ix. Align the ministries involved in the energy sector and improve the governance of all related federal and provincial departments as well as regulators

12.3 Regarding the targets, it is stated in the policy as under:-

TARGETS

Pakistan has set key targets in terms of the demand-supply gap, affordability, efficiency, financial viability and governance of the system. The extent to which the policy can meet these targets will measure the success of the policy and the nation's ability to overcome the key problems afflicting the power sector.

Supply Demand Gap: Goals i and ii pertain to this target

- Target: Decrease supply demand gap from 4500 - 5000 MW today to 0 by 2017

Affordability: Goal iii pertains to this target

- Target: Decrease cost of generation from 12c / unit today to ~10c / unit by 2017

Efficiency: Goals iv to vii pertain to this target

- Target: Decrease transmission and distribution losses from ~23-25% to ~16% by 2017

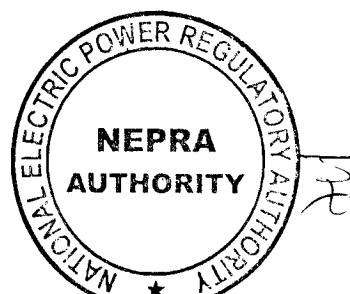
Financial Viability and Collections: Goal viii pertains to this target

- Target: Increase collection from ~85% to 95% by 2017.

Governance: Goal ix pertains to this target

- Target: Decrease decision making processing time at the Ministry, related departments and regulators from long to short durations

12.4 A bare reading of the aforementioned goals and targets set out in the policy, it reveals that although the Power Policy 2013 prescribes the thresholds for standards of efficiencies, whereby certain targets in terms of T&D losses and Recovery have been fixed, however, a thorough reading of the Policy clearly depicts that the mentioned targets are not meant to be incorporated in the tariff by NEPRA rather the same have been fixed for the DISCOs to minimize the inefficiencies in the distribution system and financial losses across the system. It is, nowhere provided in the policy that if the concerned quarters failed to achieve the goals and targets set out in the policy, then the burden of inefficiency and mismanagement should be

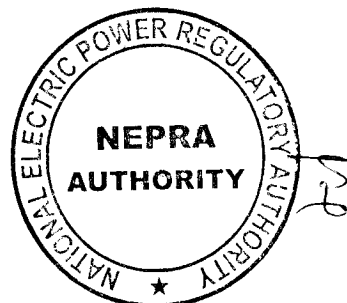


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passed on to the consumers; as claimed by the petitioner. Therefore, there is no force in the argument advanced by the petitioner for fixing the tariff as per claimed targets. It is, however, to be emphasized that the petitioner, being the 100% owner of the Distribution Companies, including HESCO should ensure fulfillment of policy objectives through improving efficiencies and ensuring recoveries from the defaulting consumers. The petitioner could not shift the burden of its own inefficiencies to the consumers who are paying their bills regularly.

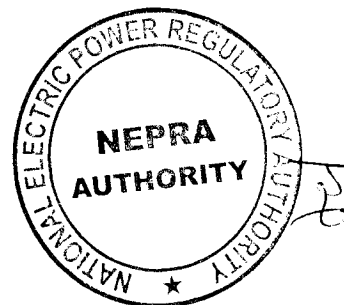
13. Prior Period Adjustment (PYA)

- 13.1 The Federal Government, in its reconsideration request filed on June 03, 2016 stated that the Authority while determining PYA did not apply the target of distribution losses assessed by the Authority for the FY 2014-15, causing serious financial hardship to the sector.
- 13.2 The Federal Government argued that HESCO requested for a positive PYA of Rs.2,927 million whereas, the Authority based on its own calculations determined a negative PYA of Rs.5,517 million, which consequently was deducted from the assessed cost for FY 2015-16.
- 13.3 It was further stated that paragraph No. 11.2 of the determination dated April 01, 2016, shows that quarterly adjustment is on account of the difference between the notified reference PPP during FY 2014-15 quantified as Rs.50,792 million, less regulated PPP recovery on notified rates during the FY 2014-15 quantified as Rs.61,171 million. Thus, the quantum of regulated PPP recovery on notified rates during the FY 2014-15 fails to adjust / deduct the amount of FPA, which is contrary to the tariff setting mechanism and is tantamount to double deduction leading to shortfall in legitimate cost of the distribution company and is contrary to the Act and the Tariff Standard Rules as well as the policy guidelines. It was also stated that quantum of notified reference PPP adopted for the purpose of calculating PYA is contrary to the assessment of PPP for the FY 2014-15. In view thereof, the Federal Government requested the Authority to reconsider the upfront deduction of PYA from the assessed adjusted PPP being contrary to the law and fact.
- 13.4 In the original reconsideration request and in the instant submissions dated July 24, 2017, the Federal Government stated that while determining the Prior Year Adjustment component of Revenue Requirement of a DISCO, in a subsequent Tariff determination, NEPRA does not take into account the component of subsidy provided by the Federal Government. By doing so, NEPRA, in essence, puts additional financial burden on the Federal Government as the subsidy component is again passed on to the consumers leading to double burden, which is resulting in lesser cost recovery and consequent damage to the Power Sector.
- 13.5 The Authority while reviewing the Federal Government's contentions regarding the amount of PYA, observes that it has failed to provide any alternative workings which would substantiate its claim and at the same time would refute the Authority's assessment in this regard.



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- 13.6 The argument of the Federal Government to apply assessed target of T&D losses while working out the PYA for respective year is not logical, since the assessed regulatory targets do not become binding on the utility unless it is notified with an exception to the assessed Distribution Margin and prior year adjustment as both represent the fixed cost pertaining to the specific Financial Year. The Authority considers that if PYA is calculated on the assessed regulatory targets instead of notified regulatory targets for a period, it would be unfair and unjust for the XWDISCOs without giving reasonable time for achieving the assessed targets.
- 13.7 There has been instances in the past where the assessed regulatory targets of DISCOs were more challenging vis a vis the notified targets, on which the PYA was calculated yet the same methodology was adopted by the Authority. In addition, the Federal Government has itself argued that if the tariff is notified late it is not left with required time to achieve the targets set by the Authority. In view thereof, the Authority considers it just, fair and equitable to calculate PYA in the matter of XWDISCOs on the notified regulatory targets.
- 13.8 On the point of the Federal Government that the regulated PPP recovery on notified rates fails to adjust / deduct the amount of FCA and is tantamount to double deduction leading to shortfall in legitimate cost of the distribution company, the Authority observed that the reference notified PPP of HESCO for the FY 2014-15 was Rs.50,792 million. By including therein Rs.10,178 million, on account of variation between actual vis a vis reference PPP pertaining to Capacity, UoSC, Var. O&M and impact of FCA on units lost (*as per the allowed level of T&D losses*), the PPP of HESCO works out as Rs.60,970 million. However, HESCO passed on an amount of Rs.7,478 million on account of monthly FCA to its consumers during the FY 2014-15, thus the actual PPP to be recovered by HESCO for the FY 2014-15 works out as Rs.53,492 million.
- 13.9 Against the aforementioned actual PPP to be recovered, HESCO recovered Rs.61,171 million based on the rates which remained notified during the FY 2014-15. However, as HESCO already passed on an amount of Rs.7,478 million on account of monthly FCA to its consumers during the FY 2014-15, thus, net recovery made by HESCO is Rs.53,693 million. Accordingly, Rs.202 million is to be returned to the consumers through PYA, being difference between the actual PPP cost of Rs.53,491 million and the net amount of Rs.53,691 million recovered by HESCO during the FY 2014-15. Detailed working in this regard is as under;



	Rs. in Million
Notified Reference PPP for FY 2014-15	50,792
Additional PPP Adjustments	10,178
Monthly FCA already passed on to consumers	(7,478)
Actual PPP to be recovered for the FY 2014-15	53,491

PPP recovered by HESCO	61,171
Monthly FCA already passed on to consumers	(7,478)
Net PPP recovered during the FY 2014-15	53,693

(Over Recovery) / Under Recovery (202)

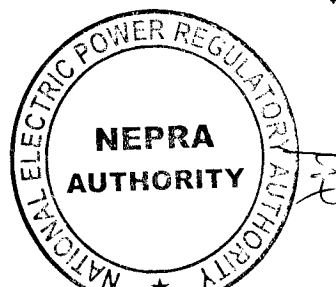
- 13.10 From the aforementioned workings, it is evident that impact of monthly FCA has been adjusted from both the actual PPP to be recovered as well as from the PPP recovered by HESCO, thus nullifying its impact, meaning thereby that there is no double deduction on account of FCA. In addition, the Authority observed that the Federal Government has not substantiated its claim of double deduction with any working, calculation or reconciliation.
- 13.11 On the point of the Federal Government that use of notified reference PPP, for the purpose of calculation of PYA, is contrary to the assessment of PPP for the FY 2014-15, the Authority observed that during the FY 2014-15, three different tariff determinations remained notified. Accordingly, the amount of notified reference PPP used in the calculation of PYA, has been worked out from three different tariffs, and thus do not match with the assessed PPP for the FY 2014-15. The amount of notified reference PPP i.e. Rs.50,792 million has been worked out as under;

FY 2014-15	Notified Tariffs	Reference PPP (Rs. Million)
July 2014 to September 2014	Determined for FY 2012-13	11,989
October 2014 to May 2015	Determined for FY 2013-14	33,945
June 2015	Determined for FY 2014-15	4,859
Total Notified Reference PPP for the FY 2014-15		50,792

- 13.12 The Authority is also of the view that full recovery of PPP, being a pass through item, is only ensured if it is calculated as difference between notified reference cost and the actual cost. If assessed PPP is used, instead of notified, it would lead to either over or under recovery of the PPP, thus making PPP as non-pass through item. Considering the same analogy, the Authority while working out the monthly Fuel Charges Adjustment (FCA), also uses the notified reference Fuel Cost Components (FCCs) instead of assessed reference FCCs.

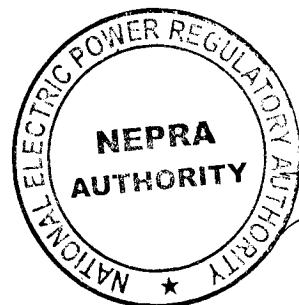


- 13.13 The contention of the Federal Government that the subsidy amount which is made available by the Federal Government and not charged from the consumers cannot be made part and parcel of the PYA, is not logical as PYA is conceptually the over or under recovery of the assessed revenue requirement of DISCO pertaining to a specific period and is independent of the mode that how the assessed revenue requirement is recovered. The revenue requirement and the consequent calculation of PYA would not change whether the DISCO recovers its entire revenue requirement either through subsidy or from consumers or through a mix of both. The Authority determines/ assesses revenue requirement of a DISCO and design the consumer end tariff for the Utility. Currently, the Authority's assessed consumer-end tariff is recovered by the Utility, partly through subsidy and partly from consumers.
- 13.14 In view of aforementioned discussion, the Authority considers that the exiting mechanism of PYA ensures fairness between the consumers and the DISCOs. It prevents DISCO from getting undue benefit from the consumers in the shape of overcharging and vice versa. Moreover, a reduction in the assessed revenue requirement by way of PYA will result in lower consumer end tariff thus eventually decreasing the future subsidy to be provided by the Federal Government.
- 13.15 Here it is pertinent to mention that owing to the delayed filing of the tariff petition by HESCO and delayed reconsideration request filed by the Federal Government, the Authority vide its decision dated July 04, 2016 in the matter of Biannual Adjustment regarding Power Purchase Price (PPP) and Annual adjustment on account of PYA pertaining to FY 2015-16, decided to allow the impact of PPP and PYA pertaining to the period from July 2015 till May 2016, ensuring timely recovery of the same i.e. during the FY 2016-17, thus, making the consumer end tariff more predictable for the consumer's and utility as provided under rule 17(3) of the Tariff Standards and Procedure, Rules 1998. Consequent thereupon, the Schedule of Tariff of HESCO was revised after incorporating therein the impact of above mentioned adjustments.
- 13.16 However, the tariff of HESCO determined for the FY 2015-16 and the subsequent biannual adjustment dated July 04, 2016 were not notified by the Federal Government. Now pursuant to the judgment of the honorable Islamabad High Court, the tariff is being re-determined as per the reconsideration request of the Federal Government. It is also a matter of fact that the period for which the tariff was earlier determined has elapsed, therefore, the Authority has decided to include the impact of any over/under recovery on account of PPP, assessed Distribution Margin & previously allowed prior year adjustment along-with other relevant adjustments pertaining to the whole FY 2015-16 in the instant decision.
- 13.17 As explained at para 11.3 to 11.8 of the consumer end Tariff determination of HESCO dated April 01, 2016 (*in accordance with Federal Government's policy guidelines dated May 21, 2015 with regard to fuel charges adjustment and subsidy rationalization of XWDISCOs*), the Authority decided not to adjust the impact of negative FCA of Rs.2,747 Million, for the FY



2014-15, pertaining to the lifeline consumers, domestic consumers (consuming up-to 300 units) and Agriculture Consumers, across different consumer categories while determining the consumer end tariff for the FY 2015-16, as it was doing in the past. The Authority in line with the objective of guideline, mentioned at para 5 of the letter No. 5-PF/02/2013-Subsidy dated 21st May 2015, decided that negative FCA impact of Rs.2,747 Million, lying with the HESCO, is to be adjusted by Federal Government, against the Tariff Differential Subsidy claim in the matter of HESCO pertaining to the FY 2014-15. Thus, eventually reducing Federal Government's overall Tariff Differential Subsidy burden for the FY 2014-15.

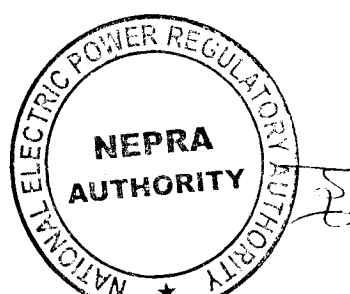
- 13.18 The Authority in accordance with the aforementioned decision, calculated the impact of FPA for the FY 2015-16 pertaining to lifeline consumers, domestic consumers (consuming up-to 300 units) and Agriculture Consumers. The Authority also considered the relevant clauses of the S.R.O. 189 (I)/2015 dated March 05, 2015 issued by Federal Government. In addition, the Authority also considered the amount of subsidy claims filed by the HESCO for the FY 2015-16.
- 13.19 After considering all the aforementioned factors, the Authority has decided that out of the total amount of Rs.5,970 Million on account of FCA for the period from July, 2015 to June, 2016 pertaining to the lifeline consumers, domestic consumers (consuming up-to 300 units) and Agriculture Consumers, lying with the HESCO, an amount of Rs.3,789 million is to be adjusted by Federal Government, against the Tariff Differential Subsidy claim pertaining to the FY 2015-16 and the remaining amount of Rs.2,181 million has been adjusted in the PYA. Here it is pertinent to mention that the above figures have been worked on the basis of information provided by the HESCO. Here it is also pertinent to mention that for the FY 2015-16, the entire amount of subsidy provided by the Federal Government has been adjusted/ recovered back by way of not passing on the benefit of negative monthly FCA to the domestic consumers using up-to 300 units, Agriculture and Life line consumers.
- 13.20 The Authority, accordingly, after careful consideration of the arguments put forth by the Federal Government in the Reconsideration Request, HESCO's working of PYA, available actual data and after carrying out its own due diligence hereby re-determines the following PYA for the FY 2015-16;



Description		HESCO
		Mln. Rs.
A: Bi-Annual Adjustment		
	Notified reference PPP during the FY 2015-16	53,335
Add ;	1st Bi-Annual PPP adjustment pertaining to the FY 2015-16 (Jul-Dec)	(931)
Add;	2nd Bi-Annual PPP adjustment pertaining to the FY 2015-16 (Jan-Jun)	1,226
Less ;	Regulated PPP recovery on notified rates during the FY 2015-16	54,185
Unrecovered / Over Recovered Cost For FY 2015-16		(556)
B: Other Components Adjustment		
	Assessed Distribution Margin for the FY 2015-16	8,091
	Assessed PYA for the FY 2015-16	(4,179)
Less;	Regulated DM recovery on notified rates during FY 2015-16	9,284
Less;	Regulated PYA recovery on notified rates during FY 2015-16	(10,729)
Unrecovered / Over Recovered Cost For FY 2015-16		5,357
A+B = Total Unrecovered/ (Over recovered)		4,801
Add;	Net impact of assessed & actual Other Income for the FY 2015-16	-
Add;	Impact of Consumer – Mix Variance for the FY 2015-16	2,569
Add;	Impact of Negative FPA (300 Units+Agriculture+ Life Line)	(2,181)
Add;	Income Tax Paid	
C: Sub-Total		388
A+B+C = Net PYA Unrecovered / (Over Recovered)		5,189

14. **Assumption of 100% Recovery**

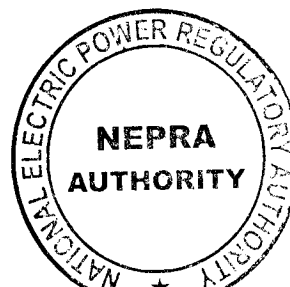
- 14.1 The Federal Government in its reconsideration request mentioned that in order to ensure safe and reliable provision of electric power in the Country, it is of paramount significance that the distribution companies are allowed to recover their revenue requirements (total cost of service), through fair assessment of revenue requirements. The Federal Government, further stated that if a distribution company fails to recover its revenue requirement, it will not be able to pay its liabilities with respect to power producers which will result in circular debt and non-production of electricity in certain cases.
- 14.2 The Federal Government also submitted that the tariff setting mechanism is based on 100% recovery from the consumers of the determined revenue requirement, whereas, presently the sector recoveries are in the range of 85-89% per annum. Resultantly, shortfall always accrues on account of less payment to the power producers leading to circular debt situation, therefore the assumption of 100% recovery be reconsidered by the Authority, keeping in view the sound business practices as well as situation prevalent in Pakistan, including the aspects with respect



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to area specific situation leading to non-collection by distribution companies. It was also stated that it is contrary to the Act, rules and regulations as well as the policy guidelines.

- 14.3 Accordingly, the Federal Government requested to reconsider the Tariff Determination dated April 01, 2016 and Review Decision dated May 18, 2016 of HESCO for the FY 2015-16 and to re-issue the schedule of tariff of HESCO, by way of reconsidering the assumption of 100% recovery as per the sound business practices, ground realities prevalent in Pakistan and including the aspects with respect to area specific situation leading to non-collection by distribution companies.
- 14.4 A Policy of CCI dated 31-07-2013 was also referred by the petitioner with the contentions that said policy provides methodology to alleviate, inter alia, market inefficiencies and financial burdens from the national power sector by:
- i. *Promoting world class efficiency power generation;*
 - ii. *Creating a cutting-edge transmission network;*
 - iii. *Minimizing inefficiencies of the distribution system; and*
 - iv. *Minimizing financial losses across system.*
- 14.5 It also stated that the Power Policy 2013, prescribes thresholds for standards of efficiencies to be attained and observed within the Power Sector of Pakistan, which, inter alia, includes;
- i. *The distribution market would be deemed efficient, affordable and financially viable, if, Transmission and Distribution losses incurred by DISCOs decreased from 23-25% in 2013-2014 to 16% by 2017;*
 - ii. *The distribution market would be deemed efficient, affordable and financially viable, if, recovery/collection by DISCOs was increased from 85 in 2013-2014 to 95% by 2017.*
- 14.6 It has been further pleaded that in respect of the policies framed by Council of Common Interest (CCI) vis-a-vis the subject of electricity; the same have a binding effect on NEPRA, as mentioned in the IHC judgment.
- 14.7 The Federal Government also provided a working showing financial impact of non-implementation of CCI targets in respect of billing vis-a-vis collection whereby the financial impact has been worked out as Rs.98 billion, Rs.104 Billion and Rs.53 billion for the FY 2013-14, FY 2014-15 and FY 2015-16 respectively.
- 14.8 The Authority after careful review of the Federal Government contentions on the issue of recovery is of the view that it has not specifically discussed HESCO's recovery issue in its



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reconsideration request rather has pleaded it as a general power sector issue, whereby a national range of recovery level is submitted.

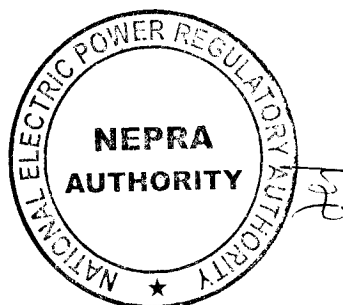
14.9 Here it is pertinent to mention that the recovery figure mentioned includes both i.e. recoveries from private and government consumers. The Authority never disallowed the actual write offs against the private defaulters given that the due process of law has been followed while writing off the receivables. However, the write off against receivables of any Government cannot be allowed considering the fact the Government is a “going concern”. The Authority considers that if the provision for doubtful debts is considered at national level it would provide no incentive to the efficient companies, whose recoveries are already near 100%. As regard the companies which operate in so called hard areas, the Authority has already taken cognizance of the fact and allowed a margin of law & order in their T&D losses. Thus, effectively encouraging them to report their actual level of recoveries.

14.10 The decision of the Authority for setting 100% recovery is based on 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 (CSM) and in view of the fact that the risk of credit sales transfers to the third party i.e. Owner of the premises or purchaser of the property as mentioned in Chapter 8 (8.1) of the CSM, reproduced hereunder;

“a premises is liable to be disconnected if the consumer is defaulter in making payment of the energy consumption charges bill(s), or if he is using the electric connection for a purpose other than for which it was sanctioned, or if he has extended his load beyond the sanctioned load even after receipt of a notice in this respect from DISCOs”.

14.11 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 and as per the referred Chapter of Consumer Service Manual thus transferring the risk to third party which is occupant of the premises. Further the distribution company always has the option to recover the outstanding amount through sale of the property after following the due process of law. In addition to this, at the time of connection, DISCOs also collect one month’s billing from the consumers in the shape of security deposits, which also serves as deterrence for a consumer to default.

14.12 On the argument that presently the sector recoveries are in the range of 85-89% per annum, resulting in the shortfall on account of less payment to the power producers leading to circular debt situation, the Authority considers its pure operational inefficiency on the part of Distribution Companies.



14.13 The Authority in Human Rights case No. 7734-G/2009 & 1003-G/2010 regarding Alleged Corruption in Rental Power Plants and case No.56712/2010 regarding fraud in payment of rental power plants submitted before the Honorable Supreme Court of Pakistan that the Tariff determined by the Authority is free of any inefficiencies and mismanagement on the part of DISCOs and the impact thereof is not passed on to the consumers through tariff.

14.14 The Court under para 84 (ii) and (viii) of its decision dated 30-03-2012 decided that;

84 (ii) "The Federal Government/WAPDA/PEPCO/GENCOS had failed to control pilferage of electricity from the system because of bad governance and failure of the relevant authorities to enforce the writ of the Government. Therefore, the Government is required to improve the existing system of generation and transmission of electricity by taking all necessary steps, including clearing of circular debt, etc., so that electricity can be generated to the maximum capacity".

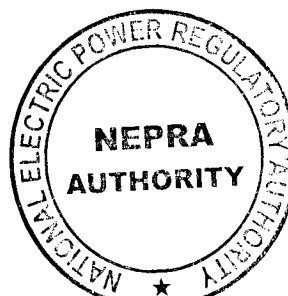
84 (viii) ".....In terms of Constitution and Act, 1997, the NEPRA is mandated to safeguard the interests of the consumers, but the concerned officials of NEPRA failed to perform their duties diligently;

14.15 The Honorable Court through its aforementioned order has clarified that it is the Federal Government which needs to improve its affairs rather than asking NEPRA to built-in the inefficiencies of the system in the tariff. The Court in fact adjudged NEPRA's failure to protect the interest of the consumers, therefore, passing on inefficiencies of the XWDISCOs / Government to the consumers would be contradictory to the Court orders.

14.16 The Honorable Supreme Court in other Human right cases No.14392/2013 & 790-G/2009 in the matter of unprecedented load shedding and increase in electricity prices dated 26-11-2013 under para 36 (ii) decided as under;

36 (ii). "The competent authority shall take steps to control all kind of losses after supply of the generation like line losses, theft, etc, by using modern devices like introducing smart meters and supplying electricity only to the consumers, if need be, in advance or without any default after submission of the bills. As far as all kind of unauthorized consumers are concerned, efforts should be made to persuade them to make payments of the bills, failing which action as envisaged under the electricity act, 1910, the Electricity Rules, 1937 and NEPRA act, 1997 as well as other enabling laws / rules, should be taken. A policy has to be announced by the NTDC / DISCOs under which this supply of electricity to the consumers to believe in law and make payments in time, if encouraged and supply of unauthorized consumers is discouraged."

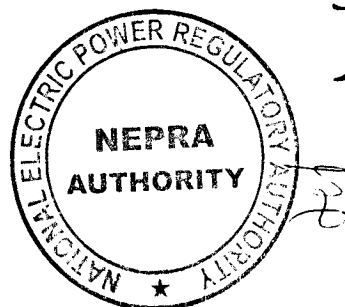
14.17 It is evident from the aforementioned decision, that supply of electricity to the paying consumers has been encouraged, meaning thereby that burden of non- paying consumers may




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not be passed on to the paying consumers rather the unauthorized consumers be discouraged. Therefore, the request of Federal Government to allow any margin for non-recoveries in the tariff does not merit consideration and if allowed will be in violation of the orders of Honorable Supreme Court of Pakistan as referred above.

- 14.18 The Authority on the point of efficiency thresholds prescribed in the Power Policy, observed that although the Policy prescribes thresholds for standards of efficiencies, whereby certain targets in terms of T&D losses and Recovery have been fixed, however, a through reading of the Policy clearly depicts that the mentioned targets are not meant to be incorporated in the tariff by NEPRA rather the same have been fixed for the DISCOs to minimize the inefficiencies in the distribution system and financial losses across the system.
- 14.19 The Power Policy 2013 clearly stipulates improvement in recovery/collections by XWDISCOs through minimizing inefficiencies, creating independence and through privatization. It also highlights punishing private defaulters and proposes disconnecting the electric connections of defaulters after 60 days of non-payment and only reconnecting them to the grid with pre-paid meters. It also emphasizes focusing of load shedding in high theft and low collections areas. Similarly, the Tariff and Subsidy Policy Guidelines 2014 also referred by the Federal Government/ XWDISCOs encourages disallowing of inefficiencies to be passed on to the consumers and requires the Distribution companies to meet the cost parameters in the NEPRA tariffs and make every effort to comply with NEPRA directives concerning technical and commercial losses. Thus, both the Power policy as well as the Guidelines obligate XWDISCOs to reduce their inefficiencies rather than passing on the same to the consumers.
- 14.20 Here it is pertinent to mention that as of June 2016, the private receivables of XWDISCOs were over Rs.318 billion, including running defaulters of Rs.250 billion for more than three years. The running defaulters for more than three years include Rs.17 billion pertaining to HESCO, thus, the Federal Government being owner of the distribution companies is itself not complying with the Policy approved by the CCI and taking actions required therein.
- 14.21 In view of the aforementioned discussion, while re-determining the tariff, the Authority reiterates its earlier decision on the issue of 100% recovery target and restrict its assessment to the extent of write offs only.
- 14.22 HESCO, however, vide letter dated August 22, 2017 submitted that it has initiated the process of writing off for receivables relating to private permanently disconnected consumers which is likely to be completed prior to next tariff determination and accordingly requested that an amount of Rs.2,388.45 million pertaining to private permanently disconnected defaulters of




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overs three years may be incorporated in its Revenue Requirement on provisional basis, subject to adjustment at the time of next year determination based on the record to be submitted after completion of the process.

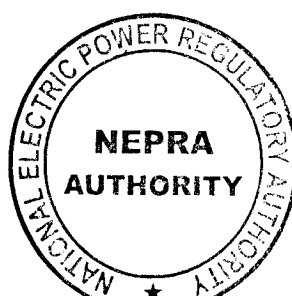
14.23 The Authority considers that it is for the very first time that HESCO has initiated the process of write offs against private defaulters, which is in line with the Authority's principle decision in this regard. However, neither the Federal Government nor any XWDISCO have ever requested to allow such write offs on "provisional basis subject to the adjustment if the criteria set by the Authority is not met". In the instant case, although the amount requested by HESCO has not actually been written off as yet, however as claimed by HESCO, the process for writing off the receivables has already been initiated. Considering the very fact that the requested amount pertains to the private receivables, disconnected permanently for more than three years having little chance of recovery, and the submissions of HESCO that process for writing offs has been initiated, the Authority has decided to allow an amount of Rs.2,059 million as write offs, strictly on provisional basis, after adjusting for the impact of GST and other Government charges from the requested amount, subject to fulfillment of the following criteria by June 30, 2018;

- i. The connection has to be permanently disconnected for more than 3 years and due process of law to recover the outstanding dues as arrears of Land Revenue has been followed.
- ii. The amount to be written off shall be duly approved by the Board of Directors (BOD) of HESCO.
- iii. The amount of write off shall be duly supported with the details pertaining to the name & address of the premises/consumers, CNIC etc.

14.24 In case the aforementioned criteria is not followed and the required evidence is not provided by HESCO, the amount so allowed shall be adjusted back subsequently. It is also pertinent to mention that being a onetime cost, the impact of amount being allowed in respect of write offs shall be applicable only for a period of one year from the date of notification of the instant determination. Here it is pertinent to mention that these provisionally allowed arrears are accumulated amounts that pertain to several past financial years and allowing the same as onetime adjustment would cause distortion in the consumer end tariff. However, in future, in case of abnormal write offs, which may distort the consumer end tariff the Authority may consider imposition of a cap on write offs on case to case basis.

15. **Transmission & Distribution Losses (T&D Losses)**

15.1 On the issue of T&D losses targets, the Federal Government pleaded that historically, DISCOs in their petitions propose losses, based on previous year data and the Authority based on such



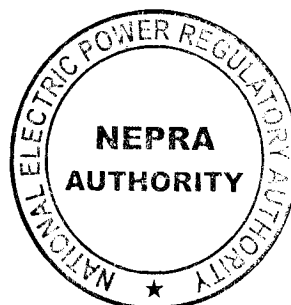
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information had envisaged investments for energy loss reduction, sets out the target of distribution losses. The Federal Government further pointed out that the Authority's determined T&D losses are always lower as compared to the average power sector losses and that the losses target setting is always for the period which has already lapsed, thus there is no co-relation with the envisaged investments for energy loss reduction during the base period.

- 15.2 It was also stated in the reconsideration request that the Authority while maintaining the lesser target of losses, directed the XWDISCOs to conduct the T&D losses study of their 132KV, 11KV and below network based on reasonable sampling by the independent experts and maintained its assessed level of losses subject to adjustment as per the study.
- 15.3 The Federal Government further submitted that the Authority, in view of the non-completion of the study within the requisite time frame and while acknowledging the limitations of an operational audit carried out by PDIP (on a very limited sample) and treating the same as the starting point, assessed target for distribution losses not technically possible for FY 2013-14 and this target, on the basis of in-house study conducted by the Authority, was further reduced in review motion. This drastically reduced the distribution losses as mentioned hereunder, resulting in additional shortfall of Rs.45 billion less recovery of adjusted PPP for all the XWDISCOs:

Year	Losses Target by Authority	Actual Losses
2012-13	16.00	18.76
2013-14	13.02	18.60

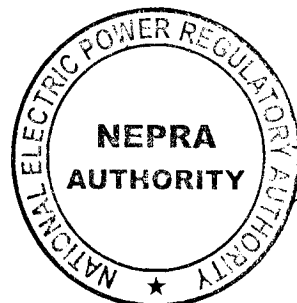
- 15.4 The Federal Government further mentioned that the matter was considered by ECC, leading to policy guidelines by the Federal Government to the Authority that the losses of DISCOs be reflective of the system losses, however, the Authority recommended to conduct the third party technical studies for ascertainment of distribution losses.
- 15.5 The Federal Government also stated that HESCO requested a target of 26.30% while relying upon the technical study carried out by the independent third party, subject to reservation on the report which were also specified, thus the direction of the Authority and requirement with respect to the policy guidelines of the Federal Government was complied with. . The Federal Government is of the view that keeping in view the previous determinations as well as the policy guidelines and the position of the Authority with respect to third party report of technical losses, it was only logical that the third party technical study should have been adopted for the purposes of assessment of the technical losses and also the same should have




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been adopted for the adjustments in the previous years, as previously decided by the Authority. However, the Authority disregarded the study being incomplete i.e. not 100%.

- 15.6 The Federal Government further submitted that the technical study on sample basis ranging from 25% and above (e.g., in case of FESCO it is more than 47% of 11KV) by third party independent expert, was submitted by the distribution companies, therefore, this aspect needs reconsideration, as it is not only contrary to previous position of the Authority but is also contrary to the established position for such kind of studies and also contrary to the policy guidelines of the Federal Government.
- 15.7 In view thereof, the Federal Government requested for reconsideration of the above assessments keeping in view the fact that period has already lapsed and the investment which has been made basis for reduction plan may or may not materialize. The Federal Government also highlighted the adverse financial implication of the target set by the Authority for the previous years and to the extent of HESCO amounting to Rs.2.884 Billion for the FY 2015-16 and in aggregate Rs.23.911 Billion for FY 2015-16.
- 15.8 In its written submissions dated July 24, 2017, the petitioner while referring to the Power Policy 2013, approved by CCI dated 31-07-2013, stated that the said Policy provides methodology to alleviate, inter alia, market inefficiencies and financial burdens from the national power sector by:
- i. *Promoting world class efficiency power generation;*
 - ii. *Creating a cutting-edge transmission network;*
 - iii. *Minimizing inefficiencies of the distribution system; and*
 - iv. *Minimizing financial losses across system."*
- 15.9 It was also pleaded that the Policy 2013, prescribes thresholds for standards of efficiencies to be attained and observed within the Power Sector of Pakistan, which, inter alia, includes;
- i. *The distribution market would be deemed efficient, affordable and financially viable, if, Transmission and Distribution losses incurred by DISCOs decreased from 23-25% in 2013-2014 to 16% by 2017;*
 - ii. *The distribution market would be deemed efficient, affordable and financially viable, if, recovery/collection by DISCOs was increased from 85 in 2013-2014 to 95% by 2017.*
- 15.10 HESCO in its presentation has stated the Authority allowed T&D losses target of 20.5% for the FY 2015-16, which included 15% as Technical Losses and 5.5% on account of margin for law and order situation. It also submitted that its actual losses for FY 2014-15 are 27.1%, thus



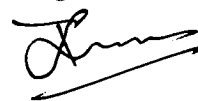
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requiring HESCO to reduce 6.6% losses in this year, which is not practically possible keeping in view its old and deteriorated network and law and order situation.

- 15.11 HESCO also submitted that as per the third party study its technical losses are 18.46% on 414 feeders in the year of 2013-14, although HESCO has reservation on it, which were communicated to the Authority earlier. Hence it has conducted an in house study on the basis of digitized mapping on 461 11kv feeders considering the same TORs approved by the Authority for third party, wherein its T&D losses are 19.21%.
- 15.12 In view thereof, HESCO has requested the Authority to either consider the number of third party study i.e. 18.46% and by adding therein the margin of law and order of 5.5%, the target of T&D losses works out as 23.96% or the number as per the in house study i.e. 19.21% which results in T&D losses target of 24.71% after accounting for 5.5% margin for the law and order situation, whereas its actual losses for the FY 2015-16 remained at 26.6%.
- 15.13 The Authority, on the contention of assessing lower target of T&D losses in the matter of distribution companies as compared to its actual level of T&D losses, is of the firm view that the actual reported level of T&D losses of XWDISCOs include the impact of inefficiencies, poor governess and theft etc. and the Authority's assessment has always been based on the principle of prudence, which ensures that consumers are not burdened with the costs that arise due to XWDISCOs inefficiencies and poor management. That is the reason why the assessed level of T&D losses has always been lower than the actual reported level of T&D losses in the matter of DISCOs.
- 15.14 The Federal Government's contention regarding non-correlation of investment allowed and target assessed in terms of reduction of T&D losses, owing to the fact that the relevant period always stand lapsed, is not maintainable as the Authority's determination only becomes effective for the period after its notification. That is the reason why PYA is always calculated on notified targets of T&D losses and allowed investments.
- 15.15 Here it is pertinent to clarify that the Authority's referred decision by Federal Government with respect to the review of assessed T&D losses, the review if any would be done on prospective basis and not on retrospective basis.
- 15.16 The Authority, keeping in view the increasing gap between the assessed and the actual level of T&D losses, the issue of overbilling & theft, directed all the XWDISCOs to conduct study of its distribution network of 132KV, 11KV and below by an independent expert.



- 15.17 The Authority observed that as per the Executive Summary of the third party study, submitted by HESCO along with its consumer end petition for the FY 2015-16, complete 100% survey of HT feeders was completed, however, for working out LT level losses, a sample based study was carried out. HESCO itself showed reservations on the study, therefore, in view of the HESCO's concerns and the fact that the study was incomplete, the Authority decided not to consider the same.
- 15.18 In addition, the Authority, in order to evaluate the quality of the study submitted by HESCO, held meetings with the representatives of the consultants wherein it was observed and also agreed by the consultants that losses in an electricity distribution company can be accurately measured only through metering equipment at different voltage levels from high voltage (132 kV) to the consumer-end and the results of the studies depend on the set of approximations which can exactly replicate the actual operational conditions over different periods. It was also observed that the results of the studies depend on the suitability of the software being used for the studies, size of the database and comparing results of the study with actual in-field monitoring and data collection. The consultants used PSSE software for analyzing 132 kV losses. PSSE software was a standard software for simulation studies however it was noted that system operational conditions under different periods were not modeled adequately. For 11 kV feeder level studies, Synergy software was being used which is a refined version of FDRANA which was used by the XWDISCOs earlier, for evaluating loading position of individual feeders for making improvements and/or induction of new feeders. It is observed that although the software may allow accurate modeling of a feeder it cannot be considered as ideal software for calculating the losses of all feeders collectively. The XWDISCOs did not appear to have clear criteria for selecting sample feeders for the studies as only general guiding instructions were provided to the consultants by the XWDISCOs. For the low voltage analysis also, it was noted that the XWDISCOs and the consultants did not develop a clear criteria and guidelines for selecting the samples. Most importantly the consultants failed to corroborate its results by putting up metering equipment and measuring actual losses over selected circuits at high voltage and low voltage levels. It was also noted that modeling of loads at different voltages is also very important in addition to the accuracy of data. No clear statements were available that the XWDISCOs carried out detailed scrutiny of the data and modeling of loads. In view thereof the Authority directed HESCO to address the above observations/ concerns while completing its losses study.
- 15.19 XWDISCOs, including HESCO in view of the instant reconsideration request of the Federal Government, have submitted their final distribution losses study. HESCO in its instant presentation has requested the Authority to either consider the number of third party study or the number as per the in house study after accounting for the allowed margin for the law and order situation.



- 15.20 On the issue of software, HESCO pleaded that although Synergy is not the ideal software, however, HESCO's professionals and the third party Consultants were fully trained on it. It was also argued that by using some other software might have diluted the quality of work owing to lack of exposure of both HESCO and the Consultants to such software. Lastly, it was submitted that even the Authority's approved TORs did not specify any particular software which must be used for the study. The Authority after careful evaluation of HESCO's arguments, considers it valid and accepts HESCO's pleadings in this regard.
- 15.21 On the issue of criteria for the selection of sample, the Authority observed that HESCO's submitted distribution losses study is based on a sample size of 93%. Owing to the accepted principles of statistical analysis, whereby an outcome of sample size of 80% - 90% represents significant confidence level, the Authority is of the view that results, based on the studies having sample size of more than 90%, are fairly representative of the true distribution losses of DISCOs. However, other concerns noted by the Authority would require further and detailed scrutiny of the report.
- 15.22 In view thereof, for the purpose of instant reconsideration request, the Authority after considering the point of view of HESCO has decided to provisionally accept the distribution losses of HESCO as per the third party studies, till scrutiny of the report is completed.
- 15.23 On the transmission losses study, the Authority observed that HESCO claimed transmission losses of 3.42% in their reconsideration requests. The Authority while reviewing the requested transmission losses noted that HESCO did not submit its third party transmission loss study. The Authority, in the absence of third party transmission loss study has decided to maintain its earlier assessment in this regard and allows HESCO a transmission loss of 2.05%.
- 15.24 Having considered the respective contentions of the Federal Government contained in the reconsideration request and during the hearing, perusal of the record and the point of view of HESCO, the Authority hereby allows HESCO T&D losses of 22.59%, on provisional basis for the FY 2015-16, which includes 5.5% on account of Margin for Law and Order, till scrutiny of the report is completed. It is further clarified that the Authority determines overall level of T&D losses for HESCO, which is based on overall Transmission and Distribution network.
- 15.25 The Authority on the point of efficiency thresholds prescribed in the Power Policy, observed that although the Policy prescribes thresholds for standards of efficiencies, whereby certain targets in terms of T&D losses and Recovery have been fixed, however, a thorough reading of the Policy clearly depicts that the mentioned targets are not meant to be incorporated in the

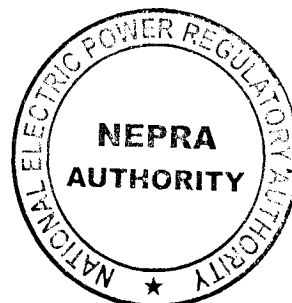


tariff by NEPRA rather the same have been fixed for the DISCOs to minimize the inefficiencies in the distribution system and financial losses across the system.

- 15.26 The Power Policy 2013 clearly stipulates improvement in recovery/ collections by XWDISCOs through minimizing inefficiencies, creating independence and through privatization. It also emphasizes focusing of load shedding in high theft and low collections areas. Similarly, the Tariff and Subsidy Policy Guidelines 2014 also referred by the Federal Government/ XWDISCOs encourages disallowing of inefficiencies to be passed on to the consumers and requires the Distribution Companies to meet the cost parameters in the NEPRA tariffs and make every effort to comply with NEPRA directives concerning technical and commercial losses. Thus, both the Power policy as well as the Guidelines obligate XWDISCOs to reduce their inefficiencies rather than passing on the same to the consumers.

16. Quarterly/Biannual Adjustments Mechanism

- 16.1 The Federal Government has submitted that NEPRA shall ensure recovery of the costs which have been incurred but were/have not been allowed to be recovered on account of pendency of the Petitions and a mechanism for future quarterly adjustments be developed in line with the mechanism for Fuel Price Adjustment by way of billing adjustment, subject only to the modification that such decision shall be notified by the Federal Government.
- 16.2 HESCO also in its presentation requested the Authority to allow the cost of quarterly adjustment in the same mechanism as of Fuel cost component, which is determined on monthly basis and is incorporated in the consumer end tariff notified. HESCO also requested to allow the quarterly adjustment of capacity charges and use of system charges for the FY 2014-15 and 2015-16.
- 16.3 The Authority understands that Power Purchase Price (PPP) is a pass through item, and any variation therein needs to be passed on to the consumers in a timely manner in order to ensure financial viability of the sector, which otherwise would result in huge prior period adjustments. That is the reason the Authority vide its decision dated July 04, 2016 in the matter of Biannual Adjustment regarding Power Purchase Price (PPP) and Annual adjustment on account of PYA pertaining to FY 2015-16, decided to allow the impact of PPP and PYA pertaining to the period from June 2015 till May 2016 in order to ensure its timely recovery during the FY 2016-17. Consequent thereupon, the Schedule of Tariff of HESCO was revised after incorporating therein the impact of mentioned above adjustments.



- 16.4 However, the tariff of HESCO determined for the FY 2015-16 and the subsequent biannual adjustment dated July 04, 2016 was not notified by the petitioner itself. As now, the reconsideration request of the Federal Government, is being determined anew, pursuant to the judgment of the honorable Islamabad High Court and the fact that FY 2015-16 has already lapsed, the Authority has included the impact of any over/under recovery on account of PPP, assessed Distribution Margin & previously allowed prior year adjustment along-with Sales Mix variance for the FY 2015-16 i.e. July 2015 to June 2016 in the tariff for the FY 2015-16, as Prior Year Adjustment, while deciding the instant reconsideration request of the Federal Government. Further, the impact of PYA pertaining to FY 2014-15 has also been included in the tariff determination for the FY 2015-16.
- 16.5 Regarding recovery of the costs i.e. Capacity Charges, Uosc etc., that have been incurred post June 2016 i.e. during FY 2016-17, which have not yet not been recovered, the Authority cannot allow such costs in the instant tariff determination, being beyond the period under consideration. However, keeping in view that PPP is a pass through, required to be recovered in timely manner, coupled with the request of the Federal Government to develop a mechanism for future quarterly adjustments, in line with the mechanism for Fuel Price Adjustment, the Authority prescribes the following formula for calculation of quarterly / biannual adjustments;

$$\text{Quarterly/ Biannual}_{(Adj)} = \frac{\text{PPP}_{(Act)} (\text{excluding FCC}) - \text{PPP}_{(Ref)} (\text{excluding FCC})}{1 - \text{T\&D Loss \%} - \text{Life line\%}}$$

Where;

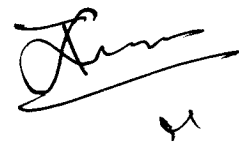
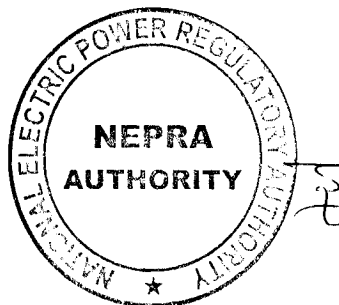
PPP_(Act) is actual cost in Rs./kWh invoiced by CPPA-G to XWDISCOs, excluding any cost disallowed by the Authority.

PPP_(Ref) is reference cost in Rs./kWh as per the Annex-IV of the XWDISCOs determination that remained notified during the period.

T&D Loss % is percentage of T&D losses that remained notified during the period.

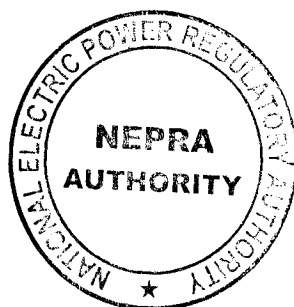
17. Other issues

- 17.1 The Federal Government in its written submissions of July 24, 2017 also pleaded that individual issues of each of the DISCO as well as CPPA(G) may also be considered. As already stated, these further submissions are totally beyond the pleadings because as per directions of Honorable Islamabad High Court, the reconsideration request earlier declined is being re-considered. No



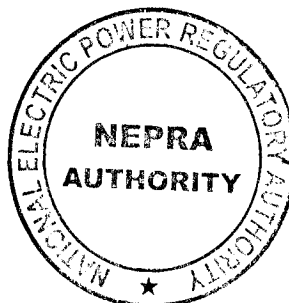
further grounds could be added by the petitioner; yet in order to meet with the ends of justice, further contentions are also considered by the Authority.

- 17.2 HESCO in its presentation has pleaded to review the allowed Distribution Margin, on account of O&M cost, replacement hiring cost in view of certificate issued by the Auditor, provision for bad debts, actual write offs, mark-up on delayed payments as invoiced by CPPA-G, sales target, WACC percentage and amount of Investment.
- 17.3 Regarding Salaries & Other Benefits, HESCO submitted that in compliance of the Authority's directions, it has opened a separate bank account for postretirement benefits in December 2016 and an amount of Rs.100 million has been deposited in the account. Accordingly, it has requested to allow the actual (audited accounts for the FY 2015-16) postretirement benefits of Rs.2,833 million so that collection of the same may be deposited in the bank account opened for the purpose. It also requested an amount of Rs.209.31 million on account of XWAPDA pensioners. HESCO further pleaded that financial impact of replacement hiring for previous years and for FY 2015-16 be allowed in view of certificate issued by the Auditor.
- 17.4 On the issue of actual write offs, HESCO submitted that the Authority disallowed the cost of provision for bad debts in the earlier years for the reason that it will only allow the amount of actual write off whereas it has actually written off the amount of Rs.4,209.47 million in FY 2015-16 and Rs.8,452.28 million in the FY 2013-14 and 2014-15. The Authority is requested to allow either actual write off amount or provision of bad debts as requested in petition.
- 17.5 Regarding mark up on delayed payments, HESCO stated that CPPA-G has raised invoice under the head of mark up on delayed payments amounting Rs.2,736.63 million on dated 22-03-2016, for the FY 2014-15 which may be considered to allow being subsequent event. Further, the disallowed financial cost may also be considered and allowed.
- 17.6 On the point of target of units to be sold for the FY 2015-16, HESCO submitted that the same is looking tough keeping in view of 9% reduction of units received up-to Feb. 2016, and therefore be reviewed.
- 17.7 Regarding Investments, HESCO has pleaded the allowed amount of Rs.3,067 million is not sufficient to cater the requirements of planned projects, which are ongoing and Investment under the head of new vehicles amounting Rs.79.43 million may be allowed in addition to the investment of other projects i.e. STG, DOP & ELR. HESCO also requested to revise the allowed percentage of WACC being on the lower side



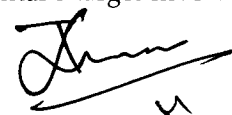
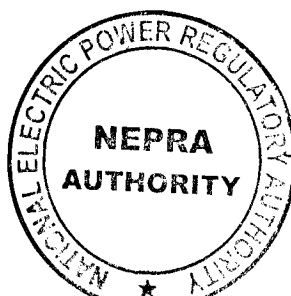
- 17.8 In compliance of the honorable Islamabad High Court decision to hear Discos contentions, while determining the Reconsideration Request of the Federal Government anew, and keeping in view the fact that FY 2015-16 has already lapsed, the Authority does not see any harm in actualizing the already allowed costs to the extent of Salaries and Wages (including actual payments made to the pensioners), Depreciation, RoRB and other income.
- 17.9 On the issue of allowing provision for postretirement benefits owing to creation of separate fund, the Authority observed that in order to protect the interest of employees regarding post-retirement benefits and also keeping in view the liquidity crunch of XWDISCOs, it had directed HESCO to create an independent fund in the best interest of its work force. HESCO has complied with the direction of the Authority to the extent of creation of the separate Pension Fund and an amount of Rs.100 million has been transferred into the fund. Yet it is pertinent to mention that the Authority had been allowing the provision for post-retirement benefits to HESCO as a part of its O&M cost till FY 2011-12. It was only for the last three years that the Authority decided to allow the actual amount on account of pension benefits, due to non-compliance of the Authority's directions. Thus, any post retirement liability pre FY 2011-12, is with HESCO. In view thereof, the Authority directs HESCO to transfer the already collected amount of provisions into the fund. Consequently, for the FY 2015-16, the Authority has decided to allow the actual payments made by the HESCO in this regard which also includes payments made to Ex-WAPDA employees. Regarding amount of Rs.194 million pertaining to Ex-WAPDA Pensioners for the FY 2014-15, the same has also been allowed and is included in the PYA. Here it is pertinent to mention that since the post-retirement benefits include other liabilities in addition to Pension, hence it is directed to create separate accounts or fund (as the case may be) for each head of post retirement liability. It would be mandatory for the HESCO to deposit the whole amount into separate funds and accounts (as the case may be). Accordingly, the Authority reiterates its earlier decision on the issue.
- 17.10 Regarding cost of replacement hiring, the Authority is surprised to note that this issue is raised by HESCO again despite the fact that the Authority has already allowed this cost in the MLR decision of HESCO dated May 18, 2016 as mentioned hereunder;

"The Petitioner in compliance of the Authority's direction has provided the certificate of the replacement hiring vide letter no. 77828 dated April 20, 2015. As per the certificate, the Petitioner has made recruitments to the tune of Rs.645.31 million whereas the impact of retirements is around Rs.572.01 million, thus the net financial impact of recruitments and retirements during July 1, 2009 to June 30, 2013, is negative Rs.73.299 million. The Authority considering the materiality of negative amount of Rs.73.299 million and the fact that the



Petitioner has not carried out any hiring during the FY 2013-14 and FY 2014-15, whereby its staff would have retired each year, has decided not to deduct Rs.73.299 million from its base expense, used for future assessment in this regard.”

- 17.11 On the point of actual write offs, the Authority has in principal decided to allow the actual write offs against private defaulters, given that the due process of law has been followed while writing off the receivables. However, write off against receivables of any Government cannot be allowed considering the fact the Government is a “going concern”. The write offs claimed by the HESCO pertain to the Government of Sindh and the Authority cannot pass on the burden of inefficiency and wrong billing of the HESCO to the consumers, consequently the write offs claimed by HESCO are disallowed. HESCO is directed to take up the matter of written off amount to the relevant authorities, if it considers it genuine billing. Accordingly, the Authority reiterates its earlier decision on the issue.
- 17.12 The issue of sales target has been addressed as the Authority has accounted for the actual purchases of HESCO and its actual power purchase cost while working out the PYA for the FY 2015-16.
- 17.13 The investment allowed to HESCO for the FY 2015-16 has been actualized as per the audited accounts of HESCO for the FY 2015-16 and consequently the amount of RoRB has been recalculated. With respect to percentage of WACC, the Authority has arrived at the same assessment which was made in the determination of HESCO dated April 01, 2016, as HESCO has not provided any alternate workings in this regard to refute the Authority’s assessment. Accordingly, the Authority reiterates its earlier decision on the issue.
- 17.14 With respect to other cost heads of the Distribution Margin, since no new grounds/ rationale has been submitted by HESCO, hence the Authority while determining the respective cost heads of the distribution margin “anew” has arrived at the same assessment which was done in the MLR decision of HESCO dated May 18, 2016, whereby an incentive of reducing actual cost or vice versa should be provided to the HESCO. Accordingly, the Authority reiterates its earlier decision on the issue.
- 17.15 HESCO has requested to consider allowing mark up on delayed payments amounting Rs.2,736 million as invoiced by CPPA (G) in this regard along-with the disallowed financial cost.
- 17.16 The Authority, being consistent with its earlier decision on the issue (*discussed in the ensuing paragraph*), while assessing the PYA of HESCO for the FY 2014-15, deducted an amount Rs.1,143 million on account of LPC due to non-provision of supplemental charges invoice from

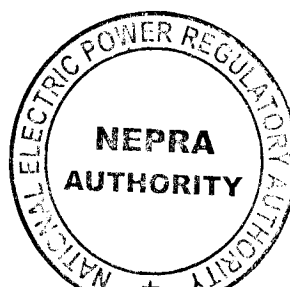


CPPA (G). HESCO submitted the supplemental charges invoice raised by CPPA (G) during its MLR proceedings, and accordingly the Authority in line with its decision on the issue decided to allow the amount of Rs.1,143 million to HESCO as PYA. Thus, the issue already stands addressed.

- 17.17 HESCO has not elaborated the issue of disallowed financial cost, therefore, the Authority is constrained to consider it the same issue as was raised by HESCO earlier in its Petition and subsequent MLR, which has already been addressed in detail under para 17 of HESCO determination for the FY 2015-16 dated April 01, 2016. Accordingly, the Authority reiterates its earlier decision on the issue.

18. **Late Payment Charges**

- 18.1 CPPA-G vide letter dated July 20, 2017 has submitted that in 2010 while determining the FCA, the Authority disallowed the impact of markup cost in tariff and determined that the supplemental charges on account of markup on delayed payments to IPPs shall not be passed on to the consumers and resultantly XWDISCOs did not book cost of Rs.110.63 billion in their books and it remained as reconciling item between books of CPPA-G and XWDISCOs.
- 18.2 CPPA-G further submitted that in 2015, NEPRA determined that XWDISCOs shall be obliged to pay CPPA-G late payment charge on delayed payment invoices. The Authority further decided that *"the late payment charge recovered from the consumers on utility bills shall be off set against the late payment invoices raised by CPPA against the respective DISCO only"*.
- 18.3 CPPA-G accordingly requested the Authority to consider the un-booked mark up of Rs.110.63 Billion and allow the same in XWDISCO tariff.
- 18.4 The Authority on the issue of late payment charge considers that this issue emanated from the discussion of energy purchase agreement which the DISCOs had been stating (in the past) that no such agreement exists.
- 18.5 The Authority took an initiative whereby GEPCO was directed to draft a proposed agreement which was complied with by GEPCO and the same was sent to all the XWDISCOs for their comments. XWDISCOs rather than giving their comments on the draft submitted the Electricity Supply Agreement signed between DISCOs and WAPDA on 29th June, 1998. As per XWDISCOs, a novation of the same agreement was also signed between individual DISCOs and NTDC. The Authority after going through the claimed agreement observed some clauses which were required to be revisited.
- 18.6 The Authority had earlier decided to nominate a committee to be constituted from NEPRA professionals in order to conduct a brain storming session on draft ESA 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 said Agreement, the XWDISCOs shall be obliged to pay CPPA late payment charge on delay payments of invoice.

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

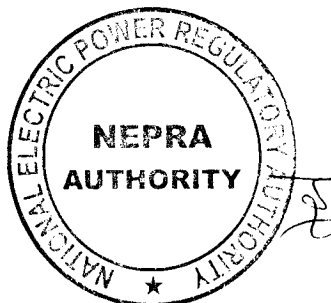
"Late Payments by WAPDA or the Company, as the case may be, shall bear mark-up at a rate per annum equal to the Base Rate plus four percent (4%) per annum compounded semi-annually, and shall be computed for the actual number of Days on the basis of a three hundred sixty-five (365) Day Year"

18.8 Thus, the Authority in the tariff determination of HESCO for the FY 2014-15, decided that the late payment charge recovered from the consumers on utility bills shall be offset against the late payment invoices raised by CPPA (G) against respective XWDISCO only i.e. CPPA (G) cannot book late charge over and above what is calculated as per the relevant clause of the agreement to a respective DISCO only.

18.9 Here it is pertinent to mention that the decision of the Authority for excluding Late Payment Charges from other income of the HESCO, was decided during the tariff determination of FY 2014-15, therefore, any claim on account of supplementary charges before FY 2014-15 were not allowed. The rationale of the Authority's decision in this regard was on account of non-compliance by HESCO with respect to signing ESA during that period (as per the statement of DISCOs). Here it is pertinent to mention that the tariff period to which the CPPA-G/ DISCOs claimed cost relates has lapsed and the relief to the extent of LPC has already been passed to the consumers in the tariff determination of respective DISCOs.

19. **Revenue Requirement**

19.1 In view of the discussion made in the preceding paragraphs, the Authority hereby re-determines the revenue requirement of HESCO as under;



Description	Mln. Rs.	Mln. Rs.
A POWER PURCHASE PRICE		49,664
Fuel Cost	30,652	
Variable O&M	1,698	
Capacity Charges	15,359	
Use of System Charges	1,955	
B DISTRIBUTION MARGIN [net]		8,091
Operation and Maintenance Cost (O&M)	6,417	
Depreciation	1,235	
Return on Rate Base (RORB)	1,761	
GROSS DISTRIBUTION MARGIN	9,413	
Other Income	(1,323)	
C PRIOR YEAR ADJUSTMENT		5,189
D Write-off (on Provisional Basis)		2,059
TOTAL REVENUE REQUIREMENT (A+B+C+D)		65,003

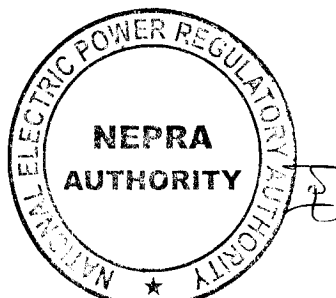
20. **ORDER**

From what has been discussed above, the Authority hereby re-determines the tariff of HESCO for the Financial Year 2015-16 as under;

- I. Hyderabad Electric Supply Company Limited (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 (G), adjustment of remaining components of PPP will be adjusted biannually. Here it is pertinent to mention that while making biannual adjustments of the PPP, the Authority may rationalize the SoT accordingly.
- III. HESCO is allowed to charge the users of its system a "Use of system charge" (UOSC) equal to:

$$i) \quad \text{Where only 132 kV system is involved}$$

$$UOSC = DM(Gross) \times \frac{(1-L)}{(1-0.0205)} \times AFI(T) \quad \text{Paisa/kWh}$$



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ii) Where only 11 kV distribution systems is involved.

$$UOSC = DM(Gross) \times \frac{(1-L)}{(1-0.0975)} \times AFI(D) \text{ Paisa/kWh}$$

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

$$UOSC = DM(Gross) \times \frac{(1-L)}{(1-0.118)} \times AFI(TD) \text{ Paisa/kWh}$$

Where:

Gross Distribution Margin for FY 2015-16 is set at Rs.2.18/kWh (without excluding impact of other income)

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

AFI (T) = Adjustment factor for investment at 132 kV level i.e.16%

AFI (D) = Adjustment factor for investment at 11 kV level i.e. 59%.

AFI (TD) = Adjustment factor for investment at both 132 kV & 11 kV level i.e. 75%.

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

V. HESCO is hereby allowed the T&D losses target of 22.59% for the FY 2015-16.

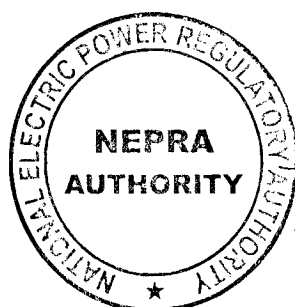
VI. HESCO is hereby allowed a total investment of Rs.4,772 million.

VII. Tariff under Colum 'A' and 'D' of Annex-III shall remain applicable for one year from the date of notification. Colum 'C' of Annex-III shall cease to exist after one year and only Colum 'A' and 'B' of Annex-III would remain applicable till the same is superseded by next notification.

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

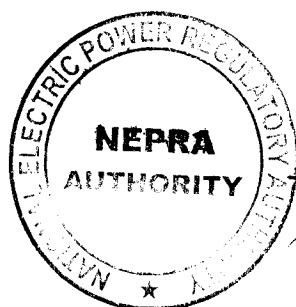
IX. The Authority hereby determines and approves the following component wise cost & its adjustments mechanism for HESCO for the FY 2015-16.

TARIFF COMPONENT	Assessed Cost FY 2015-16	ADJUSTMENTS/ ASSESSMENT	TIME LINES
POWER PURCHASE PRICE			
Energy Purchase Price			
Fuel Cost	30,652	Monthly, as per the approved mechanism.	Data to be provided by CPPA (G) by 3 rd of close of the month



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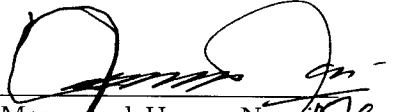
Variable O&M	1,698	Biannually, as per the approved mechanism.	Request to be furnished by the HESCO not later than 10 th July and 10 th January, as the case may be.
Capacity Charges	15,359	Biannually, as per the approved mechanism.	Request to be furnished by the HESCO not later than 10 th July and 10 th January, as the case may be.
Use of System Charges	1,955	Biannually, as per the approved mechanism.	Request to be furnished by the HESCO not later than 10 th July and 10 th January, as the case may be.
T&D Losses	22.59%	Biannually, as per the approved mechanism.	Request to be furnished by the HESCO not later than 10 th July and 10 th January, as the case may be.
NET DISTRIBUTION MARGIN	8,091		
O&M Cost			
Salaries, wages & other benefits	3,779	Annually	On the basis of next year tariff petition.
Post-Retirement benefits	871	----do----	----do----
Repair and Maintenance	950	----do----	----do----
Other operating expanses	817	----do----	----do----
Depreciation	1,235	----do----	----do----
Return on Rate Base	1,761	----do----	----do----
Other Income	(1,323)	----do----	----do----
Prior Year Adjustment	5,189	----do----	----do----
Provisional Write Offs	2,059		

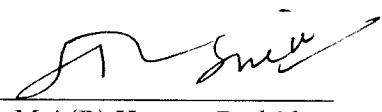


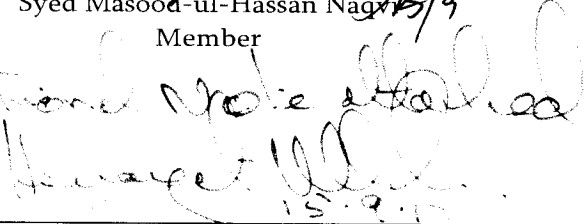
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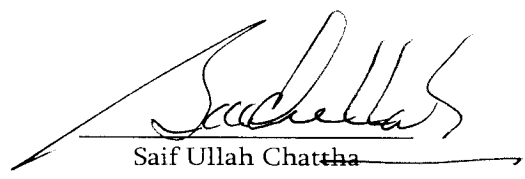


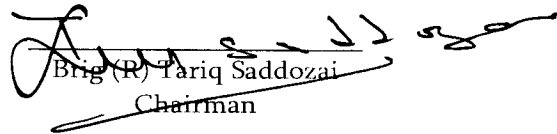
AUTHORITY

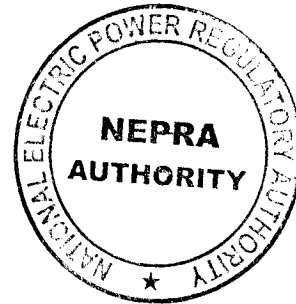

Syed Masood-ul-Hassan Nagi
Member

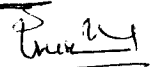

Maj (R) Haroon Rashid
Member


Himayat Ullah Khan
Member


Saif Ullah Chattha
Vice Chairman


Brig (R) Tariq Saddozai
Chairman

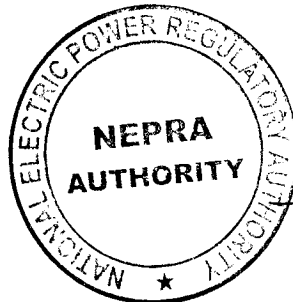



18.09.17

Additional note

Subject: **RE-DETERMINATION OF THE AUTHORITY IN THE MATTER OF REQUEST FOR RECONSIDERATION PERTAINING TO THE TARIFF DETERMINATION DATED APRIL 01, 2016 AND REVIEW DECISION DATED MAY 18, 2016 WITH RESPECT TO HESCO FOR THE FY 2015-16 UNDER SECTION 31(4) OF NEPRA ACT 1997**

I agree with the re-determination of the Authority with the exception of Para 14.23 and Para 14.24 wherein an amount of Rs. 2,059 million has been allowed as "write offs on provisional basis". It is my contention that write offs on a provisional basis will further facilitate / reinforce the rampant inefficiencies within the system, and put an upfront burden on the consumers. In my view, write-offs could be considered by the Authority, after the criteria listed at para 14.23 (i) (ii) & (iii) have first been met by the DISCO.



Himayat Ullah Khan
(Himayat Ullah Khan)
Member (Tariff)
15-09-2017

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msr 21
18/09/17

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

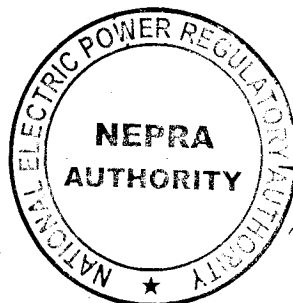
Where:

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 (G) 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.



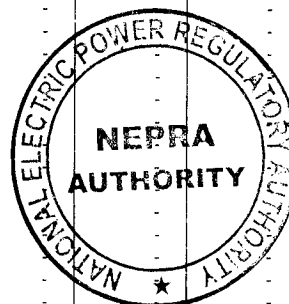
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HYDERABAD ELECTRIC SUPPLY COMPANY LIMITED (HESCO)
Estimated Sales Revenue on the Basis of New Tariff

Description	Sales		Tariff		Revenue			Write off		Total Tariff	
	GWh	% Mix	Fixed Charge	Variable Charge	Fixed Charge	Variable Charge	Total	Amount	Variable Charge	Fixed Charge	Variable Charge
			Rs./kW/ M	Rs./ kWh		Min. Rs.		Min. Rs.	Rs./ kWh	Rs./kW/ M	Rs./ kWh
Residential											
Up to 50 Units	110	2.55%		4.00	-	440	440	-	-	-	4.00
For peak load requirement less than 5 kW											
01-100 Units	880	20.41%		12.50	-	10,994	10,994	431	0.49	-	12.99
101-200 Units	409	9.48%		16.00	-	6,538	6,538	200	0.49	-	16.49
201-300 Units	396	9.18%		16.40	-	6,490	6,490	194	0.49	-	16.89
301-700 Units	265	6.15%		17.00	-	4,506	4,506	130	0.49	-	17.49
Above 700 Units	159	3.69%		18.00	-	2,860	2,860	78	0.49	-	18.49
For peak load requirement exceeding 5 kW)											
Time of Use (TOU) - Peak	14	0.34%		18.00	-	260	260	7	0.49	-	18.49
Time of Use (TOU) - Off-Peak	63	1.46%		12.50	-	787	787	31	0.49	-	12.99
Temporary Supply	0	0.00%		18.30	-	-	-	-	0.49	-	18.79
Total Residential	2,296	53.26%				32,876	32,876	1,071			
Commercial - A2											
For peak load requirement less than 5 kW	137	3.17%		17.30	-	2,365	2,365	67	0.49	-	17.79
For peak load requirement exceeding 5 kW											
Regular	7	0.16%	400.00	15.30	11	103	114	3	0.49	400	15.79
Time of Use (TOU) - Peak	37	0.85%		18.00	-	662	662	18	0.49	-	18.49
Time of Use (TOU) - Off-Peak	139	3.23%	400.00	12.50	269	1,741	2,010	68	0.49	400	12.99
Temporary Supply	1	0.02%		17.30	-	12	12	0	0.49	-	17.79
Total Commercial	320	7.43%			280	4,883	5,163	157			
General Services-A3	129	3.00%	-	13.90	-	1,797	1,797	63	0.49	-	14.39
Industrial											
B1	164	3.80%		14.80	-	2,422	2,422	80	0.49	-	15.29
B1 Peak	12	0.28%		18.00	-	219	219	6	0.49	-	18.49
B1 Off Peak	58	1.35%		12.50	-	726	726	28	0.49	-	12.99
B2	14	0.33%	400.00	14.30	24	205	228	7	0.49	400	14.79
B2 - TOU (Peak)	47	1.09%		18.00	-	847	847	23	0.49	-	18.49
B2 - TOU (Off-peak)	257	5.96%	400.00	12.30	661	3,159	3,819	126	0.49	400	12.79
B3 - TOU (Peak)	38	0.89%		18.00	-	691	691	19	0.49	-	18.49
B3 - TOU (Off-peak)	214	4.96%	380.00	12.10	458	2,587	3,044	105	0.49	380	12.59
B4 - TOU (Peak)	19	0.43%		18.00	-	334	334	9	0.49	-	18.49
B4 - TOU (Off-peak)	108	2.51%	360.00	12.00	122	1,299	1,421	53	0.49	360	12.49
Temporary Supply	0	0.00%		14.80	-	1	1	0	0.49	-	15.29
Total Industrial	931	21.60%			1,264	12,489	13,753	456			
Single Point Supply for further distribution											
C1(a) Supply at 400 Volts-less than 5 kW	2	0.06%		15.30	-	38	38	1	0.49	-	15.79
C1(b) Supply at 400 Volts-exceeding 5 kW	29	0.68%	400.00	14.80	36	432	468	14	0.49	400	15.29
Time of Use (TOU) - Peak	5	0.11%		18.00	-	85	85	2	0.49	-	18.49
Time of Use (TOU) - Off-Peak	22	0.50%	400.00	12.50	31	270	301	11	0.49	400	12.99
C2 Supply at 11 kV	21	0.49%	380.00	14.60	19	306	325	10	0.49	380	15.09
Time of Use (TOU) - Peak	4	0.10%		18.00	-	75	75	2	0.49	-	18.49
Time of Use (TOU) - Off-Peak	18	0.42%	380.00	12.30	25	222	247	9	0.49	380	12.79
C3 Supply above 11 kV	3	0.07%	360.00	14.50	4	44	48	2	0.49	360	14.99
Time of Use (TOU) - Peak	0	0.00%		18.00	-	-	-	-	0.49	-	18.49
Time of Use (TOU) - Off-Peak	0	0.00%	360.00	12.10	-	-	-	-	0.49	360	12.59
Total Single Point Supply	104	2.42%			113	1,472	1,586	51			
Agricultural Tube-wells - Tariff D											
Scarp	248	5.75%		14.80	-	3,669	3,669	121	0.49	-	15.29
Time of Use (TOU) - Peak	9	0.20%		18.00	-	157	157	4	0.49	-	18.49
Time of Use (TOU) - Off-Peak	43	1.01%	200.00	12.10	29	526	555	21	0.49	200	12.59
Agricultural Tube-wells	84	1.96%	200.00	14.30	46	1,206	1,253	41	0.49	200	14.79
Time of Use (TOU) - Peak	23	0.53%		18.00	-	413	413	11	0.49	-	18.49
Time of Use (TOU) - Off-Peak	78	1.80%	200.00	12.10	55	941	996	38	0.49	200	12.59
Total Agricultural	485	11.26%			130	6,912	7,042	238	14.52		
Public Lighting - Tariff G	41	0.94%		16.30	-	662	662	20	0.49	-	16.79
Residential Colonies	4	0.10%		16.30	-	67	67	2	0.49	-	16.79
Sub-Total	45	1.04%				729	729	22			
Special Contract - Tariff-J											
J-1 For Supply at 66 kV & above	-	0.00%	360.00	14.50	-	-	-	-	0.49	360	14.99
Time of Use (TOU) - Peak	-	0.00%		18.00	-	-	-	-	0.49	-	18.49
Time of Use (TOU) - Off-Peak	-	0.00%	360.00	12.10	-	-	-	-	0.49	360	12.59
J-2 (a) For Supply at 11, 33 kV	-	0.00%	380.00	14.60	-	-	-	-	0.49	380	15.09
Time of Use (TOU) - Peak	-	0.00%		18.00	-	-	-	-	0.49	-	18.49
Time of Use (TOU) - Off-Peak	-	0.00%	380.00	12.30	-	-	-	-	0.49	380	12.79
J-2 (b) For Supply at 66 kV & above	-	0.00%	360.00	14.50	-	-	-	-	0.49	360	14.99
Time of Use (TOU) - Peak	-	0.00%		18.00	-	-	-	-	0.49	-	18.49
Time of Use (TOU) - Off-Peak	-	0.00%	360.00	12.10	-	-	-	-	0.49	360	12.59
J-3 (a) For Supply at 11, 33 kV	-	0.00%	380.00	14.60	-	-	-	-	0.49	380	15.09
Time of Use (TOU) - Peak	-	0.00%		18.00	-	-	-	-	0.49	-	18.49
Time of Use (TOU) - Off-Peak	-	0.00%	380.00	12.30	-	-	-	-	0.49	380	12.79
J-3 (b) For Supply at 66 kV & above	-	0.00%	360.00	14.50	-	-	-	-	0.49	360	14.99
Time of Use (TOU) - Peak	-	0.00%		18.00	-	-	-	-	0.49	-	18.49
Time of Use (TOU) - Off-Peak	-	0.00%	360.00	12.10	-	-	-	-	0.49	360	12.59
Total Revenue	4,310	100.00%			1,787	61,158	62,944	2,059			

Tariff under Column "Total Tariff" shall remain applicable for one year from the date of notification. Write-off shall cease to exist after one year and only Column "Tariff" would remain applicable till the same is superseded by next notification.



**SCHEDULED CHARGES AND TARIFFS
FOR HYDROELECTRIC POWER SUPPLY (RESIDENTIAL)**

A-1 GENERAL SUPPLY TARIFF - RESIDENTIAL

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES	VARIABLE CHARGES		Write-off Charges		Total Variable Charges	
		Rs/kW/M	Rs/kWh		Rs/kWh		Rs/kWh	
		A	B		C		D	
a)	For Sanctioned load less than 5 kW							
i	Up to 50 Units	-	4.00		-		4.00	
	For Consumption exceeding 50 Units							
ii	001 - 100 Units	-	12.50		0.49		12.99	
iii	101 - 200 Units	-	16.00		0.49		16.49	
iv	201 - 300 Units	-	16.40		0.49		16.89	
v	301 - 700 Units	-	17.00		0.49		17.49	
vi	Above 700 Units	-	18.00		0.49		18.49	
b)	For Sanctioned load 5 kW & above							
	Time Of Use	-	Peak	Off-Peak	Peak	Off-Peak	Peak	Off-Peak
			18.00	12.50	0.49	0.49	18.49	12.99

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

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

Note:- Tariff Under Column 'A' and 'D' shall remain applicable for one year from the date of notification. Column 'C' shall cease to exist after one year and only Column 'A' and 'B' would remain applicable till the same is superseded by next notification.

A-2 GENERAL SUPPLY TARIFF - COMMERCIAL

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES	VARIABLE CHARGES		Write-off Charges		Total Variable Charges	
		Rs/kW/M	Rs/kWh		Rs/kWh		Rs/kWh	
		A	B		C		D	
a)	For Sanctioned load less than 5 kW		17.30		0.49		17.79	
b)	For Sanctioned load 5 kW & above	400.00	15.30		0.49		15.79	
			Peak	Off-Peak	Peak	Off-Peak	Peak	Off-Peak
c)	Time Of Use	400.00	18.00	12.50	0.49	0.49	18.49	12.99

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

Note:- Tariff Under Column 'A' and 'D' shall remain applicable for one year from the date of notification. Column 'C' shall cease to exist after one year and only Column 'A' and 'B' would remain applicable till the same is superseded by next notification.

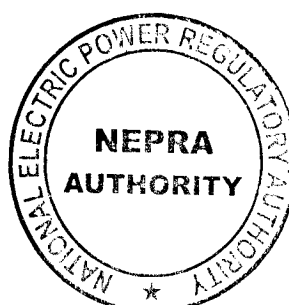
A-3 GENERAL SERVICES

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES	VARIABLE CHARGES	Write-off Charges	Total Variable Charges
		Rs/kW/M	Rs/kWh	Rs/kWh	Rs/kWh
		A	B	C	D
a)	General Services	-	13.90	0.49	14.39

Under tariff A-3, there shall be minimum monthly charges at the following rates even if no energy is

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

Note:- Tariff Under Column 'A' and 'D' shall remain applicable for one year from the date of notification. Column 'C' shall cease to exist after one year and only Column 'A' and 'B' would remain applicable till the same is superseded by next notification.



ANNEX-III **FIXED CHARGES AND VARIABLE CHARGES** **FOR DIFFERENT TARIFF CATEGORIES**

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES	VARIABLE CHARGES		Write-off Charges		Total Variable Charges	
		Rs/kW/M	Rs/kWh		Rs/kWh		Rs/kWh	
		A	B		C		D	
B1	Up to 25 kW (at 400/230 Volts)	-	14.80		0.49		15.29	
B2(a)	exceeding 25-500 kW (at 400 Volts)	400.00	14.30		0.49		14.79	
	Time Of Use		Peak	Off-Peak	Peak	Off-Peak	Peak	Off-Peak
B1 (b)	Up to 25 kW		18.00	12.50	0.49	0.49	18.49	12.99
B2(b)	exceeding 25-500 kW (at 400 Volts)	400.00	18.00	12.30	0.49	0.49	18.49	12.79
B3	For All Loads up to 5000 kW (at 11,33 kV)	380.00	18.00	12.10	0.49	0.49	18.49	12.59
B4	For All Loads (at 66,132 kV & above)	360.00	18.00	12.00	0.49	0.49	18.49	12.49

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.

Note:- Tariff Under Colum 'A' and 'D' shall remain applicable for one year from the date of notification. Colum 'C' shall cease to exist after one year and only Colum 'A' and 'B' would remain applicable till the same is superseded by next notification.

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	VARIABLE CHARGES		Write-off Charges		Total Variable Charges	
		Rs/kW/M	Rs/kWh		Rs/kWh		Rs/kWh	
		A	B		C		D	
C -1	For supply at 400/230 Volts							
a)	Sanctioned load less than 5 kW	-	15.30		0.49		15.79	
b)	Sanctioned load 5 kW & up to 500 kW	400.00	14.80		0.49		15.29	
C -2(a)	For supply at 11,33 kV up to and including 5000 kW	380.00	14.60		0.49		15.09	
C -3(a)	For supply at 66 kV & above and sanctioned load above 5000 kW	360.00	14.50		0.49		14.99	
	Time Of Use		Peak	Off-Peak	Peak	Off-Peak	Peak	Off-Peak
C -1(c)	For supply at 400/230 Volts 5 kW & up to 500 kW	400.00	18.00	12.50	0.49	0.49	18.49	12.99
C -2(b)	For supply at 11,33 kV up to and including 5000 kW	380.00	18.00	12.30	0.49	0.49	18.49	12.79
C -3(b)	For supply at 66 kV & above and sanctioned load above 5000 kW	360.00	18.00	12.10	0.49	0.49	18.49	12.59

Note:- Tariff Under Colum 'A' and 'D' shall remain applicable for one year from the date of notification. Colum 'C' shall cease to exist after one year and only Colum 'A' and 'B' would remain applicable till the same is superseded by next notification.

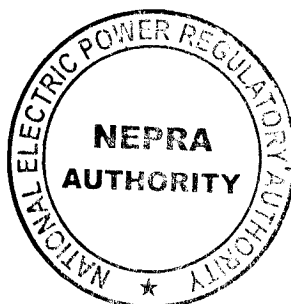
D - AGRICULTURE TARIFF

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES	VARIABLE CHARGES		Write-off Charges		Total Variable Charges	
		Rs/kW/M	Rs/kWh		Rs/kWh		Rs/kWh	
		A	B		C		D	
D-1(a)	SCARP less than 5 kW	-	14.80		0.49		15.29	
D-2 (a)	Agricultural Tube Wells	200.00	14.30		0.49		14.79	
			Peak	Off-Peak	Peak	Off-Peak	Peak	Off-Peak
D-1(b)	SCARP 5 kW & above	200.00	18.00	12.10	0.49	0.49	18.49	12.59
D-2 (b)	Agricultural 5 kW & above	200.00	18.00	12.10	0.49	0.49	18.49	12.59

Under this 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.

Note:- Tariff Under Colum 'A' and 'D' shall remain applicable for one year from the date of notification. Colum 'C' shall cease to exist after one year and only Colum 'A' and 'B' would remain applicable till the same is superseded by next notification.



SCHEDULE OF TARIFFS FOR RESIDENTIAL SUPPLY (RESIDENTIAL)

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES	VARIABLE CHARGES		Write-off Charges	Total Variable Charges
		Rs/kW/M	Rs/kWh		Rs/kWh	Rs/kWh
		A	B		C	D
E-1(i)	Residential Supply	-	18.30		0.49	18.79
E-1(ii)	Commercial Supply	-	17.30		0.49	17.79
E-2	Industrial Supply	-	14.80		0.49	15.29

For the categories of E-1(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.

Note:- Tariff Under Column 'A' and 'D' shall remain applicable for one year from the date of notification. Column 'C' shall cease to exist after one year and only Column 'A' and 'B' would remain applicable till the same is superseded by next notification.

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	VARIABLE CHARGES		Write-off Charges	Total Variable Charges
		Rs/kW/M	Rs/kWh		Rs/kWh	Rs/kWh
		A	B		C	D
	Street Lighting	-	16.30		0.49	16.79

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

Note:- Tariff Under Column 'A' and 'D' shall remain applicable for one year from the date of notification. Column 'C' shall cease to exist after one year and only Column 'A' and 'B' would remain applicable till the same is superseded by next notification.

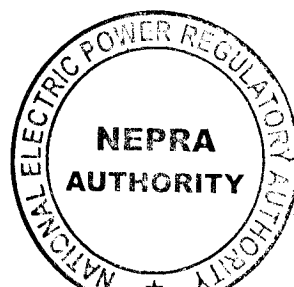
H - RESIDENTIAL COLONIES ATTACHED TO INDUSTRIAL PREMISES

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES	VARIABLE CHARGES		Write-off Charges	Total Variable Charges
		Rs/kW/M	Rs/kWh		Rs/kWh	Rs/kWh
		A	B		C	D
	Residential Colonies attached to industrial premises	-	16.30		0.49	16.79

Note:- Tariff Under Column 'A' and 'D' shall remain applicable for one year from the date of notification. Column 'C' shall cease to exist after one year and only Column 'A' and 'B' would remain applicable till the same is superseded by next notification.

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

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES	VARIABLE CHARGES		Write-off Charges		Total Variable Charges	
		Rs/kW/M	Rs/kWh		Rs/kWh		Rs/kWh	
		A	B		C		D	
J-1	For supply at 66 kV & above and having sanctioned load of 20MW & above	360.00	14.50		0.49		14.99	
J-2	(a) For supply at 11,33 kV	380.00	14.60		0.49		15.09	
	(b) For supply at 66 kV & above	360.00	14.50		0.49		14.99	
J-3	(a) For supply at 11,33 kV	380.00	14.60		0.49		15.09	
	(b) For supply at 66 kV & above	360.00	14.50		0.49		14.99	
Time Of Use			Peak	Off-Peak	Peak	Off-Peak	Peak	Off-Peak
J-1(b)	For supply at 66 kV & above and having sanctioned load of 20MW & above	360.00	18.00	12.10	0.49	0.49	18.49	12.59
J-2 (c)	For supply at 11,33 kV	380.00	18.00	12.30	0.49	0.49	18.49	12.79
J-2 (d)	For supply at 66 kV & above	360.00	18.00	12.10	0.49	0.49	18.49	12.59
J-3 (c)	For supply at 11,33 kV	380.00	18.00	12.30	0.49	0.49	18.49	12.79
J-3 (d)	For supply at 66 kV & above	360.00	18.00	12.10	0.49	0.49	18.49	12.59

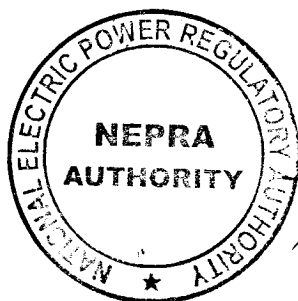


HESCO Power Purchase Price

Name	July	August	September	October	November	December	January	February	March	April	May	June	Total
Units Purchased by DISCOs (GWh)	556	597	562	533	442	342	312	347	381	439	528	527	5,568
kWh													
Fuel Cost Component	4.9811	4.7552	5.1217	5.2366	5.0497	5.8619	7.1241	5.7493	6.6429	6.7227	5.2908	4.9927	5.505
Variable O & M	0.2727	0.2678	0.2825	0.2891	0.2916	0.3337	0.3711	0.3234	0.3467	0.3577	0.3050	0.2891	0.305
CpGenCap	2.2217	1.9469	2.2001	2.2825	2.6216	3.4077	4.0896	3.5636	3.7453	2.7553	2.7663	2.9979	2.76
USCF	0.2806	0.2630	0.3020	0.3043	0.3650	0.4218	0.4694	0.4609	0.4250	0.3557	0.3159	0.4020	0.35
Total PPP in Rs. /kWh	7.7562	7.2328	7.9062	8.1124	8.3279	10.0251	12.0542	10.0973	11.1299	10.1914	8.6781	8.6817	8.9195

													Rs in Million
Fuel Cost Component	2,770	2,839	2,878	2,793	2,234	2,007	2,224	1,997	2,534	2,953	2,793	2,630	30,652
Variable O & M	152	160	159	154	129	114	116	112	132	157	161	152	1,698
CpGenCap	1,236	1,162	1,236	1,217	1,160	1,167	1,277	1,238	1,417	1,210	1,460	1,579	15,359
USCF	156	157	170	162	161	144	147	160	162	156	167	212	1,955
PPP	4,313	4,318	4,443	4,327	3,684	3,433	3,763	3,507	4,245	4,476	4,581	4,573	49,664

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



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

PART-I

GENERAL DEFINITIONS

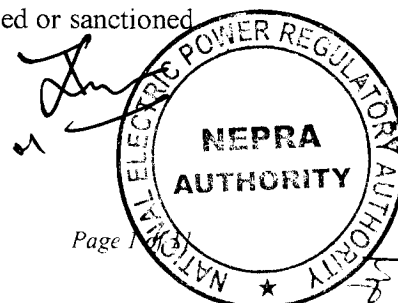
The Company, for the purposes of these terms and conditions means Hyderabad Electric Supply Company Limited (HESCO) engaged in the business of distribution of electricity within the territory mentioned in the licence granted to it for this purpose.

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:

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

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

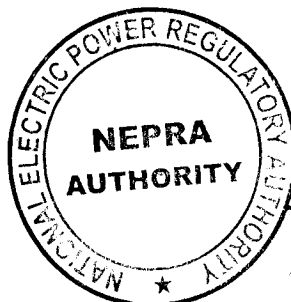
11. "Supply", means the supply for single-phase/three-phase appliances inclusive of both general and motive loads subject to the conditions that in case of connected or sanctioned load exceeding 4 kW supply shall be given at three-phase.



12. "Consumer" means a person or his successor-in-interest as defined under Section 2(iv) of the Regulation of Generation, Transmission and Distribution of Electric Power Act (XL of 1997).
13. "Charitable Institution" means an institution, which works for the general welfare of the public on no profit basis and is registered with the Federal or Provincial Government as such and has been issued tax exemption certificate by Federal Board of Revenue (FBR).
14. NTDC means the National Transmission and Dispatch Company.
15. CPPA(G) means Central Power Purchasing Agency Guarantee Limited (CPPA)(G).
16. The "Authority" means "The National Electric Power Regulatory Authority (NEPRA)" constituted under the Regulation of Generation, Transmission and Distribution of Electric Power Act (XL of 1997).

GENERAL CONDITIONS

1. "The Company shall render bills to the consumers on a monthly basis or less on the specific request of a consumer for payment by the due date.
2. The Company shall ensure that bills are delivered to consumers at least seven days before the due date. If any bill is not paid by the consumer in full within the due date, a Late Payment Charge of 10% (ten percent) shall be levied on the amount billed excluding Govt. tax and duties etc. In case bill is not served at least seven days before the due date then late payment surcharge will be levied after 7th 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%.



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PART-II

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

A-1 RESIDENTIAL

Definition

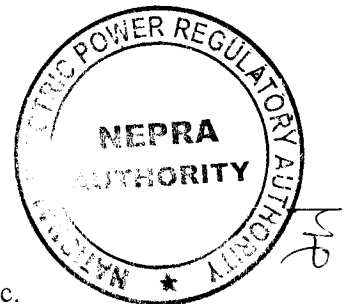
“Life Line Consumer” means those residential consumers having single phase electric connection with a sanctioned load up to 1 kW.

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

1. This Tariff is applicable for supply to;
 - i) Residences,
 - ii) Places of worship,
2. Consumers having sanctioned load less than 5 kW shall be billed on single-part kWh rate i.e. A-1(a) tariff.
3. All new consumers having sanctioned load 5 kW and above shall be provided T.O.U metering arrangement and shall be billed on the basis of tariff A-1(b) as set out in the Schedule of Tariff.
4. All existing consumers having sanctioned load 5 kW and above shall be provided T.O.U metering arrangement and converted to A- 1(b) Tariff by the Company.

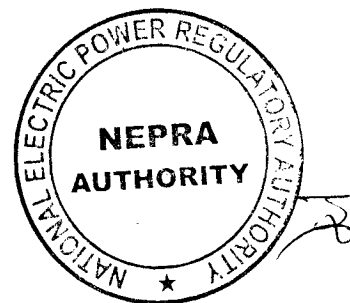
A-2 COMMERCIAL

1. This tariff is applicable for supply to commercial offices and commercial establishments such as:
 - i) Shops,
 - ii) Hotels and Restaurants,
 - iii) Petrol Pumps and Service Stations,
 - iv) Compressed Natural Gas filling stations,
 - v) Private Hospitals/Clinics/Dispensaries,
 - vi) Places of Entertainment, Cinemas, Theaters, Clubs;
 - vii) Guest Houses/Rest Houses,
 - viii) Office of Lawyers, Solicitors, Law Associates and Consultants etc.
2. Consumers under tariff A-2 having sanctioned load of less than 5 kW shall be billed under a Single-Part kWh rate A-2(a)
3. All existing consumers under tariff A-2 having sanctioned load 5 kW and above shall be billed on A-2(b) tariff till such time that they are provided T.O.U metering arrangement; thereafter such consumers shall be billed on T.O.U tariff A-2(c).
4. The existing and prospective consumers having load of 5 kW and above can opt for T.O.U metering arrangement and A-2(c) tariff.
5. All existing consumers under tariff A-2 shall be provided T.O.U metering arrangement by the Company and convert it to-A-2 (c) Tariff.
6. All new connections having load requirement 5 kW and above shall be provided T.O.U meters and shall be billed under tariff A-2(c).



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A-3 GENERAL SERVICES



1. This tariff is applicable to;
 - i. Approved religious and charitable institutions
 - ii. Government and Semi-Government offices and Institutions
 - iii. Government Hospitals and dispensaries
 - iv. Educational institutions
 - v. Water Supply schemes including water pumps and tube wells operating on three phase 400 volts other than those meant for the irrigation or reclamation of Agriculture land.
1. Consumers under General Services (A-3) shall be billed on single-part kWh rate i.e. A-3(a) tariff.

B INDUSTRIAL SUPPLY

Definitions

1. "Industrial Supply" means the supply for bona fide industrial purposes in factories including the supply required for the offices and for normal working of the industry.
2. For the purposes of application of this tariff an "Industry" means a bona fide undertaking or establishment engaged in manufacturing, value addition and/or processing of goods.
3. This Tariff shall also be available for consumers having single-metering arrangement such as;
 - i) Poultry Farms
 - ii) Fish Hatcheries and Breeding Farms and
 - iii) Software houses

Conditions

An industrial consumer shall have the option, to switch over to seasonal Tariff-F, provided his connection is seasonal in nature as defined under Tariff-F, and he undertakes to abide by the terms and conditions of Tariff-F and pays the difference of security deposit rates previously deposited and those applicable to tariff-F at the time of acceptance of option for seasonal tariff. Seasonal tariff will be applicable from the date of commencement of the season, as specified by the customers at the time of submitting the option for Tariff-F. Tariff-F consumers will have the option to convert to corresponding Regular Industrial Tariff category and vice versa. This option can be exercised at the time of obtaining a new connection or at the beginning of the season. Once exercised, the option will remain in force for at least one year.

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

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

B-2 SUPPLY AT 400 VOLTS

1. This tariff is applicable for supply to Industries having sanctioned load of more than 25 kW up to and including 500 kW.

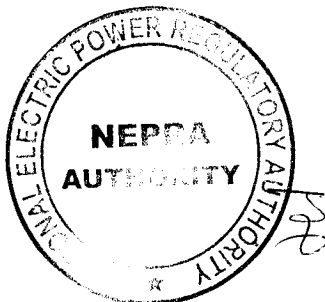
2. All existing consumers under tariff B-2 shall be provided T.O.U metering arrangement by the Company and converted to B-2(b) Tariff.
3. All new applicants i.e. prospective consumers applying for service to the Company shall be provided T.O.U metering arrangement and charged according to the applicable 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 BULK SUPPLY

“Bulk Supply” for the purpose of this Tariff, means the supply given at one point for self-consumption not selling to any other consumer such as residential, commercial, tube-well and others.

General Conditions

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

C-I SUPPLY AT 400/230 VOLTS

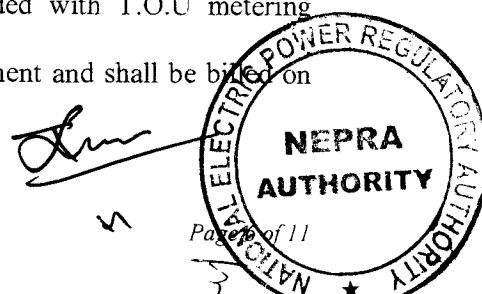
1. This Tariff is applicable to a consumer having a metering arrangement at 400 volts, having sanctioned load of up to and including 500 kW.
2. Consumers having sanctioned load less than 5 kW shall be billed on single-part kWh rate i.e. C-I(a) tariff.
3. All new consumers having sanctioned load 5 kW and above shall be provided T.O.U metering arrangement and shall be billed on the basis of Time-of-Use (T.O.U) tariff C-1(c) given in the Schedule of Tariff.
4. All the existing consumers governed by this tariff having sanctioned load 5 kW and above shall be provided T.O.U metering arrangements.

C-2 SUPPLY AT 11 kV AND 33 kV

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

C-3 SUPPLY AT 66 kV AND ABOVE

1. This tariff is applicable to consumers having sanctioned load of more than 5000 kW receiving supply at 66 kV and above.
2. If the Grid Station required for provision of supply falls within the purview of the dedicated system under the NEPRA Eligibility Criteria, the supply under this Tariff shall not be available to such a prospective consumer unless he provides, to the satisfaction and approval of the Company, an independent grid station of his own including Land, Building, Transformers, Circuit Breakers and other necessary equipment and apparatus as part of the dedicated distribution system for receiving and controlling the supply, or, alternatively, pays to the Company for all such Land, Building, Transformers, Circuit Breakers and other necessary equipment and apparatus if so provided and installed by the Company. The recovery of cost of service connection shall be regulated by NEPRA Eligibility Criteria.
3. Existing consumers governed by this tariff shall be provided with T.O.U metering arrangement and converted to C-3(b).
4. All new consumers shall be provided TOU metering arrangement and shall be billed on the basis of tariff C-3(b) as set out in the Schedule of Tariff.



D AGRICULTURAL SUPPLY

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

Special Conditions of Supply

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

D-1

1. This tariff is applicable to all Reclamation and Drainage Operation pumping under SCARP related installation having sanctioned load of less than 5 kW.
2. Consumers having sanctioned load less than 5 kW shall be billed on single-part kWh rate i.e. D-1(a) tariff given in the Schedule of Tariff.
3. All new consumers having sanctioned load 5 kW and above shall be provided TOU metering arrangement and shall be charged on the basis of Time-of- Use (T.O.U) tariff D-1(b) given in the Schedule of Tariff.
4. All the existing consumers having sanctioned load 5 kW and above shall be provided T.O.U metering arrangements and shall be governed by D-1(a) till that time.

D-2

1. This tariff is applicable to consumers falling under Agriculture Supply having sanctioned load less than 5 kW excluding SCARP related installations.
2. Consumers having sanctioned load less than 5 kW shall be billed on single-part kWh rate i.e. D-2(a) tariff given in the Schedule of Tariff.
3. All new consumers having sanctioned load 5 kW and above shall be provided TOU metering arrangement and shall be charged on the basis of Time-of- Use (T.O.U) tariff D- 2(b) given in the Schedule of Tariff.
4. All the existing consumers having sanctioned load 5 kW and above shall be provided T.O.U metering arrangements and shall be governed by D-2(a) till that time.

E -1 TEMPORARY RESIDENTIAL/COMMERCIAL SUPPLY

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

Special Conditions of Supply

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

E -2 TEMPORARY INDUSTRIAL SUPPLY

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

SPECIAL CONDITIONS OF SUPPLY

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

F SEASONAL INDUSTRIAL SUPPLY

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

Definitions

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

Special Conditions of Supply

1. This tariff is applicable to seasonal industry.
2. Fixed Charges per kilowatt per month under this tariff shall be levied at the rate of 125% of the corresponding regular Industrial Supply Tariff Rates and shall be recovered only for the period that the seasonal industry actually runs subject to minimum period of consecutive months during any twelve consecutive months. The condition for recovery of Fixed Charges for a minimum period of six months shall not, however, apply to the

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

G PUBLIC LIGHTING SUPPLY

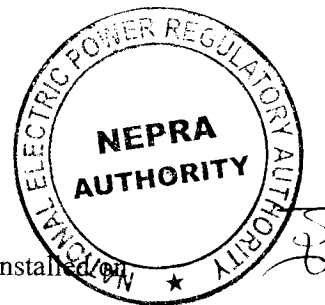
"Public Lighting Supply" means the supply for the purpose of illuminating public lamps.

Definitions

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

Special Conditions of Supply

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



H RESIDENTIAL COLONIES ATTACHED TO INDUSTRIES

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

Definitions

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

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

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

Special Conditions of Supply

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

I. TRACTION

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

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

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

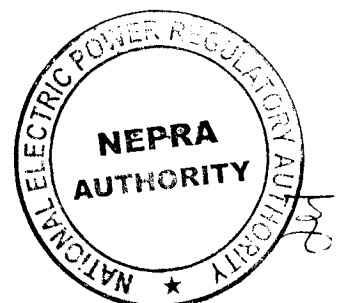
- i. To a licensee procuring power from HESCO for the purpose of further supply within its respective service territory and jurisdiction.
- ii. To an O&M operator under the O&M Agreement within the meaning of NEPRA (Supply of Power) Regulations 2015 duly approved by the Authority for the purpose of further supply within the service territory and jurisdiction of the HESCO
- iii. To an Authorized agent within the meaning of NEPRA (Supply of Power) Regulations 2015, procuring power from the HESCO for further supply within the service territory and jurisdiction of the HESCO

J-1 SUPPLY TO LICENSEE

1. This tariff is applicable to a Licensee having sanctioned load of 20 MW and above receiving supply at 66 kV and above.
2. Existing consumers governed by this tariff shall be provided with T.O.U metering arrangement and converted to J-1(b).
3. All new consumers shall be provided TOU metering arrangement and shall be billed on the basis of tariff J-1(b) as set out in the Schedule of Tariff.



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SUPPLY UNDER O&M AGREEMENT

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

1. This tariff is applicable to an O&M operator receiving supply at 11 kV or 33 kV under the O&M Agreement duly approved by the Authority.
2. Existing consumers governed by this tariff shall be provided with T.O.U metering arrangement and converted to J-2(c).
3. All new consumers shall be provided TOU metering arrangement and shall be billed on the basis of tariff J-2(c) as set out in the Schedule of Tariff.

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

1. This tariff is applicable to an O&M operator receiving supply at 66 kV & above under the O&M Agreement duly approved by the Authority.
2. Existing consumers governed by this tariff shall be provided with T.O.U metering arrangement and converted to J-2(d).
3. All new consumers shall be provided TOU metering arrangement and shall be billed on the basis of tariff J-2(d) as set out in the Schedule of Tariff.

SUPPLY TO AUTHORIZED AGENT

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

1. This tariff is applicable to an authorized agent receiving supply at 11 kV or 33 kV.
2. Existing consumers governed by this tariff shall be provided with T.O.U metering arrangement and converted to J-3(c).
3. All new consumers shall be provided TOU metering arrangement and shall be billed on the basis of tariff J-3(c) as set out in the Schedule of Tariff.

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

1. This tariff is applicable to an authorized agent receiving supply at 66 kV & above.
2. Existing consumers governed by this tariff shall be provided with T.O.U metering arrangement and converted to J-3(d).
3. All new consumers shall be provided TOU metering arrangement and shall be billed on the basis of tariff J-3(d) as set out in the Schedule of Tariff.

