National Electric Power Regulatory Authority

Islamic Republic of Pakistan

Registrar

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No. NEPRA/TRF-278/IESCO-2014/3165-3167
March 10, 2015

Subject: **Determination of the Authority in the matter of Petition filed by Islamabad Electric Supply Company Ltd. (IESCO) for the Determination of its Consumer end Tariff Pertaining to FY 2014-2015 [Case # NEPRA/TRF-278/IESCO-2014]**

Dear Sir,

Please find enclosed herewith the subject Determination of the Authority along with Annexure-I, II, III, IV, V, VI & VII (73 pages) in Case No. NEPRA/TRF-278/IESCO-2014.

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

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

Enclosure: As above

10.03.15

(Syed Safeer Hussain)

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

CC:

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

National Electric Power Regulatory Authority

(NEPRA)

PETITION NO: NEPRA/TRF-278/IESCO-2014

TARIFF DETERMINATION

FOR

ISLAMABAD ELECTRIC SUPPLY COMPANY

(IESCO)

DETERMINED UNDER

NEPRA TARIFF (STANDARDS AND PROCEDURE) RULES - 1998

Islamabad

10th March, 2015

Abbreviations

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

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

CASE NO. NEPRA/TRF-278/IESCO-2014

PETITIONER

Islamabad Electric Supply Company Limited (IESCO), Street No 40, G-7/4, Islamabad.

INTERVENER

Nil

COMMENTATOR

Bahria Town Private Limited
Javaid Iqbal, Chairman Pakistan Steel Melters Association
Chaudhry Kashif, Representative of Warid Telecom Private Limited
Ufone (Pak Telecom Mobile Limited)

REPRESENTATION

1. Mr. Malik Muhammad Yousaf Awan, Chief Executive Officer
2. Najam Javaid, Finance Director
3. Mr. Tariq Mehmood, Director General (HR)
4. Mr. Fayyaz Hussain Siddiqui, Chief Engineer / Operational Director
5. Mr. Riaz Qadeer Bukhari, Additional Customer Services Director
6. Kawish Shriatullah, Chief Engineer / Technical Director
7. Khalid Masood, Additional DG (IS)
8. Miss Uzma Amjad Ali, ED Legal
9. Mr. Moazzam Hussain, Deputy Manager (Corporate Planning & Control)

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

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

10/3/2015
(Habibullah Khilji)
Member

10 3 15
(Khawaja Muhammad Naeem)
Member

10.3.15
(Himyatullah Khan)
Member

(Brig (R) Tariq Sadozai)
Chairman

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10.03.15

1. BACKGROUND

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

- Determination of tariff on the basis of anticipated sale of 8,333 M kWh, to recover the revenue requirement as mentioned in the petition including:-
    - Distribution Margin of Rs. 13,386 Million;
    - Working Capital Requirement f Rs 3,011 Million; and
    - Prior Year Adjustment of Rs. 3,431 Million
- Allow Investment plan of Rs. 8,506 Million.
- Allow flexibility to the Petitioner in respect of implementing the post retirement benefit plan into a separate fund;
- Revise the policy regarding lifeline consumers for the FY 2014-15;
- Approve tariff increase proposed by the Petitioner based on the submissions made in the tariff application;
- Allow the interest on working capital as per the working submitted;
- Approve the Fuel Adjustment charges based on the submission;
- Condone any inadvertent omissions / errors/ rounding off difference / shortcomings submitted in this tariff petition;
- Any other relief, order or direction which the Authority deems fit.

2. PROCEEDINGS:

2.1 In terms of rule 4 of the Rules, the Petition was admitted by the Authority on 8th September, 2014. In compliance of the provisions of sub-rules (5) & (6) of the Rule 4 and Rule 5, notices of admission and hearing were sent to the parties which were considered to be affected or interested. An advertisement in this regard was also published in the leading national newspapers with the title and brief description of the petition on 19th September, 2014.

3. FILING OF OBJECTIONS/ COMMENTS:

3.1 Comments/replies and filing of intervention request, if any, was desired from the interested person/ party within 7 days of the publication of notice of admission, i.e., September 19, 2014 in terms of Rule 6, 7 & 8 of the Rules. In response thereof, neither any reply was filed nor any intervention request was filed within the prescribed time. However, on the date of hearing, comments on the proceedings were made by representatives of Bahria Town Private Limited, Warid Telecom (Private) Limited,

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Chaudhry Kashif, Representative of Telecom Sector and Ufone (Pak Telecom Mobile Limited). Subsequently, written comments were also received from Bahria Town Private Limited

3.2 Bahria Town Private Limited- Commentator

3.2.1 The brief contentions and concerns raised by the representative of Bahria Town Private Limited (BTPL), during the hearing and subsequently, are as under:-

- Due to the earlier revision of Petitioner's C-3 tariff in July 2013, BTPL is suffering huge financial loss because of:
  - Substantial increase in purchase price /KWh
  - Increase in MDI charges /KWh
  - Non reimbursement of Govt. subsidy to BTPL for its consumers.
- The Petitioner's request for further increase in its consumer end tariff category C-3 for the FY2014-15 may not be entertained.
- A new slab of C-3 for bulk purchase consumers for housing societies /colonies be created and brought at par with bulk purchase rate of Petitioner.

3.3 Javaid Iqbal, Chairman Pakistan Steel Melters Association– Commentator

3.3.1 The concerns raised by Chairman, Pakistan Steel Melters Association during the hearing are given as under:-

- There is variation in industrial tariff inter-DISCOs. The tariff of Peshawar Electric Supply Company (PESCO) is lower than that of the Petitioner's consumer end tariff for the industrial consumers. This factor has caused industries in the Petitioner's distribution area, to suffer tremendously and started an unhealthy competition across the industries of Pakistan.
- The Load shedding timings for industries are up to 12 hours in Islamabad, whereas, the Industrial area under PESCO's control has only 4 hours load shedding. The timings and schedule are different for industries in other zones. Consequently, the production costs of similar items vary from zone to zone depending upon the availability of electricity. Therefore, there should be uniform load shedding timings and routine for industrial consumers all over the country.

3.4 Chaudhry Kashif, Representative of Warid Telecom (Pvt) Limited and Representative of Ufone (Pak Telecom Mobile Limited) -Commentators

3.4.1 The Commentators stated the following concerns in the hearing:

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- The Petitioner has raised a contention that it is suffering a revenue loss due to installation of TOU meters on cellular companies' connections. The Authority also held a hearing on the matter and telecom companies were directed to submit the evidence against the allegation. The same documentation has been submitted to the Authority. The Commentator argued that all the companies are doing load management and investing in alternate solutions to minimize electricity usage during peak hours. The Commentator quoted an example of charging the batteries through solar panels. In view thereof , as per the Commentator the concerns of the Petitioner are not valid.
- The hearing conducted by the Authority as suo moto proceedings in the matter of TOU metering of cellular companies has been challenged on legal grounds and a stay has been granted. Consequently, the matter of TOU metering on the cellular companies, may not be made as an issue in the instant tariff determination proceedings.
- The Petitioner must share a working of losses claimed , post TOU metering of cellular companies.

4. FRAMING OF ISSUES

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

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

ii. Whether the concerns raised by the Commentators are justified?

iii. Whether the Petitioner's projected purchases of 9,200GWhs and sales of 8,332GWhs units for the FY 2014-15, is reasonable?

iv. Whether the Petitioner's proposed transmission and distribution losses of 9.43% for the FY 2014-15, are justified?

v. Whether the Petitioner projected power purchase cost of Rs.104,782 million (Rs.11.39/kWh) for the FY 2014-15 is justified?

vi. Whether the Petitioner projected O&M cost of Rs.9,763 million (Rs.1.17/kWh) for the FY 2014-15 is justified?

vii. Whether the Petitioner proposed depreciation charge of Rs.2,284 million (0.27 /kWh) for the FY 2014-15, is justified?

viii. Whether the Petitioner projected Return on Regulatory Asset base of Rs.3,339 million (Rs.0.40 /kWh) for FY 2014-15, is justified?

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ix. Whether the Petitioner projected other income of Rs.2,000million (Rs.0.24/kWh) for the FY 2014-15, is reasonable?

x. Whether the Petitioner's proposed Investment plan of Rs.8,506 million for the FY2014-15,is justified?

xi. Whether the Proposed revenue requirements of Rs.124,610 at an average sale rate of Rs.14.95 /kWh for the FY2014-15, is justified?

xii. Whether the prior year adjustment calculated by the Petitioner for the FY 2014-15 is Accurate?

xiii. Whether the Petitioner proposed interest on working capital requirement Rs.3,011 million for the FY 2014-15 is justified?

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

xv. Whether the petitioner's claim for financial charges on loan obtained by Power sector for meeting fuel cost obligation towards the generation and oil companies is reasonable?

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

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

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

5. HEARING

5.1 The pleadings so available on record were examined by the Authority in terms of rule 9 of the Tariff Rules; accordingly in order to arrive at a just and informed decision, it was decided to conduct a hearing in the matter on 30th September, 2014. In compliance of Rule 5 of the Tariff Rules notice of admission/hearing were sent to the concerned parties and published in the leading newspapers on 19th September, 2014. In compliance thereof, the hearing was conducted on 30th September, 2014 at NEPRA Head Office, Islamabad. During the hearing, the Petitioner was represented by Mr. Malik Muhammad Yousaf Awan, Chief Executive Officer, along with his financial and technical team. The Commentators and general public also participated in the hearing.

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

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

Tariff Methodology for the FY 2014-15.

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

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

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

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

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

Quarterly Adjustments

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

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

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Monthly Fuel Adjustments

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

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

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

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

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

7. <u>**Issue #2. Whether the concerns raised by the Commentators are justified?**</u>

7.1 **Response of the Authority on the comments** of Bahria Town Private Limited.

The response of the Authority on the concerns of commentator is as under:-

- Broadly speaking , consumer-end tariff of any category is primarily affected by changes in its cost components and one of the major component is change in fuel prices. The increase to which the Commentator is referring to was based

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on increased fuel prices. The consumer- end tariff for the C-3 supply would reflect the trend of current fuel prices. Here it is pertinent to mention that the commentator has made a statement of suffering huge losses because of revision in tariff, yet it has not substantiated its statement with any working or evidence. In addition to the aforementioned, the Petitioner has filed a tariff petition for the determination of its consumer-end tariff , hence the Authority would adjudicate on the subject in the respective decision.

- The Authority does not allow the increase as requested by the Petitioner, rather it carry out its own due diligence to assess their reasonability of the cost or otherwise.
- The recommendation of Commentator for creating a new slab for bulk purchase consumers of Housing colonies would be considered after taking all the stakeholders on board. In view thereof, the Authority has decided to consider the matter in the next year's tariff petition.

Response of the Authority on the comments of Javaid Iqbal, Chairman Pakistan Steel Melters Association.

7.2 The Authority considered the concerns of the commentator and is of the view that:-

- The variation in industrial tariff between the PESCO's and other DISCOs was caused due to different dates of notification of consumer- end tariff for the FY 2012-13 by Government of Pakistan for PESCO and other DISCOs. However, the disparity has now been removed with the latest notification of GoP vide S.R.O. no. 1014 (1)/2014 dated 31st October, 2014, whereby the earlier tariff notification vide S.R.O 325 (1)/2014 dated April 25, 2014 shall be deemed to have taken effect from 1st July, 2012. As a result thereof the Authority's determined consumer- end tariff for the PESCO has become at par with other DISCOs. Here it pertinent to mention that the Commentator is an Intervener in the tariff determination process in the matter of PESCO. The Commentator's concerns are deliberated in detail in the decision of PESCO for the FY 2014-15.
- On the issue of load shedding, the Commentator has a recourse under NERPA complaint handling procedures, therefore a complaint in this regard can be filed with NEPRA Consumer Affair Division.

Response of the Authority on the comments of Chaudhry Kashif, Representative of Warid Telecom (Pvt) Limited and Representative of Ufone (Pak Telecom Mobile Limited) .

7.3 The Authority considered the contentions of the commentator and the response in this regard is given as below:-

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- The Authority has deputed a team of techncial professionals to study the data submitted by Warid and the Petitioner. The same is under consideration and the findings shall be shared with the commentator in due course. As regard the sharing of working with respect to the losses , the same would be shared as the Authority would proceed further .

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

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

Receivables from AJK

8.2 While deciding the tariff determination for the FY 2012-13 and FY 2013-14, the Authority discussed in detail the amount receivable from Government of Azad Jammu & Kashmir (AJK) as appearing in the financial statements. The Petitioner was directed in the previous year's tariff determination to take up the matter of recovery from AJK seriously with the GoP and submit relevant communications in this regard to the Authority.

8.3 The Petitioner stated in the Petition that the claim has been lodged with the Ministry of Water & Power vide multiple letters dated 28th October, 2013, 20th February, 2014, 27th May, 2014 and 9th June, 2014. The Authority notes that as per the financial statements of the Petitioner, the receivables from AJK have increased from Rs. 15,131 million of last year to Rs. 24,849 million as at financial year ended 30th June, 2014. The Petitioner has explained in the notes to the financial statement that claim of this amount has been lodged with the MoWP and Ministry of Finance for the period April, 2008 to June, 2014 and management is confident that the amount will be recovered in near future. The Authority expresses its concern on the long outstanding dispute and directs the Petitioner to take up the matter of recoveries in the sub-committee constituted in this regard. and directs it to share the update on the recovery with the Authority not later than 30th April, 2015.

Tariff based on Cost of Service Study Model

8.4 The Authority discussed in detail the modalities of cost of service study undertaken by Power Development Program (PDP) of USAID in respect of few DISCOs (IESCO, MEPCO, FESCO, LESCO and GEPCO) named as Fully Allocated cost of service study in para 21 of the tariff determination of the Petitioner for FY 2013-14. The Authority

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directed the Petitioner to submit its next tariff petition based on the cost of service study conducted by PDP Team.

8.5 The Petitioner vide its letter no. 10954/IESCO/CEO/CS dated 31st March, 2014, informed the Authority that USAID -PDP team has been requested to provide the training to staff of the Petitioner for compliance of NEPRA Directives. Subsequently, the Petitioner filed its petition on the cost of service model and attached consumer-end tariff working based on this model.

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

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

- Energy Cost is 100% allocated on the basis of each customer class share in the total energy (kWh) received by DISCO at CDP points;
- Capacity Cost and Transmission cost is 100% allocated in the ratio of each customer class peak demand (kW) to the DISCO's computed peak demand.
- O&M cost to the extent of Repair and Maintenance, Depreciation, working capital (if any) and Other income is allocated to each level of power distribution (132/66kV, 11kV, 0.4/0.2kV) in accordance with the proportionate share of assets deployed to provide service at that voltage level divided by the total assets deployed for power distribution.
- Advertising expense and bill collection charges are allocated 100% on the basis of proportionate number of Customers in each customer class to the total number of customers.
- Remaining heads of O&M cost, i.e., Salaries, wages and other miscellaneous expenses are allocated to each level of power distribution (132/66kV, 11kV, 0.4/0.2kV) based on the allocated distribution margin (excluding advertising, bill collection and administrative expenses) for that voltage level divided by DISCO's total distribution margin (excluding advertising, bill collection and administrative expenses).

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- Other income and amortization of deferred credit is allocated to each level of power distribution (132/66kV, 11kV, 0.4/0.2kV) based on the allocated distribution margin (excluding administrative expenses) for that voltage level divided by DISCO's total distribution margin (excluding administrative expenses).
- Prior year adjustment is allocated on the basis of respective share of each customer category in every functionally classified item.

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

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

9. <u>Issue # 4. Whether the Petitioner's projected purchases of 9,200 GWh and sales units of 8,332 GWh for the FY 2013 -14, are reasonable?</u>

9.1 The Petitioner submitted that it has estimated purchases to be 9,200 GWhs in the FY 2014-15 based on actual purchases of 9,049 GWhs during the FY 2013-14. The Petitioner further stated that it has estimated sales units based on a losses target of 9.44%. During the hearing, the Petitioner showed the following summary of purchase and sale units in the last four years;

Years	Purchase of units in GWh	Sale of units in GWh	Percentage Growth
2011	8,502	7,674	
2012	8,330	7,537	(2.0%)
2013	8,573	7,764	3%
2014	**9,049**	**8,192**	**6%**
2015 (projected)	9,200	8,333	2%

9.2 Although, there is an inbuilt mechanism for adjusting actual variation in sales against the estimated sales, yet in order to avoid unnecessary fluctuations in the consumer-end tariff it is appropriate to make realistic assessment of the purchases and sales

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Moreover, it is also important for the realistic assessment of monthly reference fuel cost for making monthly fuel cost adjustment pursuant to Section 31(4) of Regulation of Generation, Transmission and Distribution Act (XL 1997). In view thereof, the Authority has carried out a detailed exercise for estimating station wise generation pertaining to the FY 2014-15. An increase of 0.78% has been assumed over the actual generation pertaining to the FY 13-14, as generation growth. Here it is pertinent to mention that the actual generation for the FY 2013-14 was 9% more than the actual generation for the FY 2012-13. After incorporating all the upcoming additional generation, it is estimated that in the FY 2014-15 the overall system generation will be about 95,892 GWh. After adjusting for the permissible transmission losses of 3.0% about 93,015 GWh are expected to be delivered to the distribution companies; the estimated share for the Petitioner from the pool for the FY 2014-15, is accordingly assessed as 9,057 GWh as against 9,200 GWh projected by it. After incorporating the T&D losses target for the FY 2014-15 (discussed below) the sales target for the same period worked out as 8,202 GWhs.

10. <u>Issue #5. Whether the Petitioner's proposed transmission and distribution losses of 9.50% for the FY 2014-15 are justified?</u>

10.1 The Petitioner has requested T&D losses target of 9.50% for the FY 2014-15. The request is based on the T&D losses target assessed by the Authority for the FY 2013-14. The Petitioner also presented the following summary of T&D losses in the last seven years;

Years	Units Purchased in GWhs	Units Sold in GWhs	Units Loss in GWhs	Loss in %
2008	8,061	7,232	829	10.28%
2009	8,071	7,201	870	10.78%
2010	8,396	7,575	870	10.78%
2011	8,502	7,674	828	9.74%
2012	8,330	7,537	793	9.52%
2013	8,573	7,764	809	9.44%
2014	9,049	8,192	856	9.46%
2015 (Projected)	9,200	8,333	867	9.43%

It was further argued that the Authority has always been of the view that the Petitioner can reduce its T&D losses by taking up certain improvements in the existing

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distribution networks. The Petitioner stated that further reduction in T&D losses is implausible given the fact it has nearly reached the point of saturation and investments are carried primarily to sustain the existing system and to contain current level of T&D losses due to expansion in the system, specifically through rural electrification.

10.2 During the hearing, the Petitioner submitted a list of factors that are contributing towards higher T&D losses;

- Increase in number of consumers
- Increase in Load
- Significant increase in Tariff Rates
- Introduction of One Slab Benefit rather than Multiple Slab Benefit
- Expansion of Distribution System
- Deterioration of Distribution System
- Proportionate Shortage of Staff

10.3 The Petitioner further stated that it has taken significant steps to counter this increase in T&D losses by building new grid stations, up-gradation of grids to 132 kV, installation and augmentation of Power Transformers and laying of 132 kV lines. As per the Petitioner it has incurred a total investment of Rs. 9,257 million under these aforementioned heads which has caused a reduction in T&D losses .

Years	Transmission losses in %	Distribution losses in %	T&D Losses in %
2009	3.35%	7.7%	10.78%
2010	2.17%	7.8%	9.8%
2011	2.00%	7.9%	9.7%
2012	1.76%	7.9%	9.5%
2013	1.77%	7.8%	9.4%
2014	**1.67%**	**7.9%**	**9.5%**

Based on the afore stated grounds, the Petitioner has assumed the T&D losses target of 9.5% for the FY 2014-15.

10.4 The Authority observed that the Petitioner had submitted the same argument as were given for the last two years. The Authority, while deciding the cases, concluded that the Petitioner failed to submit any break-up of losses in terms of increase in losses caused by system expansion and contribution of investment programs, in sustaining the existing level of losses. Again in the instant petition, the Petitioner has failed to

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substantiate its claim with any working or reconciliation. The Authority is of the opinion that the Petitioner should undertake only such village electrification which is feasible and duly supported by technical evaluation. If any village electrification project results in enhancing the existing level of T&D losses, the excessive losses must be monetized and should be treated as a part of the project cost in the technical evaluation of the project. Any exception to this order shall bear onus to the Petitioner and the Authority shall not allow any increase in loss to cater for such an expansion.

10.5 On the reasons of high T&D losses, although the Petitioner has cited factors yet has not justified as how these factors are affecting the Petitioner; since the factors such as increase in consumers, load, state of distribution system are already covered in the investment schemes such as DOP , ELR which the Petitioner carries out on a regular basis. While giving reasons such as shortage of staff, increase in tariff and allowing benefit of one slab only, the Petitioner has not substantiated it with any rationale or justification. Here it pertinent to mention that the Authority has always directed XWDISCOS to train their existing meter readers and submit request for any additional hiring based on proper cost benefit analysis and best utility practices.

10.6 The Authority, in order to judge the accuracy of Petitioner's claims, directed the Petitioner to conduct a study of its existing distribution network from an Independent Consultant. The direction was aimed at assisting the Petitioner in identifying potential areas for improvements and to carry out investments with technical advisories. It was further directed that the TORs of the study should include study of losses on 132 kV, 11kV and below and to submit completion timelines. The Authority also brought on record in the said tariff determination that study of losses on LT lines is a huge task and therefore, allowed the Petitioner to select a reasonable sample of LT lines in order to carry out study and clarify the situation. It was further directed that to share the TORs of the study with the technical division of NEPRA. the Petitioner responded vide letter no. 10954/IESCO/CEO/CS dated 31st March, 2014 and requested to extend the date of compliance up to June 30, 2014. Thereafter, the Petitioner in its petition stated that it has floated a tender to conduct the study of T&D losses, the evaluation of bids is in process and the outcome shall be shared with the Authority in due course of time. The Petitioner vide letter # 22582-83/CEO/IESCO/CE(P&E)/HT-1471 date 30th December, 2014, informed the Authority that it has hired a Consultant for its study. The Authority has observed that the Petitioner has not submitted completion timelines for the said study. In view thereof, the Authority directs the Petitioner to submit the completion timelines at the earliest.

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10.7 In the absence of any study, the Authority is constrained to rely on its own assessment it has decided to maintain the level of T&D losses for the FY 2014-15 at the last year's level of 9.44%.

11. **Issue #6. Whether the Petitioner's proposed Investment plan of Rs 8,506 million for the FY 2014-15, is justified?**

11.1 The Petitioner has requested Rs. 8,506 million to execute its development/ investment plan for the FY 2014-15 in the areas of Distribution of Power (DOP), Energy Loss-Reduction (ELR), Secondary Transmission & Grid (STG), Enterprise Resource Planning (ERP), Hand Held units and consumer financing. The break-up of proposed investment provided by the Petitioner is as under:

Particulars	Rs. In Million
Development of Power (DOP)	855
Energy Loss Reduction (ELR)	500
Secondary Transmission & Grid (STG)	3,241
Enterprise Resource Plan (ERP)	260
Hand Held Units	150
Consumer Financing	3,500
Sub-Total	**8,506**

11.2 The Petitioner plans to fund the aforementioned investments through;

Loan	Rs. 3,131 million
Own Resources	Rs. 1,875 million
Government Grant	-
Consumer Contribution	Rs. 3,500 million
Total	**Rs.8,506 million**

11.3 During the hearing, the Petitioner showed the following break-up of investment plan for the FY 2014-15;

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Particulars	Description	Amount in Rs. in million
DOP	Civil Works /T&P/Security Equipment Cost / VE / Connections	419
	DOP- HT	120
	DOP-LT	150
	DOP- OTHER PLANT /MOBILE PLANT	166
DOP	**TOTAL**	**855**
ELR	ELR -HT	300
	ELR-LT	200
ELR	**Total**	500
STG	6TH STG- WB	3,241
	6TH STG- ADB	
STG	**Total**	**3,241**
ERP		260
Hand Held Units		150
Deposit Works / Others		3,500
Total		**8,506**

11.4 The details of requested investment as submitted with Petition are as below:

11.4.1 **Development of Power (DOP)**

i. Civil Works: The Petitioner has submitted a civil works budget estimate for the FY 2014-15, which includes a list of civil works to be performed in various areas under jurisdiction of the Petitioner. The works include construction of office complexes, residential flats and bungalows, sewerage system etc. The total cost in this respect is estimated to be Rs. 310 million.

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ii. HT/LT: The Petitioner has again submitted a capital budget estimate in respect of this capital expense prepared by Project Director of the Petitioner. The budget includes a summary of expenses proposed to be incurred as below;

Description	Budgeted Expense in FY 2014-15
New Feeders HT	120
New Feeders LT	150
Village Electrification	50
Total	320

iii. Mobile Plant: The Petitioner has also submitted a capital budget estimate in respect of vehicles to be purchased as prepared by Deputy Manager (GSO/MM) for Deputy Manager(CPC). The budget includes a summary of 5 tenders to be opened on 11th March, 2014 as per decision of the Petitioner's, BOD. As per the summary, a total of 98 vehicles shall be procured comprising of pick-ups, vans and trucks under a proposed budget of Rs. 167.25 million. The Petitioner also stated that NEPRA has approved the transport replacement plan for the Petitioner subject to the condition that it is correlated with the actual. On same grounds, the tender process has been initiated and the Petitioner submitted that an expense of Rs. 113 million shall be spent in this head during FY 2014-15.

11.4.2 **Energy Loss Reduction (ELR)**

HT/LT: The Petitioner has submitted a capital budget estimate in respect of this capital expense prepared by Project Director of the Petitioner. The budget included a summary of expense proposed to be incurred as below;

Description	Budgeted Expense in FY 2014-15
Renovation HT	300
Renovation LT	200
Total	500

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No further detail or break-up, cost / benefit analysis has been provided.

11.4.3 **Secondary Transmission & Grid (STG)**
The Petitioner has submitted that the STG expense shall comprise of;

Description	Budgeted Expense in FY 2014-15
ADB (Foreign) Tranche-II	210.30
ADB (Foreign) Tranche-III	1,784.043
ADB (Local) Tranche-II	250
ADB (Local) Tranche-III	615.46
Own Resources	381.209
Total	3,241

No further detail or break-up, cost / benefit analysis has been provided.

11.4.4 **Enterprise Resource Plan (ERP)**
The Petitioner has submitted that based on NEPRA's previous approval for implementation of ERP in the Petitioner, it has estimated that an investment expense of Rs. 756 million will be required in three years, of which Rs. 260 million shall be required in 2014-15.

11.4.5 **Hand Held units**
The Petitioner has submitted that in order to improve the billing and metering, its Board of Directors (BOD) has advised to utilize new technologies like Hand Held units. As per the Petitioner, this device shall reduce the consumer complaints and also reduce the work at the Petitioner's consumer services centers regarding correction of bills. Consequently, the Petitioner has requested an amount of Rs. 150 million to procure these units.

11.4.6 In addition to the aforementioned, the Petitioner has also requested for following additional investment proposals;

Security Plan: The Petitioner submitted that the BOD has approved a security plan to safeguard the assets and it is estimated that an amount of Rs. 300 million shall be

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Establishment of IESCO 24/7 Call Centre: The Petitioner stated that it maintains and operates round-the-clock emergency services to deal with supply-related complaints and undertake rectification works. The Petitioner also stated that during the year it introduced helpline 118 for addressing the consumers' complaints.

11.5 Although the Petitioner has submitted some information such as internal capital expenditure budgets which contain list of expense, yet it does not provide anything on the perceived benefits of these investments e.g. correlation between ELR and reduction/maintenance of losses, augmentation and maintenance of transmission lines with STG, DOP with better customer services etc. i.e. the Petitioner has not provided any working or details which establishes that after carrying out the aforementioned investments, it would achieve a certain efficiency level with respect to T&D losses, performance standards and customer service.

11.6 From the available information, it is not clear that the Petitioner's submitted civil works plan of Rs. 310 million, under the head of DOP is exclusive for the DOP or it has a component of housing plan. The Authority brings on record that the Petitioner submitted a similar housing plan as approved by BOD in the last year's petition which is reproduced in para 12.4 of the tariff determination for the FY 2013-14. The Petitioner submitted a four year plan under which an amount of Rs. 454 million was requested for FY 2013-14 and Rs. 266 million was proposed for FY 2014-15. If the Petitioner is requesting the same civil under the proposed housing plan , then the Authority denies the same on the grounds stated in para 12.7 of the tariff determination for FY 2013-14. If the this civil work is something which is mandatory for the Petitioner for carrying out its DOP plan, the Authority allows the Petitioner to carry out the same. The Petitioner has also intended to carry out rural electrification the Authority, again directs the Petitioner to undertake only such village electrification which is feasible and duly supported by technical evaluation. The mobile plant request was also made by the Petitioner in the previous year's tariff determination which was allowed subject to the condition that the Petitioner correlates the proposed benefit with the actual. The Petitioner stated that it is in the tender opening process, hence the same cost is requested again. Since the same cost was allowed in the last year, hence the Authority sees no need of another endorsement. Once the Petitioner would physically acquire any asset it would reflect in its actual RAB and the same would be catered for in its next year's return.

11.7 As per the Petitioner an amount of Rs. 3,241 million shall be spent on STG investments under World Bank and ADB loans. A review of financial statements of the Petitioner

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for the FY 2013-14 reveals that the total loan outstanding from World Bank is nill and from ADB is Rs. 3,380 million. Consequently, the Petitioner is directed to provide details of STG activities being funded by World Bank in the next tariff petition. Further, the Authority also directs the Petitioner to submit details of actual investments undertaken under the head of DOP, ELR and STG in the FY 2013-14 against the corresponding benefits not later than 30th June, 2015.

11.8 The request for ERP was also made in the last year's tariff petition. The Authority approved an expense of Rs. 260 million in the FY 2013-14 in this regard. In current year, the Petitioner has stated that the total expense in this regard shall be Rs. 756 million out of which Rs. 260 million is required in FY 2014-15. Since the same cost was allowed in the last year, hence the Authority sees no need of another endorsement. Once the Petitioner would physically acquire any asset it would reflect in its actual RAB and the same would be catered for in its next year's return. With respect to the Hand Held units, the Petitioner is encouraged to carry out such investments which could reduce manipulation in the consumers consumption data by the meter readers. Keeping in view the benefits, which would accrue to the consumers the requested amount with respect to hand held units is being allowed as such. However, the Petitioner will submit the details of the investments pertaining to HHUs along with its completion timelines not later than 30th June, 2015.

11.9 The Authority considers that the Petitioner's concerns with respect to security need may be genuine but the proposal need to be comprehensive duly supported with detailed working and justification. The Petitioner may submit the required information before the submitting its next tariff petition in this regard on the basis thereof the Authority will consider the Petitioner's request accordingly.

11.10 With regard to the call centre submission, the Authority has already allowed the investment during the last year's tariff determination along with the direction to print the call centre's number on the consumer bills in addition to advertisement on different media channels. The Authority also directed the Petitioner to submit daily complaint reports to its Consumer Affair Division and to give access of the system to Member Consumer Affair so that he may be able to monitor the complaint redercessal any time he feels necessary. The Petitioner, vide its letter no. 10954/IESCO/CEO/CS dated 31st March, 2014 and during the hearing informed the Authority that the call centre number is being printed on the bills and that the Authority has been provided access to the call centre's data base.

11.11 Despite the aforementioned shortcoming in the provided information, the Authority cannot ignore the requirement of investments in order ensure a sustainable supply of electricity to the electricity consumers. The information provided by the Petitioner

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revealed that it carried out capital expenditure of Rs. 4,792 million & Rs. 4,483 million during the FY 2012-13 and FY 2013-14 respectively. The aforementioned amounts include the impact of consumer contribution to the extent of Rs. 2,195 million & Rs. 2,612 million respectively. Thus, net capital expenditure carried out through loans and own resources, works out as Rs. 2,597 million and Rs. 1,871 million during the FY 2012-13 and FY 2013-14 respectively.

11.12 Based on the available record, arguments, evidence and the fact that these allowed investments indirectly affect the annual Return on Rate Base (RORB) for a DISCO, hence, while allowing investments for any control period the Authority has to keep in view the past trend of investment made by the Petitioner along with its funding arrangements and its previous trend of closing CWIP and transferring of useful assets from CWIP to operating assets. Based on the discussions in preceding paragraphs, it is expected that the Petitioner would be able to undertake the investment of Rs. 7,823 million during the FY 2014-15 (including the impact of consumer contributions of Rs. 3,500 million). Here it is pertinent to mention that the existing mechanism of determining RORB is self adjusting with respect to the benefits of investments, thus any investments beyond Authority's assessment, carried out by the Petitioner during the FY 2014-15 (which is desirable), would be catered for in next year's returns.

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

12.1 The Petitioner, in its petition requested an amount of Rs. 4,793 million under the head of Prior Period Adjustment including Impact of Late Determination / notification of tariff and sales mix variance. The Petitioner also stated that based on NEPRA's direction it has filed claims of Fuel Price Adjustment (FPA) of 50 units to 350 units' consumption to the Federal Government and any recovery made on this account shall be intimated to NEPRA.

12.2 The Authority, after considering the audited accounts of the Petitioner pertaining to the FY 2013-14 and taking the impact of aforementioned adjustment, has assessed the following Prior Period Adjustment;

		Rs. Million
	Notified reference PPP during the FY 2013-14	88,070
	Assessed Distribution Margin for the FY 2013-14	8,158
	Assessed PYA for the FY 2013-14	(2,197)
Add ;	1st Qrt's PPP adjustment pertaining to the FY 2013-14	1,992
Add;	2nd Qrt's PPP adjustment pertaining to the FY 2013-14	940
Add;	3rd Qrt 's PPP adjustment pertaining to the FY 2013-14	22
Add;	4th Qrt's PPP adjustment pertaining to the FY 2013-14	2,144
Less ;	Regulated PPP recovery on notified rates during the FY 2013-14	94,913

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Less;	Regulated DM recovery on notified rates during FY 2013-14	7,739
Less;	Regulated PYA recovery on notified rates during FY 2013-14	9,046
Less;	Net impact of assessed & actual Other Income for the FY 2013-14	230
Add;	Impact of Consumer – Mix Variance for the FY 2013-14	(940)
Total Unrecovered/ (Over recovered) Costs for the FY 2013-14		**(13,793)**

12.3 The Authority directed the Petitioner in the tariff determination for FY 2013-14 to submit Auditor's certificate regarding the negative revenue adjustment of Rs. 1,212 million in the consumer mix variance computation by the Petitioner for the FY 2012-13 not later than 31st March, 2014. The Petitioner vide its letter no. 10954/IESCO/CEO/CS dated 31st March, 2014 informed the Authority that it has requested the auditor for the said certificate who has started the process of verification. The Petitioner also requested for an extension of time for the submission of certificate.

12.4 The Authority has neither been provided the desired certificate nor any update in this regard. The Authority considers that it is in the Petitioner' interest for early compliance of Authority's decision.

13. <u>**Issue #8. Whether the Petitioner's projected O&M Cost of Rs 9,763 million (Rs 1.17 /kWh) for the FY 2014-15 is justified?**</u>

13.1 The Petitioner requested an amount of Rs. 9,763 million on account of O&M cost. According to the Petitioner its O&M expenses include salary and other benefits, cost of recoupment of HR, repair and maintenance, traveling allowance, vehicle maintenance allowance and other operating costs related to its distribution and supply business. A history of O&M expenses of the Petitioner is provided as here under:

Description	2010 Audited	2011 Audited	2012 Audited	2013 Audited (Restated)	2014 Audited	2015 Requested
	Rs. In Million					
Salaries & Other Benefits	2,928	3,927	4,788	5,907	6,412	5,260
Maintenance Expenses	408	466	525	682	737	744
Traveling Expenses	109	136	157	178	193	248
Vehicle	241	226	276	311	338	308

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Running Expenses						
Other Expenses	363	353	383	392	480	491
Total	**4,049**	**5,108**	**6,129**	**7,470**	**8,160**	**7,051**

13.2 Salaries Wages & Other Benefits

13.2.1 The Petitioner in its petition submitted that it has estimated salaries and wages expense duly enhanced by 10% due to revision in salary rates by GoP. The Petitioner further stated that this increase in turn affects all the allied expenses / benefits such as dearness allowance, overtime allowances, leave with pay , pension and gratuity etc. No further details have been provided.

13.2.2 In order to make fair assessment of the salaries & wages, the Petitioner's audited accounts for the FY 2013-14 were analyzed. It was observed that the actual expense under the head of Salaries, wages & other benefits increased by Rs. 505 million (9%) in the FY 13-14. The increase is nominal and unlike last year where the Authority observed that excess provision was recorded on account of post retirement benefits.

13.2.3 The Petitioner has also filed a recruitment plan with the Petition. In the plan, the Petitioner has proposed hiring of staff on new posts created due to the creation of new sub-divisions, Customer service centers and Grids and due to increase in number of consumers. The Petitioner has also mentioned hiring of staff against the vacant posts of Meter Readers, Assistant Line Men, Bill Distributors etc. As per the Petitioner, it requires 974 additional staff of which 24 are officers. The Petitioner has not provided the additional financial impact on account of additional hiring due to which Authority is constrained to make fair assessment of the salaries, wages and benefits.

13.2.4 The Authority has directed the Petitioner in the last year's tariff determination that any request of additional recruitment must be linked with a comprehensive recruitment based on best utility practices which would link the additional work with the quantified benefits. The Authority has observed that the submitted details with respect to the recruitment plan, fails to justify the requested recruitments hence the same are not being considered.

13.2.5 Considering the overall liquidity position in the power sector and in order to ensure that the Petitioner fulfils its legal liability with respect to the post retirement benefits, the Authority directed the Petitioner to create a separate fund on this account before 30th June 2012, which was subsequently, extended by the Authority. The rationale for creation of funds was to ensure that the Petitioner records it liability more prudently as the funds would be transferred to a separate legal entity. In addition these

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independent funds would generate their own profits, if kept separate from the company's routine operations and in the longer run reducing the Distribution Margin and eventually consumer-end tariff. The Petitioner has informed the Authority that it has created a post retirement benefit fund and has complied with the Authority's direction .However, the Authority has not received any detail of amount transferred to the fund. Here it is pertinent to mention that the Authority had been allowing provisions of retirement benefits to the Petitioner in all previous years up till FY 2011-12 and the Petitioner has a practice of withholding distribution margin (DM) and transferring the remaining amount to CPPA.

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

13.2.7 The Authority also directed the Petitioner in the tariff determination of FY 2012-13 to submit a certificate from the external auditor in respect of the financial impact of new recruitments during FY 2009-10 and onwards as claimed to be Rs. 665 million by the Petitioner. Based on the request of Petitioner, the Authority extended the deadline and directed the Petitioner to submit the certificate not later than 31st March, 2014. The petitioner vide its letter no. 10954/IESCO/CEO/CS dated 31st March, 2014 informed the Authority that it has hired M/s Ernst and Young Ford Rhodes Sidat Hyder & Co. for the issuance of the certificate. The Petitioner also requested to extend the deadline up to May 31, 2014. Subsequently, the Petitioner in the hearing informed that the process shall be completed by 15th October, 2014. However, no update has been provided by the Petitioner. The Authority keeping in view the quality of compliance had already issued an audit frame work on the compliance, which is already communicated to the Petitioner vide its letter # NEPRA/R/TRF-100-DISCO/7332-41 dated 30th June, 2014. .The framework was issued after the NEPRA Professional's several meetings with the representatives of different XWDISCOs and Auditor (M/s Deloitte & co). The revised format of report as per the applicable International Standard on Auditing (ISA) was agreed and consequently directions were given to all the XWDISCOs to submit the required certificate as per the agreed ISA and format of certificate, which was also shared with all the XWDISCOs on 30th June, 2014.

13.2.8 The Authority had been deducting this cost in the last two tariff determinations, however, considering the fact that as per the approved future tariff methodology the Petitioner's reference/base expense would be established for a period of three years, the Authority consider it unjust on the part of the Petitioner if the same cost is disallowed again this year. In view thereof , the Authority has decided to allow this cost this year on a provisional basis subject to the condition that if the required

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certificate is not provided before the finalization of the tariff determination pertaining to the FY 2015-16, the referred cost would be disallowed permanently and no further directions would be given to the Petitioner in this regard.

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

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

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

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

13.3 **<u>Key Facts of the Case</u>**

The Key Facts of the case are as below;

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

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

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

13.3.3 While assessing the Salaries, wages & other benefits (including post retirement benefits as discussed above), the GOP's recent announcement of 10% increase as adhoc allowance, the impact of replacement hiring carried out during FY 2009-10 and onwards (as discussed above), 5% annual increment, increase in Medical Allowance by

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20% for employees in BPS 1-15 and the increase in Conveyance Allowance by 5% for employees in BPS 1-15, along with its effect on other benefits has been accounted for.

13.3.4 Based on the discussion made in the preceding paragraphs, incorporating all the afore stated increases and annual assessments of salaries & wages for the FY 2014-15 of other DISCOs, the Authority has assessed Rs. 5,985 million on account of salaries, wages and other benefits for the FY 2014-15.

13.4 Maintenance Expenses

13.4.1 The Petitioner requested Rs. 744 million on account of repair and maintenance. The Petitioner explained that this expense relates to the routine maintenance of transformers, meters and cables. The Petitioner further stated that during the FY 2013-14, the actual expense under this head has increased by what was approved by the Authority for the same period. The Petitioner argued that the lesser amount was allowed by the Authority keeping in view the constraints and pressures on its distribution system due to massive load shedding across its distribution region. The Petitioner has submitted no break-up / details of the actual or proposed expense.

13.4.2 An analysis of the financial statements of the Petitioner reveals that the actual expense under this head has almost remained the same in the FY 2013-14 vis-a-vis FY 2012-13. The Petitioner had been allowed an expense of Rs. 545 million in the FY 2013-14, against which it undertook an expense of Rs. 737 million. In view thereof, the Petitioner is directed to explain the reasons for higher expense under this head and submit a break-up of actual expense in FY 2013-14, not later than 30th April, 2015.

13.4.3 Keeping in view the impact of inflation, variation in the gross assets in operation due to addition of new consumers, new investments, past trend and comparison with other DISCOs, the repair and maintenance cost of Rs. 697 million has been assessed for the FY 2014-15 in the instant case.

13.5 Traveling Expenses

13.5.1 The Petitioner in its Petition requested an amount of Rs. 248 million for the FY 2014-15. The requested amount is 28% more than the audited figure for the FY 2013-14. The Petitioner's financial statements for the FY 2013-14 show travelling and vehicle maintenance expense as a consolidated figure. Consequently, based on the previous years' audited statements, a percentage has been worked out and the actual expense under this head has been worked out. The Petitioner has not given any basis / justification of the requested expense.

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13.5.2 An analysis of financial statements reveals that the actual expense under this head in the FY 2013-14 increased by 8% from last year's expense, which is understandable considering inflationary impacts on the said cost.

13.5.3 Based on the comparison with other DISCOs, Petitioner's submissions and its actual results in this regard, the Authority has decided to allow this cost to the tune of Rs. 206 million for the FY 2014-15.

13.6 Vehicle Running Expenses

13.6.1 The Petitioner requested Rs. 308 million under the head of vehicle running expense for the FY 2014-15.The requested amount is 9% less than the audited expense for the FY 2013-14. The Petitioner has not given any basis / justification of the requested expense.

13.6.2 An analysis of financial statements reveals that the actual expense under this head in the FY 2013-14 increased by 9% from last year's expense. The Authority considers that vehicle maintenance cost is not only affected by the fuel prices but also with the variation in the number of vehicles of the Petitioner, which in turn is dependent on the distribution area of the Petitioner. In view of the aforementioned arguments, available evidence/information, past trend, increasing fuel prices and comparison with other DISCOs, the Authority has decided to accept the request of Petitioner and allow this cost to the tune of Rs. 308 million.

13.7 Other Expenses

13.7.1 The Petitioner requested Rs. 491 million for the FY 2014-15, pertaining to the expenses like rent, rates & taxes, power, light and water, communications, bills collection charges, postage, telephone, office supplies, insurance expense, overhead expenses, Auditor's remuneration, NEPRA fee and charges, advertisement & publicity, provision of obsolete stores, miscellaneous expenses etc. The requested amount is almost equal to the audited expense for the FY 2013-14. The audited expense for the FY 2013-14 is 22% more than the audited expense for FY 2012-13. The Petitioner has not given any break-up of actual expense or shared any basis of requested expense.

13.7.2 Based on the cost assessed by the Authority for previous year and in comparison with the other DISCOs, the Authority consider the Petitioner's request is reasonable, therefore is being allowed as such i.e. Rs. 491 million on account of other expenses for the FY 2014-15.

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14. **Issue # 9. Whether the Petitioner's proposed depreciation charge of Rs 2,284 million (Rs 0.21 /kWh) for the FY 2014-15, is justified?**

14.1 The Petitioner in its petition requested a depreciation charge of Rs. 2,284 million for the FY 2014-15 submitting that as per company policy building and civil works are depreciated @ 2%, plant and machinery @ 3.5 %, office equipment @ 10%, mobile plant/equipment @ 10 and other assets @ 10%.

14.2 The depreciation expense allowed to the Petitioner for the FY 2013-14 amounted to Rs. 1,688 million whereas the amortization of deferred credit was assessed as Rs. 911 million.

14.3 In order to make fair assessment, the Authority keeps in view the investments approved by it for the year and by eliminating the revaluation of assets undertaken by the Petitioner. The Authority considers that after taking into account new investments, the Gross Fixed Assets in Operation for the FY 2014-15 will be Rs. 64,174 million. Accordingly the depreciation charge for the FY 2014-15 is assessed as Rs. 2,032 million.

14.4 After carefully examining the relevant details and information pertaining to the deferred credit and amortization as per the accounts for the FY 2012-13 & FY 2013-14, the Authority has projected amortization of deferred credit to the tune of Rs. 1,215 million for the FY 2014-15.

15. **Issue # 10. Whether the Petitioner's projected Return on Regulatory Asset base of Rs 3,339 million (Rs 0.40 /kWh) for the FY 2014-15 is justified?**

15.1 The return requested by the Petitioner for FY 2014-15 is Rs. 3,339 million. In the Petition, the Petitioner has requested the Authority to re-consider its plea of calculating WACC on the basis of actual debt equity structure of the Petitioner. The same request was made in the tariff petition for the FY 2013-14. The Petitioner also gave certain reasons in support of its request which are re-produced hereunder;

- If a company is operating at high efficiencies with single digit Transmission and Distribution losses, collection ratio of 100% from private consumers, controlled expenditures then it may not be treated like other companies having high level of inefficiencies.

- If a company is operating at high level of efficiencies, then it will be ensured some incentive of its efficiencies with slightly better return.

- Company will not opt for un-necessary borrowings, if Authority takes into consideration actual Debt/Equity ratio while allowing the return on rate base.

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- Company will plan more of investment from its own sources and that will reduce the burden on consumers in terms of financing cost.

Based on the afore stated grounds the Petitioner has requested the Authority to allow Rs. 1,101 million on account of RORB for the FY 2011-12 and adopt same analogy in the tariff determination for the FY 2012-13 and FY 2013-14.

15.2 The Authority has discussed in detail the rational for using an optimum Capital Structure and not the actual debt to equity structure of the Petitioner in para 16.5 of the tariff determination of FY 2013-14 and also in para 20.5 to 20.7 of the tariff determination for the FY 2012-13. The additional arguments put forward by the Petitioner are very generic in nature. The Authority agrees with the Petitioner's claim of being most efficient company, however it does not mean that the principles of allowing return should be different for the Petitioner. Further, the existing tariff structure is already efficiency based, as if the Petitioner manages to go beyond any regulatory target set by the Authority, it would purely be a utility's gain. In view thereof, the Authority sees no new argument or rationale which would change the Authority's earlier decision in this respect.

15.3 Based on the request of XWDISCOs from time to time and on the Authority's own initiative, it has decided to revise the parameters for the calculation of WACC. The Authority is reassessing the risk free rate of return based on rate of return of Market Treasury bills having a maturity of one year as published by State Bank of Pakistan. The revised rate is 9.45%. As regard the cost of debt, the Authority has re-worked the rate based on the weighted average cost of debt of all the loans appearing in the financial statements of the Petitioner. Consequently, the rate has been revised to 16.24%. Furthermore, the Authority had been taking post tax cost of debt based on the fact that any tax to be paid by Petitioner will be considered as pass through and would be adjusted as per actual payments made on this account. However, since the Petitioner is not taking any benefit of tax shield , the cost of debt to be taken in working shall be pre tax i.e., 16.24%.

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

$$ke = RF + (RM - RF) \times \beta$$
$$= 9.45\% + (8\% \times 1.33)$$
$$= 20.09\%$$

The cost of debt is taken as pre tax;

$$kd = 16.24\%$$

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WACC = [ke x (E / V)} + [kd x (D / V))

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

WACC = {20.09% x 20%} + {16.24% x 80%} = 17.01%

15.5 The Authority is of the considered view that the Rate of Return should be reasonable enough to assure the confidence in the financial soundness of the utility company, and should be adequate to maintain and support its credit and enable it to raise money necessary for the proper discharge of public service. From the investor's or the company's point of view it is important that there be enough revenue not only for operating expenses but also for the capital cost of the business including the service of its debt. The Authority further considers that return to the equity should be commensurate with the return on investment of other enterprises having comparable risks. The Authority has taken the historical cost of the assets for the computation of Rate Base and has ignored the revalued value of assets as per the Revaluation undertaken by the Petitioner. Thus, using Post tax rate of return, the Authority has assessed Rs. 4,473 million as return on rate base as per the following calculations:

Description	Rupees in Million	
	FY 2013-14 Audited	FY 2014-15 Projected
Opening fixed assets in operation	52,056	57,546.76
Assets Additions during the year	5,490.76	6,627.50
Closing Fixed Assets in Operation	**57,546.76**	**64,174.26**
Less: Accumulated Depreciation	16,480.90	18,513.24
Net Fixed Assets in operation	**41,065.86**	**45,661.02**
+ Capital Work in Progress (Closing)	5,556.82	6,752.32
Total Fixed Assets	46,622.68	52,413.34
Less: Deferred Credit	22,085.94	24,370.83
Total	24,536.74	28,042.51
Average Regulatory Assets Base		26,289.62
Return on Rate Base @ 17.01%		4,472.66

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16. **Issue # 11. Whether the Petitioner's projected Other Income of Rs. 2,000 million (Rs 0.24 /kWh) for the FY 2014-15 is reasonable?**

16.1 The Petitioner has projected Rs. 2,000 million as other income for the FY 2014-15 excluding Late Payment Charge (LPC). The Petitioner also stated that it requested the Authority for the exclusion of LPC from other income in the tariff petition of FY 2012-13 ad FY 2013-14 which was not accepted by linking it signing of power purchase agreement with CPPA or linking it with working capital. The Petitioner informed that since it has already submitted agreement between IESCO and NTDC, therefore, the request may be considered in the light of submissions made in the tariff petition of the FY 2013-14.

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

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

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

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

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

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

16.7 On the basis of above discussion, the Authority has assessed Rs. 1,744 million as Other Income which does not include late payment charge but includes amortization of deferred credit.

17. <u>Issue # 12. Whether the Petitioner's proposed interest on working capital requirement of Rs. 3,011 million for the FY 2014-15 is justified?</u>

17.1 The Petitioner stated in the Petition that in the tariff determination of FY 2012-12, NEPRA principally agreed with the request of working capital but the same was not allowed and in the tariff determination of FY 2013-14, the requested working capital requirement was denied by the Authority as abnormally high and against consumers' interest. The Petitioner stated that this year it may be allowed the cost of working capital for the FY 2012-13, FY 2013-14 and FY 2014-15.

17.2 The Petitioner also stated that the interest and financial cost of IESCO stems from its borrowings of funds for the investment plan together with the short-term cash requirement for day to day operations. The Petitioner further stated that it has worked

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out interest payable in respect of servicing working capital requirements on the basis of cash flow projected throughout the financial year and submitted following working;

Description	Values
Receivables (2 months)	Rs. 20,067 million
O&M Expenses (1 month)	Rs. 835 million
Stores & Spares (3 months)	Rs. 607 million
Total working capital required	Rs. 21,509 million
Rate of Interest	14.00%
Interest on Working Capital	Rs. 3,011 million

17.3 The Petitioner's request for allowing interest on working capital has been considered in the light of Petitioner's submission in the last petition. The Authority has noted that the Petitioner has agitated the same grounds, which were not considered by the Authority as per the para 18.5 of its determination of FY 2013-14. The Authority considers that while calculating working capital requirement the Petitioner has failed to correlate its date of invoicing from CPPA and its billing to payment cycle. in view thereof, the request is declined. Moreover, the Authority has decided not to consider that impact of late payment charges in the other income, which would address the requirement of allowing interest on working capital.

18. <u>Issue # 13. Whether the proposed revenue requirement of Rs. 124,611 million at an average sale rate of Rs 14.95 /kWh for the FY 2014-15 is justified as against the Authority's approved average sale rate of Rs. 12.96 /kWh for the FY 2013-14?</u>

18.1 Annual Revenue Requirement comprises of the following:

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

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

18.3 Power Purchase Price (PPP)

18.3.1 The Petitioner has requested for a Power Purchase Price (PPP) of Rs. 12.57/kWh (Rs. 11.39/kWh unadjusted). The Petitioner has not given any basis of projection. The Petitioner submitted the component wise detail in form 6(A) of the Petition as below:

Description	FY 14-15 (Projected)	
	Amount Rs. In million	Rate in Rs./kWh*
Energy Transfer Charges	82,244	8.94
Capacity Transfer Charges	20,617	2.24
Use of System Charges	1,922	0.21
PPP	**104,782**	11.39

* Rate is unadjusted price /kWh

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

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

Description	Generation		Energy Charges	
	GWh	Share	Rs. Million	Share
Hydel	32,294	34%	3,224	0.46%
Coal	112	0.12%	419	0.06%
HSD	1,653	2%	32,888	5%
Thermal - RFO	37,277	39%	541,622	77%

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Thermal - Gas	18,341	19%	101,684	14.50%
Nuclear	4,402	5%	5,820	0.83%
Mixed	1,108	1%	11,283	1.61%
Import from Iran	419	0.44%	4,416	0.63%
Wind	263	0.27%	0.5879	0.0001%
Bagasse	23	0.02%	143	0.02%
Total	93,015	100%	701,499	100%
Capacity Charge			228,145	
Total Generation Cost			929,644	

18.3.4 Here it is pertinent to mention that the aforementioned energy charge includes variable O&M charges. But as per the tariff methodology, variable O&M charges would not be made part of monthly fuel adjustment and would be adjusted as part of quarterly adjustment. From the above table it is clear that 39% of total generation is expected on Residual Fuel oil (RFO) but its share in overall energy cost is expected to be around 77%, which means that variation in generation mix and oil prices will have great impact on the cost of generation and will ultimately affect the consumer-end tariff. The RFO prices over the last year have shown a highly decreasing trend. During the FY 2013-14, the RFO price was projected at an average of Rs. 80,748 [excluding Sales Tax and including freight] per metric ton, whereby the RFO prices during the five months of the FY 2014-15 have remained an average of Rs. 69,610 [excluding Sales Tax and including freight] per metric ton and touched a low of Rs. 59,392 per metric ton. The RFO prices in Pakistan are not only affected by the international market but also by the Pak Rupee devaluation. Based on the international market condition, it can be presumed that this lower trend shall continue in the next seven months to come, consequently, for the FY 2014-15, RFO prices have been assumed on an average of Rs. 65,769 per metric ton [excluding Sales Tax and including freight] after incorporating the possible determinants of RFO prices. Following the previous generation trend, approximately 2% generation is expected to be generated on HSD due to the ongoing shortage of gas supply. The aforementioned generation is assumed in the light of ECC decision in the matter of Sapphire, Halmore, Orient and Saif whereby one turbine of these plants would run on HSD throughout the year. For the FY 2014-15, the HSD prices are being assumed on an average of Rs. 93.45 per litre [excluding Sales Tax]. The actual HSD price in first five months of FY 2014-15 remained on average Rs. 93.17 per litre. The gas prices are projected to increase by 30% w.e.f., July, 2014 based on an upcoming notification of OGRA that has been delayed due to unrest political situation in the Country. Consequently, the ags prices have been increased by 30% to Rs. 634.70/MMBTU for the entire FY 2014-15.

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

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

XTC = XCTC + XETC

Where:

XTC	=	Transfer charge to XWDISCOs & KESC
XCTC	=	Capacity Transfer Charge to XWDISCOs & KESC
XETC	=	Energy Transfer Charge to XWDISCOs & KESC

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

Where:

(i)	CPGenCap	=	the summation of the capacity cost in respect of all CPGencos in Rs for a billing period minus the amount of liquidated damages received during the month.
(ii)	XWD	=	the sum of the maximum demand of the XWDISCOs & KESC in kW recorded during a billing period at all the delivery metering points at which power is received by the XWDISCOs & KESC.
(iii)	USCF	=	the fixed charge part of the use of system charges in Rs per kW per month.

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

Where:

(i)	CPGenE	=	the summation of the variable charge rate (Rs per kWh) approved for each of the CPGenCOs times the energy in kWh procured from the respective CPGENCO during the billing period.

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(ii) XWUs = the summation of the energy units (kWh) recorded at the delivery metering point of all the XWDISCOs & KESC during a billing period.

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

18.3.7 According to the above mechanism Rs. 19,867 million and Rs. 1,790 million is the share of the Petitioner on account of CpGenCap and USCF respectively for the FY 2014-15. The overall fixed charges comprising of CpGenCap and USCF in the instant case works out as Rs. 21,657 million, which translate into Rs. 1,239 /kW/month or Rs. 2.39/kWh.

18.3.8 The annual PPP for the FY 2014-15 in the instant case works out as Rs. 89,725 million. With the projected purchase of 9,057 GWh for the same period the average PPP turns out to be as Rs. 9.91/ kWh (Annex – IV). On the basis of 9.44% T&D losses, the PPP per kWh is assessed as Rs. 10.94/kWh.

18.3.9 Considering the timing of the determination the Authority has decided to include quarterly adjustment pertaining to the first quarter of the FY 2014-15. In the matter of Petitioner the 1st quarters PPP adjustment works out as Rs. 537 million .

18.4 Distribution Margin (DM)

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

18.5 Revenue Requirement

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

1.	Power Purchase Price		Rs. 89,725 Million
	CpGenE	Rs. 68,068 Million	
	CpGenCap	Rs. 19,867 Million	
	USCF	Rs. 1,790 Million	
2.	Distribution Margin		Rs. 12,448 Million
	O&M Cost	Rs. 7,687 Million	
	Depreciation	Rs. 2,032 Million	
	RORB	Rs. 4,473 Million	
	Gross DM	Rs. 14,192 Million	

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Less: Other Income	Rs. 1,744 Million	
Net DM	**Rs.12,448 Million**	
Prior Year Adjustment		Rs. (13,793) Million
1st Qrt PPP Adj		Rs. 537 Million
Total Assessed Revenue Requirement		**Rs. 88,918 Million**

18.5.2 Based on the projected sales of 8,202 GWh for the FY 2014-15, the Petitioner's average sale rate works out as Rs. 10.84/kWh, consisting of Rs. 10.94/kWh of adjusted PPP, Rs. 1.52/kWh of DM, Rs. 0.07/kWh of PPP Adjustment and Rs. (1.68) /kWh of Prior Year Adjustment.

18.5.3 This revenue would be recovered from the consumers during the FY 2014-15, through the projected units of 8,202 GWh, as per Annex – II.

19. <u>Issue # 14. Whether the Petitioner's miscellaneous Requests merit consideration?</u>

19.1 The Petitioner has raised certain requests in addition to those discussed above. The same are addressed as below:

19.2 Automatic Fuel Price Adjustment Mechanism

19.2.1 The Petitioner stated that it raised a request to review the present FPA mechanism in the tariff petition for the FY 2012-13 and FY 2013-14 which is the major impediment in the financial viability of the sector. However, as per the Petitioner, the Authority rejected the proposal in the tariff determination of the FY 2013-14 without offering any solution to the problem. The Petitioner reiterated the same proposals for review of FPA mechanism as below;

- Implement mechanism for passing through of the variation in power purchase costs (FPA as well as losses adjustment and other costs) over to the consumers on a monthly basis; or
- Determine a fixed levy for every kWh consumed towards 'Fuel price adjustment account'.

19.2.2 The Authority after careful review of the Petitioner's request is of the view that considering the uniform regime it cannot implement mechanism for passing through of the variation in power purchase costs (FPA as well as losses adjustment and other costs) over to the consumers on a monthly basis; as it would result in differential per unit PPP adjustment for different XWDISCOs. The suggestion of levying for every kWh consumed towards 'Fuel price adjustment account' is also not workable as the Authority cannot do projection over already projected value .i.e. monthly projected

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FPA. It would also result in overbilling of a consumer which is not fair to the consumer. In view of aforementioned, the Authority rejects the Petitioners pleas and decides to continue with existing FPA regime.

19.3 Introduction of fixed charges:

19.3.1 The Petitioner has again raised request before the Authority to introduce fixed charges for industrial consumers based on higher of current MDI or 50% of sanctioned load as it is facing huge losses.

19.3.2 The Petitioner was directed in the tariff determination of FY 2013-14 to substantiate its claim of losses with workings or rationale and submit proper supporting financials and working for possible consideration by the Authority. However, the Petitioner has failed to submit any working . In view thereof, the Authority has decided not to consider Petitioner's request in this regard .

19.4 Borrowing without approval of NEPRA

19.4.1 The Petitioner submitted that the Authority, in its tariff determination for the FY 2012-13, had not allowed cost of additional borrowing of Rs. 4.27 billion. The Petitioner stated that the amount was borrowed on the direction of the Federal Government to settle the liabilities towards the CPPA on account of the Power Purchase Price arising due to the litigations with on FPA . As directed by the Authority the Petitioner has conveyed the reservations of the Authority to GOP. However, the GOP has again directed the Petitioner to incorporate the loans in its books of accounts. In view of aforementioned , the Petitioner has requested the Authority to allow the cost of borrowing as a component of the tariff determination, on actual basis, if Government do not pull out of its direction.

19.4.2 The Authority while deciding the tariff petition for the FY 2012-13, has already adjudicated on the matter, after a comprehensive discussion. The Authority considers that the Petitioner has not submitted any new rationale or evidence on which the Authority can adjudicate. In view thereof, the Authority maintains it earlier decision in this regard.

20. Issue # 15. Whether the existing service delivering structure of circles, divisions and sub-divisions etc can provide satisfactory services for supply of electric power to the consumer with the substantial expansion in the system?

20.1 Faisalabad Electric Supply Company (FESCO) , Multan Electric Supply Company (MEPCO)and Lahore Electric Supply Company (LESCO) requested for creation of new

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circles, divisions and sub-divisions. The Authority considering the nature of the issue decided to take comments from all the XWDISCOs. In view thereof, all the XWDISCOs including the Petitioner were directed to file comments on the matter vide letter no. NEPRA/R/SAT-I/TRF-100-DISCOs/13653-61 dated 31st October, 2014.

20.2 The Petitioner has not responded to the letter as yet and consequently, the Petitioner is directed to submit comments at the earliest.

21. **Issue # 17. What are the concerns of the Petitioner on changing terms and conditions of lifeline consumers and Residential consumers?**

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

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

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

21.3 The Petitioner is directed to give comments on the proposal before the next year's tariff petition for the settlement of this issue and also to share the financial impact of revision of criteria of lifeline consumers on its revenue.

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

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

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

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

- The respondent is unable to file proper evidence without the pleadings and summary of evidence of IESCO being shared with them;

- Contrary to Authority's understanding, there is no technical capability in the network operations centre (NOC) of the respondents to measure and record the peak vs off-peak consumption of the BTS sites;

- The consumption data as submitted with the motion shows lower consumption in peak hours and is available with IESCO. Consequently,

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Authority is requested to seek such data from IESCO and share the same with the Respondents for them to be able to file counter-comments thereon before the Authority proceeds to accept and act upon such IESCO data.

- Rule 9(9) and 9(15) of the Tariff Standards and Procedure Rules, 1998 provides for establishing a detailed schedule for the orderly disposition of the proceeding, entailing, inter alia, for filing of interrogatories, discovery motions, objections and responses to objections and other procedural matters. Thus far the instant proceedings have been conducted without summaries of evidence, any discovery, interrogatories or pleadings of the parties which precludes the Respondents from meaningful participation in the proceedings by presenting their case properly and effectively.

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

- A detailed schedule for the orderly disposition of the proceeding, inter alia, for filing of interrogatories, discovery motions, objections and responses to objections and other procedural matters be established before further proceedings;

- After collection of all requisite evidence and giving adequate opportunities to the parties to consider and, if required, object to such evidence, declare close of evidence before the next hearing.

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

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

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

23. Summary of Directions

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

- To share the update on the recovery from AJK with the Authority not later than 30th April, 2015.
- To complete the study of T&D losses and submit its completion timelines at the earliest .
- To provide details of STG activities being funded by World Bank in the next tariff petition.
- To submit details of actual investments undertaken under the head of DOP, ELR and STG in the FY 2013-14 against the corresponding benefits not later than 30th June, 2015.
- To submit details of investments pertaining to HHUs along with its completion timelines not later than 30th June, 2015.
- The Authority had directed DISCOs vide Registrar's letter dated 21.12.2012 to submit their plans regarding introduction and expansion of Automatic Meter Reading System (AMR). DISCOs were also required to submit progress reports on NEPRA's directions. Subsequently vide letter No. NEPRA/R/L/LAD-21/9016-26 Dated 7th August 2014, the Authority also directed DISCOs to install AMR and Automatic Metering Infrastructure (AMI) at all of their Common Delivery Points (CDPs). It is noted that except for initiating certain pilot projects, DISCOs have not been able to show serious efforts on the installation of AMR and AMI systems.
    - The Authority considers that one of the key reasons for high transmission and distribution losses in DISCOs is absence of any mechanism for tracking of electricity flow from the points of their electricity purchases (CDP) down to the final consumer. A reliable metering and recording system at every voltage level starting with the 132 kV grid, at the 11 kV and to 400 and 230 volts is therefore critical for not only elimination of theft, unaccounted for electricity and diagnosing technical problems, such systems would also enable NEPRA in analyzing

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DISCOs' genuine investment requirements. Consequently reduction in losses would help save billion of rupees annually and support GOP's efforts in eliminating circular debt. Reportedly the results through the model projects have been quite encouraging and noticeable reductions in the losses have been observed.

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

- To submit the required certificate for replacement hiring before the finalization of the tariff determination pertaining to the FY 2015-16.
- To explain the reasons for higher repair and maintenance expense under this head and submit a break-up of actual expense in FY 2013-14, not later than 30th April, 2015.
- To submit comments on the creation of new circles, divisions and sub divisions at the earliest.
- To share some sample electricity bills with the Authority with the call centre number printed on the face of bills.
- To submit Auditor's certificate in respect of Negative Revenue Adjustment.
- To share the details of late payment charges recovered from consumers and paid to CPPA in the FY 2014-15 with the tariff petition for the FY 2015-16 to claim the offset of LPS.
- To give comments on the proposal before the next year's tariff petition for the settlement of changing terms and conditions of lifeline consumers and also to share the financial impact of revision of criteria of lifeline consumers on its revenue.

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24. ORDER

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

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

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

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

i) Where only 132 kV system is involved

$$UOSC = DM \times \frac{(1-L)}{(1-0.029)} \quad Paisa/kWh$$

ii) Where only 11 kV distribution systems is involved.

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

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

$$UOSC = DM \times \frac{(1-L)}{(1-0.079)} \quad Paisa/kWh$$

Where:

Distribution Margin for FY 2013-14 is set at Rs 1.52/kWh. 'L' will be the overall percentage loss assessment for the year set at 9.44% or FY 2014-15.

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

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

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Annex-I

FUEL PRICE ADJUSTMENT MECHANISM

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

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

Where:

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

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

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

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

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

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Islamabad Electric Supply Company (IESCO)
Estimated Sales Revenue on the Basis of New Tariff

0

Description	Sales GWh	Sales Mix	Tariff (NEPRA) Fixed Charge Rs./kW/ Month	Tariff (NEPRA) Variable Charge Rs./ kWh	Revenue (as per NEPRA) Fixed Charge Rs.Million	Revenue (as per NEPRA) Variable Charge Rs.Million	Revenue (as per NEPRA) Total Rs. Million
Residential							
Up to 50 Units	289	3.52%		4.00	-	1,155	1,155
For peak load requirement less than 5 kW							
01-100 Units	1202	14.65%		9.00	-	10,817	10,817
101-300 Units	1205	14.69%		11.00	-	13,252	13,252
301-700Units	369	4.50%		13.00	-	4,801	4,801
Above 700 Units	146	1.79%		15.00	-	2,197	2,197
For peak load requirement 5 kW& above	0				-		-
Time of Use (TOU) - Peak	67	0.82%		15.00	-	1,008	1,008
Time of Use (TOU) - Off-Peak	307	3.74%		9.25	-	2,836	2,836
Total Residential	**3,585**	**43.70%**			**-**	**36,064**	**36,064**
Commercial - A2							
For peak load requirement less than 5 kW	314	3.83%		15.00	-	4,714	4,714
For peak load requirement 5 kW & above							
Regular	27	0.32%	400.00	12.00	40	320	360
Time of Use (TOU) - Peak	106	1.30%		15.00	-	1,596	1,596
Time of Use (TOU) - Off-Peak	498	6.08%	400.00	9.25	908	4,611	5,519
Total Commercial	**946**	**11.53%**			**948**	**11,241**	**12,189**
Industrial							
B1	10	0.13%		12.00		124	124
B1 Peak	8	0.10%		15.00	-	123	123
B1 Off Peak	47	0.58%		9.25	-	438	438
B2	31	0.38%	400.00	11.50	40	355	395
B2 - TOU (Peak)	38	0.46%		15.00	-	563	563
B2 - TOU (Off-peak)	303	3.70%	400.00	9.05	444.71	2,745	3,190
B3 - TOU (Peak)	35	0.42%		15.00		521	521
B3 - TOU (Off-peak)	402	4.90%	380.00	8.85	363	3,554	3,917
B4 - TOU (Peak)	101	1.23%		15.00		1,518	1,518
B4 - TOU (Off-peak)	810	9.87%	360.00	8.75	719	7,084	7,802
Total Industrial	**1,785**	**21.759%**			**1,567**	**17,025**	**18,592**
Single Point Supply for further distribution							
C1(a) Supply at 400 Volts-less than 5 kW	0	0.00%		12.50	-	2	2
C1(b) Supply at 400 Volts- 5 kW &	22	0.27%	400.00	12.00	22	269	291
Time of Use (TOU) - Peak	11	0.14%		15.00		170	170
Time of Use (TOU) - Off-Peak	50	0.61%	400.00	9.25	61	463	525
C2 Supply at 11 kV	129	1.58%	380.00	11.80	112	1,526	1,638
Time of Use (TOU) - Peak	55	0.67%		15.00		829	829
Time of Use (TOU) - Off-Peak	272	3.31%	380.00	9.05	284	2,458	2,742
C3 Supply above 11 kV	2	0.02%	360.00	11.70	1	20	21
Time of Use (TOU) - Peak	31	0.38%		15.00		471	471
Time of Use (TOU) - Off-Peak	148	1.81%	360.00	8.85	127	1,313	1,440
Total Single Point Supply	**722**	**8.799%**			**607**	**7,522**	**8,130**
Agricultural Tube-wells - Tariff D							
Scarp	13	0.16%		12.00	-	156	156
Agricultual Tube-wells	7	0.09%	200.00	11.50	7	86	93
Time of Use (TOU) - Peak	12	0.14%		15.00	-	176	176
Time of Use (TOU) - Off-Peak	62	0.75%	200.00	8.85	67	548	615
Total Agricultural	**94**	**1.1478%**			**74**	**966**	**1,040**
Public Lighting - Tariff G	82	1.00%		14.00	-	1,146	1,146
Tariff H - Residential Colonies attached to industries	4	0.05%		14.00	-	55	55
Tariff K - AJK	984	12.00%	360.00	11.24	630	11,061	11,691
Time of Use (TOU) - Peak	0	0.00%		15.00		4	4
Time of Use (TOU) - Off-Peak	0		360.00	8.85	0	-	0
Tariff K -Rawat Lab	0	0		14.00	0	4	4
Sub-Total	**1,071**	**13.06%**			**631**	**12,271**	**12,902**
Total Revenue	**8,202**	**100.00%**			**3,827**	**85,090**	**88,918**

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SCHEDULE OF ELECTRI[illegible]
FOR ISLAMADAD ELECTRIC SU[illegible]

A-1 GENERAL SUPPLY TARIFF - RESIDENTIAL

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	
a)	For Sanctioned load less than 5 kW			
i	Up to 50 Units	-		4.00
	For Consumption exceeding 50 Units			
ii	001 - 100 Units	-		9.00
iii	101 - 300 Units	-		11.00
iv	301 - 700 Units	-		13.00
v	Above 700 Units	-		15.00
b)	For Sanctioned load 5 kW & above	-		
			Peak	Off-Peak
	Time Of Use	-	15.00	9.25

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

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

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

A-2 GENERAL SUPPLY TARIFF [illegible]

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	
a)	For Sanctioned load less than 5 kW			15.00
b)	For Sanctioned load 5 kW & above	400.00		12.00
			Peak	Off-Peak
c)	Time Of Use	400.00	15.00	9.25

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

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

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SCHEDULE OF ELE[illegible] FOR ISLAMABAD ELE[illegible]

B INDUSTRIAL SU[illegible]

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	
B1	Upto 25 kW (at 400/230 Volts)	-	12.00	
B2(a)	exceeding 25-500 kW (at 400 Volts)	400.00	11.50	
	Time Of Use		Peak	Off-Peak
B1 (b)	Up to 25 KW		15.00	9.25
B2(b)	exceeding 25-500 kW (at 400 Volts)	400.00	15.00	9.05
B3	For All Loads up to 5000 kW (at 11,33 kV)	380.00	15.00	8.85
B4	For All Loads (at 66,132 kV & above)	360.00	15.00	8.75

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.

[illegible]

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	
C -1	For supply at 400/230 Volts			
a)	Sanctioned load less than 5 kW	-	12.50	
b)	Sanctioned load 5 kW & up to 500 kW	400.00	12.00	
C -2(a)	For supply at 11,33 kV up to and including 5000 kW	380.00	11.80	
C -3(a)	For supply at 66 kV & above and sanctioned load above 5000 kW	360.00	11.70	
	Time Of Use		Peak	Off-Peak
C -1(c)	For supply at 400/230 Volts 5 kW & up to 500 kW	400.00	15.00	9.25
C -2(b)	For supply at 11,33 kV up to and including 5000 kW	380.00	15.00	9.05
C -3(b)	For supply at 66 kV & above and sanctioned load above 5000 kW	360.00	15.00	8.85

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Annex-III

SCHEDULE OF ELECTRICITY TARIFFS
FOR ISLAMABAD ELECTRIC SUPPLY COMPANY (IESCO)

D - AGRICULTURE TARIFF

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	
D-1(a)	SCARP less than 5 kW	-		12.00
D-2	Agricultural Tube Wells	200.00		11.50
			Peak	Off-Peak
D-1(b)	SCARP and Agricultural 5 kW & above	200.00	15.00	8.85

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

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

E - TEMPORARY SUPPLY TARIFFS

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh
E-1(i)	Residential Supply	-	15.00
E-1(ii)	Commercial Supply	-	15.00
E-2	Industrial Supply	-	12.00

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

F - SEASONAL INDUSTRIAL SUPPLY TARIFF

125% of relevant industrial tariff

Note:

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

G - PUBLIC LIGHTING

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

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

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SCHEDULE OF ELECTRICITY TARIFFS FOR ISLAMABAD ELECTRIC SUPPLY COMPANY (IESCO)

H - RESIDENTIAL COLONIES ATTACHED TO INDUSTRIAL PREMISES

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

K - SPECIAL CO[illegible]

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	
1	Azad Jammu & Kashmir (AJK)	360.00	11.24	
			Peak	Off-Peak
	Time Of Use	360.00	15.00	8.85
2	Rawat Lab		14.00	

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Annex-IV

IESCO Power Purchase Price

Name	July	August	September	October	November	December	January	February	March	April	May	June	Total
Units Purchased by DISCOs (GWh)	999	966	889	771	661	664	594	595	589	637	802	889	9,057

kWh

Fuel Cost Component	6.4933	6.4562	6.4326	7.3369	7.3040	8.1037	9.8670	7.2603	8.0985	7.6273	6.7764	6.8283	**7.246**
Variable O & M	0.2436	0.2429	0.2295	0.2574	0.2667	0.2961	0.3118	0.2901	0.3050	0.2977	0.2762	0.2621	**0.269**
CpGenCap	1.9235	2.0001	1.7690	2.1207	2.1127	2.1887	2.6630	2.9967	2.5282	2.5029	2.2632	1.9001	**2.1935**
USCF	0.1844	0.1960	0.1707	0.1993	0.1890	0.1921	0.2282	0.2526	0.2043	0.2054	0.2049	0.1760	**0.1976**
Total PPP in Rs. /kWh	**8.8448**	**8.8951**	**8.6018**	**9.9143**	**9.8724**	**10.7806**	**13.0700**	**10.7997**	**11.1361**	**10.6333**	**9.5207**	**9.1666**	**9.9063**

Rs in Million

Fuel Cost Component	6,488	6,239	5,716	5,657	4,829	5,381	5,864	4,323	4,770	4,859	5,436	6,070	**65,633**
Variable O & M	243	235	204	198	176	197	185	173	180	190	222	233	**2,435**
CpGenCap	1,922	1,933	1,572	1,635	1,397	1,453	1,583	1,784	1,489	1,594	1,815	1,689	**19,867**
USCF	184	189	152	154	125	128	136	150	120	131	164	156	**1,790**
PPP	8,838	8,596	7,644	7,644	6,528	7,159	7,768	6,430	6,560	6,774	7,637	8,148	89,725

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

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Annex-V

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

PART-I

GENERAL DEFINITIONS

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

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

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

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

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11. "Supply", means the supply for single-phase/three-phase appliances inclusive of both general and motive loads subject to the conditions that in case of connected or sanctioned load exceeding 4 kW supply shall be given at three-phase.
12. "Consumer" means a person of his successor-in-interest as defined under Section 2(iv) of the Regulation of Generation, Transmission and Distribution of Electric Power Act (XL of 1997).
13. "Charitable Institution" means an institution, which works for the general welfare of the public on no profit basis and is registered with the Federal or Provincial Government as such and has been issued tax exemption certificate by Federal Board of Revenue (FBR).
14. NTDC means the National Transmission and Dispatch Company.
15. CPPA means Central Power Purchasing Agency (CPPA).
16. The "Authority" means "The National Electric Power Regulatory Authority (NEPRA)" constituted under the Regulation of Generation, Transmission and Distribution of Electric Power Act (XL of 1997).

GENERAL CONDITIONS

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

PART-II

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

A-1 RESIDENTIAL AND GENERAL SERVICES

1. This Tariff is applicable for supply to;

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

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

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

A-2 COMMERCIAL

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

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

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

B INDUSTRIAL SUPPLY

Definitions

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

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

Conditions

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

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

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

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

B-2 SUPPLY AT 400 VOLTS

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

B-3 SUPPLY AT 11 kV AND 33 kV

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

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

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

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

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

C SINGLE POINT (SINGLE-METERING) SUPPLY

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

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

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

General Conditions

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

C-I SUPPLY AT 400/230 VOLTS

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

C-2 SUPPLY AT 11 kV AND 33 kV

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

C-3 SUPPLY AT 66 kV AND ABOVE

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

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

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

D AGRICULTURAL SUPPLY

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

Special Conditions of Supply

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

D-1 (a)

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

D-1 (b)

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

D-2

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

E -1 TEMPORARY RESIDENTIAL/COMMERCIAL SUPPLY

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

Special Conditions of Supply

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

E -2 TEMPORARY INDUSTRIAL SUPPLY

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

SPECIAL CONDITIONS OF SUPPLY

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

F SEASONAL INDUSTRIAL SUPPLY

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

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Definitions

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

Special Conditions of Supply

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

G PUBLIC LIGHTING SUPPLY

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

Definitions

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

Special Conditions of Supply

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

H RESIDENTIAL COLONIES ATTACHED TO INDUSTRIES

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

Definitions

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

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

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

Special Conditions of Supply

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

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Annex-VI

Summary of Directions for IESCO

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

- To share the update on the recovery from AJK with the Authority not later than 30th April, 2015.
- To complete the study of T&D losses and submit its completion timelines at the earliest .
- To provide details of STG activities being funded by World Bank in the next tariff petition.
- To submit details of actual investments undertaken under the head of DOP, ELR and STG in the FY 2013-14 against the corresponding benefits not later than 30th June, 2015.
- To submit details of investments pertaining to HHUs along with its completion timelines not later than 30th June, 2015.
- The Authority had directed DISCOs vide Registrar's letter dated 21.12.2012 to submit their plans regarding introduction and expansion of Automatic Meter Reading System (AMR). DISCOs were also required to submit progress reports on NEPRA's directions. Subsequently vide letter No. NEPRA/R/L/LAD-21/9016-26 Dated 7th August 2014, the Authority also directed DISCOs to install AMR and Automatic Metering Infrastructure (AMI) at all of their Common Delivery Points (CDPs). It is noted that except for initiating certain pilot projects, DISCOs have not been able to show serious efforts on the installation of AMR and AMI systems.
    - The Authority considers that one of the key reasons for high transmission and distribution losses in DISCOs is absence of any mechanism for tracking of electricity flow from the points of their electricity purchases (CDP) down to the final consumer. A reliable metering and recording system at every voltage level starting with the 132 kV grid, at the 11 kV and to 400 and 230 volts is therefore critical for not only elimination of theft, unaccounted for electricity and diagnosing technical problems, such systems would also enable NEPRA in analyzing DISCOs' genuine investment requirements. Consequently reduction in losses would help save billion of rupees annually and support GOP's efforts in eliminating circular debt. Reportedly the results through the model projects have been quite encouraging and noticeable reductions in the losses have been observed.
    - The Authority therefore directs all DISCOs as follows:
        - To install AMR and AMI at all of their CDPs by December 31, 2015.

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

- To submit the required certificate for replacement hiring before the finalization of the tariff determination pertaining to the FY 2015-16.
- To explain the reasons for higher repair and maintenance expense under this head and submit a break-up of actual expense in FY 2013-14, not later than 30th April, 2015.
- To submit comments on the creation of new circles, divisions and sub divisions at the earliest.
- To share some sample electricity bills with the Authority with the call centre number printed on the face of bills.
- To submit Auditor's certificate in respect of Negative Revenue Adjustment.
- To share the details of late payment charges recovered from consumers and paid to CPPA in the FY 2014-15 with the tariff petition for the FY 2015-16 to claim the offset of LPS.
- To give comments on the proposal before the next year's tariff petition for the settlement of changing terms and conditions of lifeline consumers and also to share the financial impact of revision of criteria of lifeline consumers on its revenue.

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Annex-VII

List of Interested / Affected Parties to send the Notices of Admission/ Hearing regarding Petition filed Petition filed by Islamabad Electric Supply Co. Ltd. (IESCO) for the Determination of its Consumer-end Tariff Pertaining to the FY 2014-15

A. Secretaries of various ministries

1. Secretary
   Cabinet Division
   Cabinet Secretariat
   Islamabad

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

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

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

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

6. Secretary
   Privatization Commission
   EAC Building
   Islamabad

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

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

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

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

B. <u>Chambers of Commerce and Industry & General Public</u>

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

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

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

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

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

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

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

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

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

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

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

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

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

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

C. Power Companies

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

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

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

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

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

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

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

D. <u>Petitioner</u>

1. Chief Executive Officer
Islamabad Electric Supply Co. Ltd.
Street # 40, Sector G-7/4,
Islamabad.

The News 19-09-14

National Electric Power Regulatory Authority (NEPRA)

NOTICE OF ADMISSION / HEARING

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

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

SALIENT FEATURES OF THE PETITION

1. The petitioner has prayed for the determination of its consumer-end tariff pertaining to the Financial Year 2014-15, approval of Distribution Margin @ 1.61/kWh, Investment for Rs.8,506 million, line losses @ 9.44% and average sales rate/tariff at Rs.14.95/kWh with the following category-wise tariff:-

Description	Requested Tariff for the FY 2014-15		NEPRA Determined Tariff Pertaining to the FY 2013-14	
	Fixed Charges Rs./kW/M	Var. Charges Rs./KWh	Fixed Charges Rs./kW/M	Var. Charges Rs./KWh
Residential -A1				
For Peak Load Requirement less than 5 kW				
Up to 50 Units		5.00		4.00
1-100 Units		11.50		10.50
101-300 Units		16.00		12.50
301-700 Units		18.00		15.00
Above 700 Units		22.00		17.50
For Peak Load Requirement 5 kW & above				
Time of Day (TOU) - Peak		22.00		17.50
Time of Day (TOU) -Off-Peak		13.50		11.50
Total Domestic				
Commercial - A2				
For peak load requirement less than 5kW				17.50
Commercial(<100)		22.00		
For Peak load requirement 5 kW& above				
Regular	440	18.00	400	16.00
Time of Day (TOU) -Peak	440	22.00		17.50
Time of Day (TOU) - Off-Peak	440	13.50	400	11.80
Total Commercial				
Industrial				
B1 upto 25 kW (400/230 volts)		15.80		14.50
B1(b) upto 25 kW (Peak)		22.00		17.50
B1(b) upto 25 kW (Off-Peak)		13.50		11.50
B2(a) exceeding 25-500KW (400 volts)	440	16.00	430	14.00
B2(b) - TOU (Peak) (400 volts)	440	22.00		17.50
B2(b) - TOU (Off-Peak) (400 volts)	440	13.30	400	11.30
B3 - TOU (Peak) all loads upto 5000KW (11/33 Kv)	420	22.00		17.50
B3 - TOU (Off-Peak) all loads upto 5000KW (11/33 Kv)	420	13.20	380	11.20
B4 - TOU (Peak) all loads 66/132 kv and above	400	22.00		17.50
B4 - TOU (Off-Peak) all loads 66/132 kv and above	400	13.10	380	11.10

Authority ... Electric Power ... Acc. No. ... Date ...

Total Industrial				
Single Point Supply (Bulk)				
C1 (a) Supply at 400 Volts less than 5 KW		18.00		15.00
C1(b) Supply at 400 Volts- 5 KW& upto	440	15.00	400	14.50
Time of use (TOU) Peak	440	22.00		17.50
Time of use (TOU) Off Peak	440	13.50	400	11.50
C2 Supply at 11 Kv	420	14.50	380	14.30
Time of use (TOU) Peak	420	22.00		17.50
Time of use (TOU) Off Peak	420	13.30	380	11.30
C3 Supply above 11 Kv			380	14.20
Time of use (TOU) Peak	400	22.00		17.50
Time of use (TOU) Off Peak	400	13.20	380	11.20
Total Bulk Supply				
Agricultural Tube-wells - Tariff D				
Scarp D-1(a) less than 5 kW		16.10		14.50
D-2 Agricultural Tube Well	200	16.00	200	14.00
Time of use (TOU)				-
Scarp and Agriculture more than 20KW Time of use (TOU) Peak	240	22.00		17.50
Scarp and Agriculture more than 20KW Time of use (TOU) Off Peak	240	13.50	200	11.20
Total Agricultural Tubewell Tariff-D				
Public Lighting - Tariff -G		18.00		15.00
Housing Colonies - H		18.00		15.00
AJK-K	400	12.20	380	14.30
Time of use (TOU) Peak	400	22.00		17.50
Time of use (TOU) Off Peak	400	13.00	380	11.20
Rawat Lab-K	-	17.80		15.00
Company Total				

3. In terms of rule 6 of NEPRA (Tariff Standards & Procedures) Rules, 1998, any interested person who desires to participate in the proceedings may file an intervention request within seven days from the date of publication of this notice. Such intervention request shall state the name and address of the person filing the same, objections and the manner in which such person is or is likely to be substantially and specifically affected by any determination in the proceedings. The intervention request may also contain the contentions of the person making the same, the relief sought and the evidence, if any, in support of the case. In the intervention request, the intervener may specifically admit, deny or explain the facts stated in the petition and may also state additional facts which are relevant and necessary for reaching a just and informed decision in the proceedings. The intervention request shall be signed verified and supported by means of an affidavit in the same manner as in the case of the petition. The intervener shall also serve a copy of the intervention request duly attested as true copy on the petitioner or his authorized representative and the petitioner may file a rejoinder to the intervention request which shall be filed before the commencement of the hearing.

4. Any person may also file the comments in the matter within 7 days of the publication and the Authority, if deemed fit, may permit participation of such person into the proceedings and also may consider those comments in the final determination.

5. All stakeholders and interested / affected persons are also informed that in order to arrive at a just and informed decision, the Authority has also decided to hold a hearing in the subject matter according to the date, time and venue as mentioned below:

Date: 30th Sep, 2014 (Tuesday)

Time: 11:00 a.m.

Venue: NEPRA Tower, Islamabad

All communications should be addressed to:

Registrar NEPRA
NEPRA Tower Attaturk Avenue (East), Sector G-5/1, Islamabad.
Tele: 051-2013200; Fax 051-2210215
E-mail: office@nepra.org.pk

PID(I) No. 1310/2014

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