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No. NEPRA/R/ADG(Trf)/TRF-336/IESCO-2015/8800-8802

June 2, 2022

Subject: **DECISION OF THE AUTHORITY IN THE MATTER OF REQUEST
FILED BY ISLAMABAD ELECTRIC SUPPLY COMPANY LTD. (IESCO)
FOR ADJUSTMENT/INDEXATION OF TARIFF FOR THE FY 2020-21
UNDER THE MYT [CASE # NEPRA/TRF-336/IESCO-2015]**

Dear Sir,

Please find enclosed herewith subject Decision of the Authority along with Annexure-A (HSE targets) and additional note of Engr. Rafique Ahmed Shaikh, Member NEPRA (37 Pages).

2. The Decision is being intimated to the Federal Government for the purpose of notification in the official Gazette pursuant to Section 31(7) of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 within 30 days from the intimation of this Decision. In the event the Federal Government fails to notify the subject tariff Decision or refer the matter to the Authority for reconsideration, within the time period specified in Section 31(7), then the Authority shall notify the same in the official Gazette pursuant to Section 31(7) of NEPRA Act.

Enclosure: As above


(Syed Safeer Hussain)

Secretary
Ministry of Energy (Power Division)
'A' Block, Pak Secretariat
Islamabad

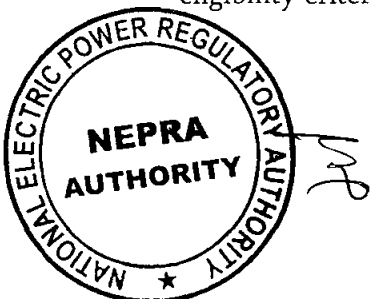
CC:

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

**DECISION OF THE AUTHORITY IN THE MATTER OF REQUEST FILED BY ISLAMABAD ELECTRIC
SUPPLY COMPANY (IESCO) FOR ADJUSTMENT / INDEXATION OF TARIFF FOR THE FY 2020-21
UNDER THE MYT**

1. Back Ground

- 1.1. The Authority determined tariff of Islamabad Electric Supply Company Limited (IESCO) (herein referred to as "Petitioner") under Multi Year Tariff (MYT) regime, for a period of five years i.e. from FY 2015-16 to FY 2019-20, vide tariff determination dated February 29, 2016. IESCO, being aggrieved from the aforesaid determination, filed a Motion for Leave for Review (MLR) which was accordingly disposed-off vide decision dated May 18, 2016. Subsequently, a reconsideration request u/s 31(4) of the then applicable Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 was filed by the Federal Government, which was also decided by the Authority on July 01, 2016 and the decision was intimated to the Federal Government for notification in the official gazette.
- 1.2. IESCO filed a writ petition in Islamabad High Court (IHC) Islamabad against the aforementioned decisions of the Authority. Pursuant to the directions of the Honorable IHC, vide judgment dated June 22, 2017, the tariff of IESCO was re-determined by the Authority on September 18, 2017 and was intimated to the Federal Government for notification in the official gazette. The same was notified by the Federal Government on March 22, 2018.
- 1.3. The Authority has already determined indexation/adjustment of IESCO till FY 2019-20, as per the prescribed adjustment mechanism in the MYT determination of the Petitioner.
- 1.4. Here it is pertinent to mention that amendments in the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 was passed by the Parliament, which was published in the official Gazette on 30th April 2018 (the "Amendment Act"), resulting in restructuring of the energy sector. One of the fundamental changes as per the amendment Act is the introduction of a competitive retail energy sector, wherein, supply function has been segregated from the distribution license.
- 1.5. As per the amended Act, function of sale of electric power traditionally being performed by the Distribution Licensees has been amended under Section 21(2)(a), whereby 'sale' of electric power has been removed from the scope of 'Distribution Licensee' and transferred to 'Supply Licensee'.
- 1.6. The newly introduced section 23(E) of the Act, provides NEPRA with the powers to grant Electric Power Supply License for the supply of electric power. Section 23E(1), however, provides that the holder of a distribution license on the date of coming into effect of the Amendment Act, shall be deemed to hold a license for supply of electric power under this section for a period of five years from such date. Thus, all existing Distribution Licensees have been deemed to have Power Supplier Licenses, to ensure distribution licensees earlier performing both the sale and wire functions, can continue to do so. Section 23E, further states that the eligibility criteria for grant of license to supply electric power to be prescribed by the Federal



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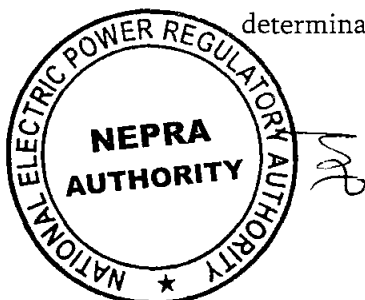
Government, and shall include, provision with respect to a supplier of the last resort, as the case may be.

- 1.7. As per Section 23F (2)(b), the Supplier possess the right to make sales of electric power to consumers within their specified territories on a non-discriminatory basis to all the consumers who meet the eligibility criteria laid down by the Authority.
- 1.8. IESCO now in line with the adjustment mechanism provided in its notified MYT determination, and as per the amended NEPRA Act, has filed its request for adjustment/ indexation of different components of its revenue requirement for the FY 2020-21, along-with break-up of costs in terms of Distribution and Supply functions. The last addendum was received on 19.05.2021.
- 1.9. A Summary of the adjustments request submitted by the Petitioner is as under;

Description	Unit	Distribution of Power	Supply of Power	Total
Salaries and Wages	Rs. Mln	8,286	2,107	10,393
Post Retirement Benefit	Rs. Mln	4,456	954	5,410
Other O&M	Rs. Mln	3,009	418	3,427
Total O&M	Rs. Mln	15,751	3,479	19,230
Return on Regulatory Asset Base	Rs. Mln	5,923		5,923
Depreciation	Rs. Mln	3,659		3,659
Gross Distribution Margin	Rs. Mln			28,812
Less: Other Income	Rs. Mln	(842)		(842)
Net Distribution Margin	Rs. Mln			27,970
Sales Mix	Rs. Mln	8,824		8,824
Payment of Advance Tax	Rs. Mln	2,242		2,242
Supplemental Charges by CPPA-G	Rs. Mln	3,152		3,152
Total Revenue Requirement	Rs. Mln	22,958		42,188

2. Hearing

- 2.1. Since the impact of any such adjustments has to be made part of the consumer end tariff, therefore, the Authority, in order to provide an opportunity of hearing to all the concerned and meet the ends of natural justice, decided to conduct a hearing in the matter.
- 2.2. Hearing in the matter was held on April 22, 2021, for which advertisement was published in newspapers on April 09, 2021. Separate notices were also sent to the stakeholders for inviting comments from the interested/ affected parties. Salient features and details of the proposed adjustments along-with notice of hearing were also uploaded on NEPRA's Website for information of all concerned.
- 2.3. For the purpose of hearing, and based on the pleadings, following issues were framed to be considered during the hearing and for presenting written as well as oral evidence and arguments;
 - i. Whether the Petitioner has complied with the directions of the Authority?
 - ii. Whether the requested adjustments in tariff are in line with the MYT tariff determination and are justified?



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- iii. Whether IESCO has deposited sufficient amount in the Post Retirement Benefit fund in line with the amount allowed by the Authority?
- iv. Whether the requested Sales Mix Variance, Advance Tax and Supplemental charges, is justified?
- v. What are the basis used by IESCO for bifurcation of its costs into supply and distribution segments, and whether they are justified?
- vi. Whether the existing Tariff Terms and Conditions needs to be modified, especially with reference to the request of Telecom companies to charge "B Industrial Supply" Category tariff instead of "A-2 Commercial" category tariff?
- vii. Whether the existing fixed charges applicable to different consumer categories needs to be revised and requires any changes in mechanism for charging of such charges based on Actual MDI or Sanction Load or otherwise?
- viii. Whether there should any Fixed Charges on Residential & General Services Consumers, having net metering facility?
- ix. Any other issue that may come up during or after the hearing?

3. **Filing of objections/ comments:**

- 3.1. Comments/replies and filing of Intervention Request (IR), if any, were desired from the interested person/ party within 7 days of the publication of notice of admission in terms of Rule 6, 7 & 8 of the Rules. In response thereof, IR has been filed by M/s PTCL and M/s Nayatel. A brief of the concerns raised in the IR is as under;

Telecom Sector including Cellular Operators (CMOs) has been declared as an Industry vide Ministry of Industries notification dated 20.04.2004, therefore, for the purpose of charging of electricity, industrial tariff may be applied to CMOs instead of currently applicable Commercial tariffs.

- 3.2. The Authority during the tariff determinations of GEPCO for the FY 2019-20, on the request of Telenor regarding charging of Industrial tariff from Telecom Operators decided as under;

"The Authority observed that the issue highlighted by the commentator M/s Telenor Pakistan regarding applicability of Industrial tariff to Cellular Mobile Operator (CMOs) pertains to all the DISCOs including K-Electric as CMOs are operating all over Pakistan, therefore, the issue requires deliberations involving all stakeholders i.e. DISCOs, CMOs, Ministry of Energy, MoT etc. The Authority noted that proceedings regarding Tariff petitions filed by all XWDISCOs for the FY 2018-19 and FY 2019-20, except GEPCO, have already been completed, therefore, the Authority has decided to consider the request of M/s Telenor as a separate issue during the proceedings for the upcoming tariff Petitions of DISCOs for the FY 2020-21 & onward".

- 3.3. In view thereof, in the instant tariff adjustment request of IESCO, the subject matter has been discussed as a separate issue.



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3.4. During the hearing, the Petitioner was represented by its CEO along-with its technical and financial teams.

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

4. **Directions given to the Petitioner in the MYT Determination**

4.1. The Authority gave certain directions to the Petitioner in the MYT determination. The Authority understands that periodic monitoring of the directions given by the Authority is absolutely necessary in order to analyze the Petitioner's performance, therefore, the Authority has decided to have a half yearly review of the given directions, instead of discussing the same only during the tariff proceedings. However, the directions which are directly relevant to the instant tariff determination of the Petitioner are discussed hereunder;

5. **To immediately stop the existing practice of deducting 20% of SAP funds for grid augmentation and carry out the augmentation of the grid after coordinating with the Ministry of Energy and report be shared with the Authority by December 31, 2020**

5.1. The Authority keeping in view the decision of Cabinet dated July 07, 2020, wherein it was decided that the practice of deducting 20% from SAP funds should be discontinued and subsequent assurance by the Honorable Federal Minister of Energy, that wherever grid augmentation is involved, the Ministry of Energy (Power Division) will ensure these funds to DISCOs to beef up the grid facilities, directed the Petitioner vide decision dated 08.12.2020, to stop the existing practice of deducting 20% of SAP funds for grid augmentation and carry out the augmentation of the grid after coordinating with the Ministry of Energy.

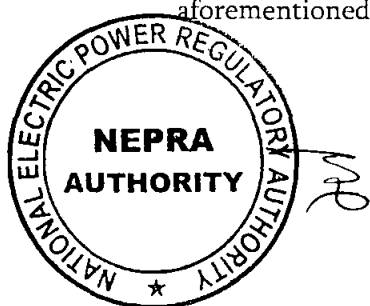
5.2. IESCO during the hearing submitted that it has complied with the direction of Authority and deduction of 20% of SAP funds for Grid Augmentation has been stopped. It was further submitted that the previously collected funds amounting to Rs.96.182 (M) shall be utilized for system improvement/Grid Up-gradation in IESCO.

6. **To ensure that consumer's deposits are not utilized for any other purpose and the same is reflected in the Audited accounts for the FY 2020-21 & onward**

7. **To restrain from unlawful utilization of receipts against deposit works and security deposits immediately, and the same is reflected in the Audited accounts for the FY 2020-21 & onward.**

8. **To give clear disclosures in its Financial Statements with respect to the consumer financed spares and stores, work in progress and cash & bank balance.**

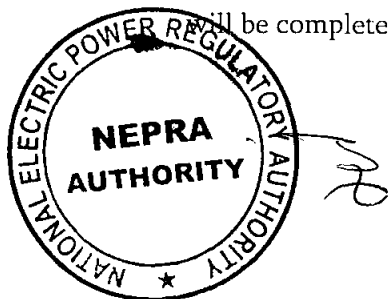
8.1. The Authority during the tariff determination of the Petitioner for the FY 2015-16 and also subsequently in the annual adjustment/ indexation decisions of the Petitioner, noted that the Petitioner has insufficient cash balance against its pending liability of receipt against deposit works and consumer security deposits, which indicated that the amount received against the aforementioned heads has been utilized somewhere else and the Petitioner failed to provide



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details in this regard. The Authority understands that the amount collected as security deposit cannot be utilized for any other reason and any profit earned thereon has to be distributed to the consumers. Also, the amount collected under the head of receipt against deposit works has to be spent for the purpose for which it has been collected. The utilization of the money collected against deposit works and security deposits, other than the works for which it has been received, is illegal and unlawful. In view thereof, the Petitioner was directed to provide rational / justification for improper utilization of the money because the consumers have to face unnecessary delay for their applied connections.

- 8.2. IESCO during the hearing submitted that it has complied with the direction of Authority, as consumers deposits have not been utilized for any other purpose and similarly, receipts against deposit works and security deposits are utilized only for the designated purpose as directed by the Authority. It was further submitted that relevant disclosures in this regard has been made in Note-13 of the Audited Accounts for the FY 2019-20 as directed. Regarding disclosure of consumer financed spares and stores, work in progress and cash & bank balance, the Petitioner submitted that compliance has been initiated and certain disclosures of work in progress is made at note 3.2 and cash and bank balance at note 13. Complete disclosures will be provided in the Audited Accounts for the FY 2020-21, as directed in the decision.
- 8.3. However, while working out the adjustment/ indexation of the Petitioner for the FY 2020-21, the Authority has again observed that the Petitioner as per its audited accounts has insufficient cash balance as on 30th June 2020, against its pending liability of receipt against deposit works and consumer security deposits, thus, indicating that the amount received against the aforementioned heads has been utilized somewhere else for which no details have been provided.
- 8.4. Accordingly, the Authority has decided, to include the amount of receipts against deposit works as a part of Deferred Credits for the assessment of RAB for the FY 2020-21, after excluding therefrom the cash/ bank balances and the amount of stores & Spares available with the Petitioner as on June 30, 2020.
- 8.5. In view thereof, the Authority has decided to take up this matter separately with the Petitioner through M&E/Legal Department, however, at the same again directs the Petitioner to ensure that in future consumer's deposits are not utilized for any other purpose.
9. **To ensure proper tagging of assets so that costs incurred are properly classified as per their nature by June 30, 2021.**
- 9.1. The Authority in the MYT tariff determination of the Petitioner and also subsequently in the annual adjustment/ indexation decisions of the Petitioner, observed that proper tagging of the assets is of utmost importance in order to enable the Petitioner to properly classify its cost in terms of capital or expense. The Authority, accordingly, directed the Petitioner to maintain a proper record of its assets by way of tagging each asset for its proper tracking.
- 9.2. The Petitioner, during hearing of the instant adjustment request, submitted that tagging of assets will be completed by the given timelines i.e. June 30, 2021.

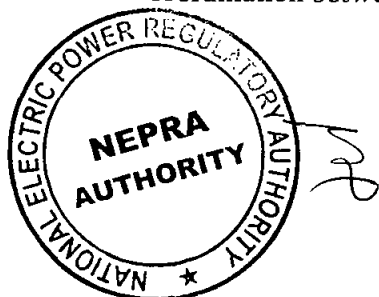


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- 9.3. The Authority, directs the Petitioner to submit compliance status of the same.
10. To provide required details of late payment charges recovered from the consumers and any invoice raised by CPPA (G) under the head of mark-up on delayed payments for the period from FY 2014-15 to FY 2019-20, by March 31, 20201.
- 10.1. The Petitioner has provided the detail of LPS recovered from consumers and supplementary charges raised by CPPAG for the required period.
- 10.2. The matter has been deliberated further under the issue of PYA.
11. What are the basis used by IESCO for bifurcation of its costs into supply and distribution segments, and whether they are justified?
- 11.1. As per the amended NEPRA Act, 2018, the function of sale of electric power traditionally being performed by the Distribution Licensees has been amended whereby 'sale' of electric power has been separated from the scope of Distribution Licenses and is recognized as a separate function under 'Supply Licensee'. In the light of aforementioned provisions of the Act, the Petitioner was required to bifurcate its costs in terms of Distribution and Supply Function and provide the basis thereof.
- 11.2. The Petitioner provided the following details in respect of bifurcation of cost for its Distribution and Sale/ Supply Businesses;

A. SUPPLY OF POWER	B. DISTRIBUTION OF POWER
GM COMMERCIAL,	GM TECHNICAL , CE (DEV) PMU, CE
MANAGERS	OPERATION, CE (O&M) T&G, CE O&M
DY MANAGERS (COMMERCIAL)	OPERATION CIRCLES,
REVENUE OFFICERS	OPERATION DIVISIONS,
METER READING SUPERVISORS, METER	OPERATION SUBDIVISIONS
READERS AND BILL DISTRIBUTORS	PD GSC ,GSO CIRCLE, PD (C&O)
100% EXPENSES ARE ALLOCATED	100% EXPENSES ARE ALLOCATED
FINANCE DIRECTORATE ALLOCATED 30%.	FINANCE DIRECTORATE ALLOCATED 70%
85% OF EXPENSES OF COMPUTER CENTER	15% OF EXPENSES OF COMPUTER CENTER

- 11.3. The Authority understands that as per the Amended Act, the Distribution Licensee is responsible to provide distribution service within its territory on a non-discriminatory basis and develop, maintain and publicly make available, with the prior approval of the Authority, an investment program, meaning thereby, that installation/investment, operation, maintenance and controlling of distribution networks, form part of the Distribution License and activities like billing and collection form part of the Supply License.
- 11.4. The Authority in the determination of the Petitioner for the FY 2019-20 decided the following;
"The Authority believes that after amendments in NEPRA Act, all the Public Sector Distribution companies are required to make organizational restructuring in terms of segregation of responsibilities of the Distribution and Sale functions and in order to ensure appropriate coordination between both functions. Hence, keeping in view the fact that it is operational issue



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and DISCOs are owned by the Federal Government, it would be more appropriate that a centralized restructuring plan at the level of Federal Government is prepared to be implemented by all the public sector DISCOs in order to have a uniformity and consistency in the structure.”

- 11.5. It is again desired that a centralized restructuring plan at the level of Federal Government is prepared, so that a uniform & consistent basis/ approach is adopted by all the DISCOs. Till such time, the submissions of the Petitioner are considered.

12. **Whether the requested adjustments in tariff are in line with the MYT tariff determination and are justified?**

- 12.1. The Petitioner submitted during the hearing that the requested adjustments are in line with the mechanism determined vide Tariff redetermination and NEPRA guidelines for determination of consumer end tariff (Methodology & Process).

- 12.2. The Authority noted that IESCO has been allowed a Multiyear tariff for a control period of 5 years starting from July 2018 till June 2023, wherein a mechanism for adjustment/ indexation of different components of the revenue requirement has been prescribed. The Petitioner accordingly, in line with the prescribed mechanism and as per the amended NEPRA Act, filed its adjustment/ indexation request along-with break-up of costs in terms of Distribution and Supply functions.

- 12.3. A summary of the adjustment/ indexation requested by the Petitioner, along-with the adjustment/ indexation mechanism provided in the MYT determination of the Petitioner is as under;

Description	Unit	Distribution of Power	Supply of Power	Total
Salaries and Wages	Rs. Mln	8,286	2,107	10,393
Post Retirement Benefit	Rs. Mln	4,456	954	5,410
Other O&M	Rs. Mln	3,009	418	3,427
Total O&M	Rs. Mln	15,751	3,479	19,230
Return on Regulatory Asset Base	Rs. Mln	5,923		5,923
Depreciation	Rs. Mln	3,659		3,659
Gross Distribution Margin	Rs. Mln			28,812
Less: Other Income	Rs. Mln	(842)		(842)
Net Distribution Margin	Rs. Mln			27,970
Sales Mix	Rs. Mln	8,824		8,824
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Supplemental Charges by CPPA-G	Rs. Mln	3,152		3,152
Total Revenue Requirement	Rs. Mln	22,958		42,188

O&M EXPENSE

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



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

Where:

$O\&M_{(Rev)}$ = Revised O&M Expense for the Current Year

$O\&M_{(Ref)}$ = Reference O&M Expense for the Reference Year

ΔCPI = Change in Consumer Price Index published by Pakistan Bureau of

X = Efficiency factor

12.5. Regarding Efficiency Factor, the Authority decided that;

".....keeping in view the Petitioner's request of keeping it at zero% for the first two years, the Authority has decided to implement the same from the 3rd year of the control period.In addition, the Authority in order to save the Petitioner from any negative adjustment on account of O&M cost, has decided that the efficiency factor X, in any year of the control period, should not be greater than 30% of increase in CPI for the relevant control year...."

RORB

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

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

Where:

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

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

$RAB_{(Rev)}$ = Revised Rate Base for the Current Year

$RAB_{(Ref)}$ = Reference Rate Base for the Reference Year

DEPRECIATION EXPENSE

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

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

Where:

$DEP_{(Rev)}$ = Revised Depreciation Expense for the Current Year

$DEP_{(Ref)}$ = Reference Depreciation Expense for the Reference Year

$GFAIO_{(Rev)}$ = Revised Gross Fixed Assets in Operation for the Current Year

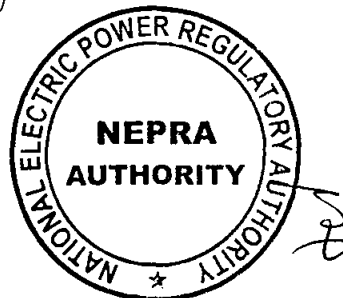
$GFAIO_{(Ref)}$ = Reference Gross Fixed Assets in Operation for Reference Year

OTHER INCOME

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

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

Where:



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

Salaries & Wages – para 17.11 of the re-determination decision dated Sep. 18, 2017

“.....the Authority has decided to allow the impact of increases in salaries & wages, as announced by GOP, in the tariff for the respective year, till the time, LESCO remains in the public sector.....”

Post-Retirement Benefits – para 31.24 of the Determination dated Mar. 08, 2016

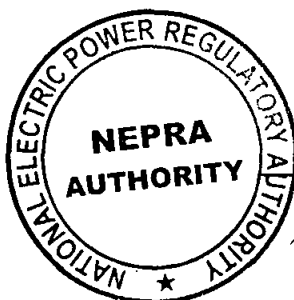
“....the Authority, has decided to allow the provision for the post-retirement benefits based on last three years average provision as per its financial statements. The provision for FY 2015-16 based on last three years' average is being allowed including the impact of the employees retired before unbundling of WAPDA.....It would be mandatory for the Petitioner to deposit the whole amount into separate funds and accounts (as the case may be). If the Petitioner fails to transfer the whole amount of post-retirement benefits, the Authority would adjust the deficit payments in the next year's provision and from thereon, only actual amounts paid and amount transferred into the fund would be allowed. In case of complete failure to transfer any amount into the fund, the Authority would only allow actual payments, rather than provision.....

- 12.9. The Petitioner has requested the following adjustments on account of its O&M costs, Other Income, RoRB, Prior Period Adjustments for the FY 2020-21;

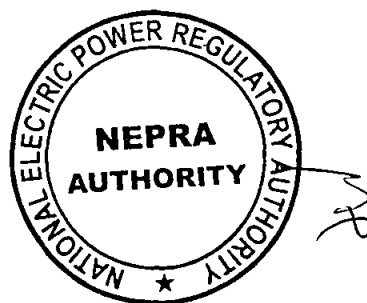
O&M costs

Rs. in Mln.			
Description	Distribution of Power	Supply of Power	Total
Salaries and Wages	8,286	2,107	10,393
Post Retirement Benefits	4,456	954	5,410
Other Operating Expenses	3,009	418	3,427
Total O&M Cost	15,751	3,479	19,230

RoRB



Rs. in Mln	
Description	FY 2020-21 Projected
Opening Fixed Assets in Operation	92,540
Assets Transferred during the year	6,897
Closing Fixed Assets in Operation	99,437
Less: Depreciation	34,146
Net Fixed Assets in Operation	65,291
Capital WIP (Closing)	20,211
Total Fixed Assets	85,502
Less: Deferred Credits	29,715
Total	55,786
Average Regulatory Assets Base	50,065
Working Capital Requirement	
Regulatory Asset Base	50,065
Regulatory Return (WACC)	11.83%
RORB	5,923



Other Income & Depreciation

- 12.10. The Petitioner has requested Other Income of Rs.842 million and depreciation of Rs.3,659 million for the FY 2020-21.
- 12.11. The Authority, as per the mechanisms prescribed in the MYT of the Petitioner, for adjustment / indexation of different components of revenue requirement, and based on the information submitted by the Petitioner, has worked out the following adjustments for the Petitioner for the FY 2020-21;

Description	IESCO		
	Allowed FY 2019-20 Rs.Mln	Indexation/Adjustment Basis	Indexed /Adjusted Cost FY 2020-21 Rs. Mln
Pay & Allowances	7,578	GoP Increases & Annual Increment	8,855
Post Retirement Benefits	1,861	Actual Payment of FY 2019-20 + GoP increases for FY 2020-21	2,986
Repair & Maintenance	1,094	CPI of May 2020	1,163
Other O&M Expenses	1,419	CPI of May 2020	1,509
Depreciation	2,902	Allowed Investment for FY 2020-21	3,605
RORB	4,698	Allowed Investment for FY 2020-21 + KIBOR of July 2020 & January 2021	5,080
O.Income	(2,163)	As per Mechanism	(2,750)
Margin	17,389		20,447

- 12.12. Here it is pertinent to mention that the Authority, under para 31.25 of the Petitioner's determination dated February 29, 2016, allowed adjustments on account of variation in KIBOR on biannual basis. However, considering the fact that FY 2020-21 has already lapsed and actual KIBOR numbers as of 3rd July 2020 and 4th January 2021 are available, therefore, while allowing the RoRB for the FY 2020-21, the adjustment on account of variation in KIBOR for the FY 2020-21 has been incorporated upfront. Thus, no further adjustment on account of variation in KIBOR for the FY 2020-21 shall be allowed subsequently.
- 12.13. It is also important to highlight that as per the Audited Financial statements of the Petitioner, under not 3.1.2, only carrying value of assets on cost has been reflected, which does not properly

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disclose the Assets Opening value and accumulated depreciation on cost basis. Upon inquiry the Petitioner submitted an excel working of its Fixed assets schedule on cost basis. Accordingly, due to non-availability of required information of assets on cost basis in the Audited financial statements of the Petitioner, the excel working shared by IESCO in this regard has been considered on provisional basis subject to adjustment once the same is reflected in Audited Financial statements of the Petitioner. Accordingly, the Petitioner is hereby directed to provide proper disclosure of assets i.e. Opening value and accumulated depreciation on cost basis. In case of non-provision of the said information, the allowed adjustments for the FY 2019-20 and FY 2020-21 would be reworked based on the amounts being reflected in the Audited financial statements.

13. Whether the requested Sales Mix Variance, Advance Tax and Supplemental charges, is justified?

- 13.1. The Petitioner has also requested an amount of Rs.8,824 million on account of Sales Mix Variance, Rs.2,242 million on account of Advance Tax and Rs.3,152 million for Supplemental charges for the FY 2020-21.

Sales Mix

Month	Actual Revenue	Actual Units Sold (kWh)	Actual Average Rate (kWh)	NEPRA Average Rate (kWh)	Difference	Impact of Sales Mix (Rs.)
Jul-19	17,506,956,837	1,257,985,769	13.92	14.93	1.01	1,274,770,694
Aug-19	17,338,051,077	1,246,638,271	13.91	14.93	1.02	1,274,258,309
Sep-19	16,485,019,510	1,197,938,902	13.76	14.93	1.17	1,400,208,297
Oct-19	11,911,923,952	895,355,266	13.3	15.31	2.01	1,795,965,171
Nov-19	9,116,913,894	688,191,791	13.25	15.31	2.06	1,419,302,427
Dec-19	8,973,913,214	659,995,889	13.6	15.43	1.83	1,209,823,353
Jan-20	10,690,528,495	737,282,111	14.5	13.86	-0.64	-471,798,436
Feb-20	10,202,685,316	706,614,098	14.44	13.86	0.58	409,013,917
Mar-20	8,442,089,026	596,608,164	14.15	13.86	-0.29	-173,099,873
Apr-20	8,037,194,546	627,303,068	12.81	13.86	1.05	657,225,977
May-20	10,398,285,946	798,385,811	13.02	13.86	0.84	667,341,394
Jun-20	14,093,051,628	1,029,705,594	13.69	13.86	0.17	178,667,905
	143,196,613,440	10,442,004,734				8,823,651,300

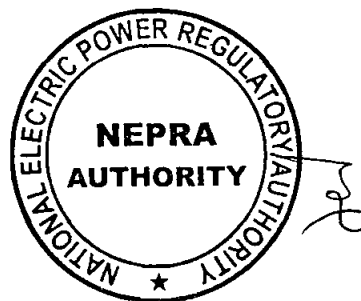
PAYMENT OF ADVANCE TAX

Particulars	1st Quarter (Jul-Sep 2019)	2nd Quarter (Oct-Dec-2019)	3rd Quarter (Jan-Mar2020)	4th Quarter (Apr-Jun 2020)	Total FY 2019-20
Opening Balance	-	183	(217)	(57)	
Minimum Tax Liability Payable	835	604	506	441	2,385
Total Payable	835	787	288	384	
Paid during the Year	652	1,004	345	241	2,242
Balance Less/Excess	183	(217)	(57)	143	143

Supplemental Charges



Month	Mln. Rs.
Jul-19	273
Aug-19	153
Sep-19	239
Oct-19	555
Nov-19	383
Dec-19	439
Jan-20	270
Feb-20	638
Mar-20	190
Apr-20	288
May-20	273
Jun-20	487
Total Supplemental Charges by CPPA-G	4,188
Less Late payment Surcharge	1,036
Net Supplemental Charges by CPPA-G	3,152

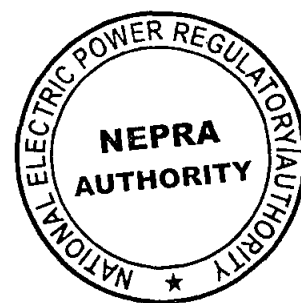


- 13.2. Regarding claim of Rs.2,242 million as adjustment for advance Tax for the FY 2019-20, the Authority observed that the Petitioner in support of its claimed amount has provided copies of the computerized payment receipt, therefore, the Authority in consistency with its earlier decision i.e. tax payment to be allowed as a pass through cost, has decided to allow the claimed amount of Rs.2,242 million as part of PYA. In addition, the impact of turnover tax for the FY 2020-21 i.e. Rs.2,367 million has also been included as part of PYA, as the Petitioner has provided the required documentary evidence in this regard.
- 13.3. The Authority while going through the financial statements of the DISCOs, has observed that significant amount of tax refund is appearing from FBR. In view thereof, the Authority directs the Petitioner to provide detail of actual tax assessments, tax allowed and the amount of tax paid for the last five years.
- 13.4. Regarding Sales Mix Variance, the Petitioner was directed through various emails to provide subsidy claims data as per the required format, for the FY 2019-20, in order to work out the impact of Sales Mix variance. However, the required information has not still been provided by the Petitioner despite repeated reminders. The Authority has taken serious notice of this non-serious attitude of the Petitioner, and non-compliance of the Authority's directions. The Petitioner is directed to ensure submission of the required information well in time and compliance of the Authority's directions in letter and spirit. Considering the fact that Petitioner has failed to submit the required details of its subsidy claims for the FY 2019-20, the Authority has decided not to consider the request of the Petitioner regarding sales mix variance of Rs.8,824 million.
- 13.5. The Authority in its decision dated 12.12.2020, in the matter of request filed by the Petitioner for adjustment/ indexation of Tariff for the FY 2019-20, directed the Petitioner to provide detail of invoices raised by CPPA-G on account of supplemental charges for the FY 2014-15 till FY 2019-20. The Petitioner in this regard has submitted the following details;

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Rs. in Mln					
YEARS	SUPPLEMENTAL CHARGES by CPPA TREASURY	BOOKED BY IESCO	INTEREST CHARGES*	LPS CHARGED BY IESCO TO ITS CONSUMERS	Difference
Under CPPA Treasury					
2010-11	2,457.70	-	-	448.402	
2011-12	1,957.03	-	-	385.17	
2012-13	1,372.81	-	-	551.369	
2013-14	1,076.79	-	-	816.72	
TOTAL	6,864.33	-	-	2,201.66	
Under CPPA(G)					
2014-15		741.461	-	705.313	36.15
2015-16		270.652	-	692.223	(422)
2016-17		261.017	-	529.977	(269)
2017-18		817.071	380.614	973.549	224.14
2018-19		2,500.84	220.604	1,498.66	1,222.79
2019-20		4,188.36	-	1,036.41	3,151.95
TOTAL		8,779.40	601.22	5,436.13	3,944.50



- 13.6. On the point of excess Supplementary charges of Rs.3,944.50 million as invoiced by CPPA-G over the amount of LPS recovered from consumers, the Authority observed that in the MYT Re-Determination decision of IESCO dated 18.09.2017, it has been decided as under;

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

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

- 13.7. From the above table submitted by IESCO, it is evident that IESCO has recovered LPS of an amount of Rs.691 million in excess of supplemental charges billed by CPPA-G for the FY 2015-16 to FY 2016-17, on yearly basis, therefore, the Authority has decided to adjust the excess amount of Rs.691 million from the instant adjustment request of the Petitioner, as part of PYA. Here it is pertinent to mention that while accounting for LPS against Supplemental Charges, NEPRA individually accounts for the amount of LPS against each DISCO's supplemental charges as per the decision of the Authority.

14. Whether IESCO has deposited sufficient amount in the Post Retirement Benefit fund in line with the amount allowed by the Authority?

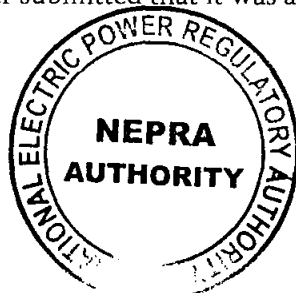
- 14.1. Regarding Provision for postretirement benefits, the Authority in the MYT determination of the Petitioner decided as follows;

Post-Retirement Benefits – para 37.15 of the Determination decision dated February 29, 2016

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"....the Authority, has decided to allow the provision for the post-retirement benefits based on last three years average provision as per its financial statements. The provision for FY 2015-16 based on last three years' average is being allowed including the impact of the employees retired before unbundling of WAPDA.....It would be mandatory for the Petitioner to deposit the whole amount into separate funds and accounts (as the case may be). If the Petitioner fails to transfer the whole amount of post-retirement benefits, the Authority would adjust the deficit payments in the next year's provision and from thereon, only actual amounts paid and amount transferred into the fund would be allowed. In case of complete failure to transfer any amount into the fund, the Authority would only allow actual payments, rather than provision....."

- 14.2. The Authority noted that the Petitioner, in its MYT determination for the FY 2015-16, was allowed provision for the post-retirement benefits, based on its last three years average provision as per the financial statements for the FY 2012-13, FY 2013-14 and FY 2014-15 amounting to Rs.2,894 million, including the impact of the employees retired before unbundling of WAPDA.
- 14.3. Subsequently, the Petitioner was also allowed amounts of Rs.3,532 million for the FY 2016-17, Rs.4,444 million FY 2017-18 and Rs.4,444 for the FY 2018-19, including the impact of the employees retired before unbundling of WAPDA, vide the Authority decision dated August 31, 2018 in the matter of request filed by the Petitioner regarding Adjustment in the Tariff Components for the FY 2016-17 and FY 2017-18 under the Multi Year Tariff Regime, subject to the condition that it would deposit the whole amount into separate fund, net off actual payments made during the respective year. It was also decided that if the Petitioner fails to transfer the allowed amount of post-retirement benefits into the Fund, the Authority would adjust the deficit payments in the next year's provision and from thereon, only actual amounts paid and amount transferred into the fund would be allowed. In case of complete failure to transfer any amount into the fund, the Authority would only allow actual payments, rather than provision.
- 14.4. Here it is pertinent to mention that the Authority, while deciding the adjustment request of the Petitioner for the FY 2019-20, vide decision dated 12.12.2020, analyzed the financial statements of the Petitioner for the FY 2015-16, FY 2016-17, FY 2017-18 and FY 2018-19. As per the Analysis, the Petitioner actually made payments on account of postretirement benefits of Rs.6,874 million, against the total allowed amount of Rs.15,314 million. As per the documentary evidence provided by the Petitioner, it had an amount of Rs.1,335 million available in its Post Retirement fund as of October 29, 2020, including profit of Rs.30.23 million earned on the deposited amount. Thus, the net amount deposited in the fund, net of profit earned, was Rs.1,305 million. Meaning thereby that the Petitioner failed to deposit the balance amount of Rs.7,136 million in the Fund. In view thereof, the Authority while deciding the adjustment request of the Petitioner for the FY 2019-20, adjusted back Rs.7,135 million. The Authority further in line with its MYT determination, only allowed Rs.1,861 million for the FY 2019-20, based on actual payments made during the FY 2018-19 after incorporating therein the increases announced by the Federal Government in the Budget of FY 2019-20.
- 14.5. IESCO filed Motion for Leave for Review (MLR) against the decision of the Authority dated 12.12.2020, wherein the Petitioner submitted that it was allowed Rs.15,314 million, on account



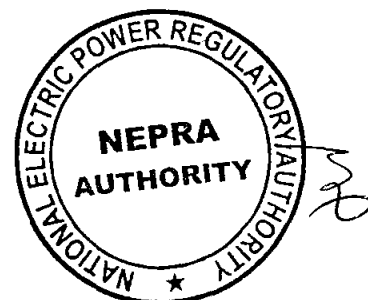
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of Post-Retirement Benefits, for period FY 2015-16 to FY 2018-19, with the condition that the same shall be transferred to the Pension Fund or actually paid to the Pensioners. However, at the same time the Authority at Para No. 11.16 of the decision dated 12.12.2020, has allowed PYA of Rs.1,273 million and Distribution Margin (DM) short fall of Rs.1,853 million, as IESCO was unable to recover its legitimate DM during the said Financial Years. Therefore, the shortfall works out as Rs.2,506 million as per the following calculations;

Pension Fund	Nepra Determined FY 2019-20	IESCO Recovered through tariff	Excess/ (Shortfall)
FY 2018-19	4,444	3,952	(492)
FY 2017-18	4,444	3,743	(701)
FY 2016-17	3,532	3,532	-
FY 2015-16	2,894	2,894	-
Total	15,314	14,121	(1,193)
Deposited in Account	1,305	2,618	(1,313)
Required Adjustment			(2,506)

- 14.6. Based on the above, IESCO requested in the MLR to allow Rs.2,506 million under the head Post Retirement Benefits.
- 14.7. The Petitioner during the hearing of its instant adjustment request submitted the following details regarding amount allowed by the Authority and the amount deposited in the Fund by the Petitioner;

Year	Amounts as per IESCO	NEPRA Allowed	Actual Payment	To be deposited Fund	Rs. in Mln	
					Deposited in Fund (29.10.20)	Adjusted back by NEPRA (Dis-allowed)
2015-16	3,861	2,894	1,382	1,512		
2016-17	3,531	3,532	1,658	1,874		
2017-18	5,070	4,444	2,142	2,302		
2018-19	4,695	4,444	1,692	2,752		
	17,157	15,314	6,874	8,440	1,305	7,135
2019-20	5,673	1,861	2,963			
Total	22,830	17,175	9,837			



- 14.8. The Authority, considering the fact that the determination against which the MLR was filed by the Petitioner was already notified by the Federal Government vide SRO dated February 12, 2021, which was made applicable with immediate effect, decided to return back the subject Motion to the Petitioner, with the directions to submit the concerns raised in the MLR in its next adjustment/ indexation request for consideration of the Authority. Accordingly, the Petitioner raised this issue again in its instant adjustment / indexation request for the FY 2020-21, which has been discussed hereunder.
- 14.9. The Authority observed that per para 37.15 of the MYT Determination dated 29-02-2016, as mentioned in the preceding paragraphs, it was mandatory for the Petitioner to deposit the whole amount into separate fund and upon failure of the Petitioner to do so, the Authority would adjust the deficit payments in the next year's provision and from thereon, only actual amounts paid and amount transferred into the fund would be allowed. The Authority noted that the Petitioner did not comply with the directions of the Authority regarding deposit of the available provision for postretirement benefits in the Pension Fund, accordingly, the Authority in line with the MYT decision, adjusted back an amount of Rs.7,136 million as elaborated in detail in the

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preceding paragraphs. Further, for the FY 2019-20, the Petitioner was allowed Rs.1,861 million, as actual pension payments based on payments made during the FY 2018-19 after incorporating therein the increases announced by the Federal Government in the Budget of FY 2019-20. The Authority, however, noted that as per the Financial statements of the Petitioner for the FY 2019-20, the actual pension payments made during the FY 2019-20 remained at around Rs.2,963 million. Accordingly, the difference of Rs.1,102 million, on account of amount allowed for the FY 2019-20 i.e. Rs.1,861 million and actual payments i.e. Rs.2,963 million is hereby allowed as part of PYA in the instant decision, in line with the MYT determination of IESCO.

- 14.10. Further, as per the information submitted by the Petitioner, the Fund balance as on May 2021 net off profit is Rs.2,672 million, meaning thereby that the Petitioner has deposited an additional amount of Rs.1,367 million in the Fund as compared to the balance of Rs.1,305 million as of October 2020. In view thereof, the Authority has decided to allow the amount of Rs.1,367 deposited by the Petitioner in the Fund.
- 14.11. Here it is also pertinent to mention that the decision of the Authority dated 12.12.2020, wherein PYA of Rs.1,273 million and Distribution Margin (DM) short fall of Rs.1,853 million was allowed, has since been notified by the Federal Government w.e.f. 12.02.2021, thus the Petitioner has started recovering the shortfall amounts. In view of the above discussion, no adjustment is required on the request of the Petitioner to allow Rs.2,506 million.
- 14.12. Similarly, for the FY 2020-21, the Authority in line with the MYT determination has decided to allow Rs.2,986 million, as actual pension payments, based on payments made during the FY 2019-20 after incorporating therein the impact of increase in Pension benefits.
15. In addition to above, IESCO also raised the following issue in the MLR;

Distribution Margin for the FY 2019-20

- 15.1. The Petitioner submitted that the Authority at para 11.16 of the decision dated 12.12.2020, allowed Rs.1,853 million on account of under recovered Distribution Margin of IESCO for the FY 2018-19, however, IESCO has calculated the shortfall as Rs.1,902 million based on the applicable S.R.O No 04 (I)/2019 dated 01, January 2019. The Petitioner accordingly requested to allow the difference of Rs.49 million as per the calculations below;

Rs. in Mln	
Under Recovered DM FY 2018-19	1,853
IESCO Recovery	1,902
Increase Requested	49

- 15.2. The Authority observed that the Petitioner has not substantiated its claim with any supporting working/justification. The amount as worked out by the Authority regarding under recovery of the allowed Distribution Margin for the FY 2018-19, works out as Rs.1,853 million, as mentioned hereunder, and the same was accordingly allowed while working out the PYA of the Petitioner in the decision dated 12.12.2020, thus no further adjustment is required.



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D.M FY 2018-19

Allowed	17,369
Recovered	15,516
Under/(Over) Recovery	1,853

Turn Over Tax

- 15.3. The Petitioner also claimed Rs.2,242 million as turn over tax by stating that it has already paid the Advance turnover tax pertaining to FY 2019-20 million, which is treated as Pass through item by the Authority and NEPRA Guideline for Determination of consumer end Tariff and Methodology (2015), allows for reimbursement of tax payments.
- 15.4. The matter has already been discussed under the issue of "Sales Mix Variance, Advance Tax and Supplemental charges", thus requires no further deliberation.

Actual impact of additional hiring

- 15.5. IESCO in the MLR submitted that the Authority at Para No 9.9 of its decision dated 12.12.2020, disallowed the cost of new recruitment, however, IESCO has hired 92 new SDOs from current month against vacant posts due to severe short fall in existing strength of the company. The Financial Impact of these new hiring is 45.73 million for a period of six months ending June, 2021.
- 15.6. The Authority observed that while deciding the adjustment request of IESCO for the FY 2019-20 vide decision dated 12.12.2020, the matter was decided as under;

"On the point of allowing cost of additional hiring, the Authority in the MYT of the Petitioner considered that allowing any such cost upfront would be unfair with the consumers, without considering/ analyzing the benefits of such recruitment. The Authority decided that it will be in a position to adjudicate on the issue once the Petitioner provides details of the actual cost incurred in this regard and substantiates the same with the quantified benefits accrued. Accordingly, the Authority decided to widen the scope of mid-term review of IESCO's O&M cost by including therein the financial impact of any additional hiring also. The mid-term review would be carried out in case if privatization program is deferred and IESCO remains in the Public sector.

In view of the above decision of the Authority the impact of new hiring claimed by the Petitioner has not been accounted for, further the Petitioner is directed to claim the said amount with quantified benefit in its Mid Term Review application."

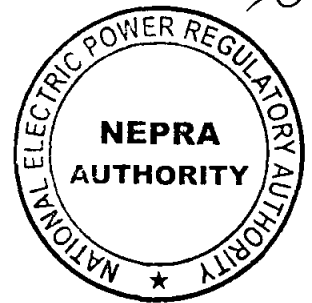
- 15.7. The Authority observed that the Petitioner has not filed any mid-term review application, therefore, based on the aforementioned decision of the Authority, the request of the Petitioner is not justified.



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Impact of disallowed Salaries and wages

- 15.8. The Petitioner submitted that the Authority disallowed the impact of Rs.327 million for Recruitment and Retirement for the FY 2009 to FY 2013 on the grounds that the Petitioner has not provided any justification or details in this regard.
- 15.9. The Authority in the tariff determination of the Petitioner for the FY 2012-13 deducted an amount of Rs.665 million and directed the Petitioner to submit the required certificate for replacement hiring from its Auditors. Owing to non-submission of the required certificate, the Authority while deciding the MYT determination of the Petitioner for the FY 2015-16 to FY 2019-20, disallowed an amount of Rs.890 million on account of replacement hiring (Rs.665 million indexed as Rs.890 million till FY 2015-16), while assessing the reference salaries, wages and benefits of the Petitioner for the FY 2015-16.
- 15.10. The MYT decision of the Authority dated February 29, 2016, para 11.9.3 to 11.9.5 is reproduced hereunder;
- 11.9.3 The Authority had been deducting this cost in the previous tariff determinations, however, in the tariff determination for FY 2014-15, considering the fact that as per the approved tariff methodology, the Petitioner's reference/base expense would be established for future years under the MYT regime, the Authority considered it unjust on the part of the Petitioner if the said cost is disallowed again. In view thereof, the Authority decided to allow this cost in the FY 2014-15 on provisional basis subject to the condition that if the required certificate is not provided before the finalization of the tariff determination pertaining to the FY 2015-16, the referred cost would be disallowed permanently and no further directions would be given to the Petitioner in this regard.**
- 11.9.4 The Petitioner during the hearing of its instant petition i.e. FY 2015-16 has mentioned that the verification is under process and complete report, when received from Auditors will be submitted.**
- 11.9.5 Till today the Authority has not received any certificate from the Petitioner. In view thereof, as per the decision of the Authority in its tariff determination for FY 2014-15, the replacement hiring cost amounting to Rs.890 million has been disallowed while assessing salaries and wages cost of the Petitioner for FY 2015-16.**
- 15.11. The Authority afterwards allowed adjustment/indexation in the IESCOs' tariff up-to FY 2019-20, based on the reference Salaries & wages for the FY 2015-16, as per the prescribed mechanism. The amount of Rs.890 million, which after indexation till the FY 2019-20, has been worked out as Rs.1,282 million has not been allowed to the Petitioner.
- 15.12. Now the Petitioner has submitted its certificate of replacement hiring, whereby the impact of replacement hiring is around Rs.327 million instead of Rs.665 million. Although the assessment of the Authority for the previous periods under the said head is not subject to any adjustment, being a past and closed transaction, however, it is also a fact that instead of deducting Rs.327 million, an amount of Rs.665 million was adjusted as cost of replacement hiring.
- 15.13. In view thereof, the Authority has decided to allow the differential of Rs. 337 million (Rs.665 million – Rs.327 million), which as of today works out as around Rs.652.297 million as part of as PYA. Further, the impact of the same has been included in the reference amount of salaries,



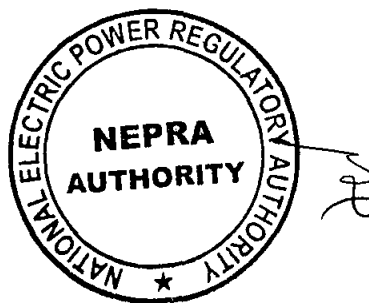
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wages and benefits expenses for future adjustment/indexation purposes for the period from FY 2020-21 onward.

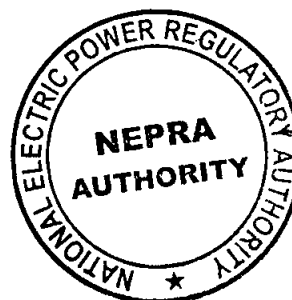
Interim D.M

- 15.14. Here it is pertinent to mention that the Authority, in the matter of requests filed by Ministry of Energy (MoE) regarding Annual adjustment / indexation of Distribution Margin of DISCOs, allowed the Petitioner an Interim DM of Rs.1,459 million for the FY 2019-20 vide decision dated September 27, 2019. The same was notified w.e.f. 01.10.2019 and remained notified till 30.09.2020. The Authority, however, while deciding the annual adjustment/ indexation of the Petitioner for the FY 2019-20 vide decision dated 12.12.2020, adjusted back the entire amount of Interim DM, with the provision that any under/ over recovery in this regard would be adjusted subsequently as part of PYA.
- 15.15. In view of the above discussion, the amount of Interim DM recovered by the Petitioner from October 2019 till September 2020 has been worked out as Rs.1,304 million against the allowed amount of Rs.1,459 million. Accordingly, the under recovered amount of Rs.155 million is hereby allowed to the Petitioner as part of instant PYA.
- 15.16. The Authority noted that the Petitioner while working out PYA regarding under/ over recovery of the allowed DM for the FY 2019-20, has also included cost on account of actualization of its Salaries & Wages and O&M costs for the FY 2019-20 as per its provisional accounts for the FY 2019-20. The Authority observed that no such provision is available in the Multi Year Tariff determination of the Petitioner regarding actualization of the Salaries & Wages and O&M costs. Therefore, the request of the Petitioner to this extent is not justified.
- 15.17. Based on the discussion made in the above paragraphs, the Authority has assessed the following PYA of the Petitioner;

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Description	Rs. Mn IESCO
1st & 2nd Qtr. FY 2018-19	
Allowed Amount	18,427
Qtr. Rs./kWh	1.2661
Recovered	17,880
Under/(Over) Recovery	547
3rd & 4th Qtr. FY 2018-19	
Allowed Amount	3,002
Qtr. Rs./kWh	0.2578
Recovered	2,681
Under/(Over) Recovery	321
Interim D.M FY 2018-19	
Allowed Amount	1,459
Qtr. Rs./kWh	0.1254
Recovered	1,304
Under/(Over) Recovery	155
1st Qtr. FY 2019-20	
Allowed Amount	1,394
Qtr. Rs./kWh	0.1197
Recovered	1,250
Under/(Over) Recovery	144
Distribution Margin FY 2019-20	
D.M FY 2018-19 Rs./kWh	1.4777
Allowed	17,389
Recovered	15,445
Under/(Over) Recovery	1,944
Other Income FY 2019-20	
Allowed	(2,163)
Actual	(2,464)
Under/(Over) Recovery	(300)
Impact Of Negative FCA - FY 2019-20	
Life Line Consumers Positive FCA	36
Negative FCA retained, Life Line, 01-300 Residential Units and Agricultural sales	(822)
	(786)
Tariff Differential Subsidy	18,282
Tariff Rationalisation Surcharge	(25,922)
Net Subsidy/ (Surcharge)	(7,640)
Impact of Negative FCA as PYA	(786)
MLR FY 2018-19 & FY 2019-20	
Tax Payments	2,367
	2,367
Tax Payments FY 2019-20 & FY 2020-21	2,242
Late Payment Charges in Excess to Supplemental charges FY 2014-15 to FY 2019-20	(691)
Replacement Hiring Differential	652
Distribution Margin FY 2020-21	
D.M Notified - Rs./kWh till Feb 11, 2021	1.4777
D.M Notified - Rs./kWh Feb. 12 to June 2021	1.5728
Allowed	17,389
Recovered	16,571
Under/(Over) Recovery	818
Total Prior Period Adjustment	5,046



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- 15.18. The Authority in line with its earlier decision in the matter of negative FCA, has calculated the impact of net negative FCA pertaining to the FY 2020-21 in the matter of lifeline consumers, domestic consumers (consuming up-to 300 units) and Agriculture Consumers which has been retained by the Petitioner. The Authority also considered the relevant clauses of the S.R.O. 189 (1)/2015 dated March 05, 2015 issued by GoP and the amount of subsidy claims filed by the Petitioner for the FY 2020-21.
- 15.19. After considering all the aforementioned factors, the Authority observed that the Petitioner has retained a net amount of Rs.786 million on account of negative FCA for the FY 2019-20, pertaining to the lifeline consumers, domestic consumers (consuming upto 300 units) and Agriculture Consumers, which is still lying with the Petitioner. The Authority further observed that as per the Tariff Differential Subsidy claims of the Petitioner pertaining to the FY 2019-20, it has recovered net surcharges during the FY 2019-20.
- 15.20. Consequently, the net amount of Rs.786 million retained by IESCO on account of negative FCA for the FY 2019-20, pertaining to the lifeline consumers, domestic consumers (consuming up-to 300 units) and Agriculture Consumers, which is still lying with IESCO has been adjusted in the PYA. The above working has been carried out based on the data/ information provided by PITC, as DISCOs have not submitted the required information. In case DISCOs own calculations are different from the aforementioned numbers, keeping in view the last slab benefits etc., the same may be shared with the Authority in its subsequent adjustment request.
- 15.21. Here it is pertinent to mention that the impact of under/ over recovery of quarterly adjustments for the FY 2018-19 and 1st quarter of the FY 2019-20 has been worked out based on total units i.e. without adjusting the impact of life line units as DISCOs have neither submitted their workings in this regard nor provided break-up of category wise units sold for the period. In view thereof, the Petitioner is directed to provide its working in the matter along-with break-up of units sold for each category for the period from FY 2019-20 till FY 2021-22, for consideration of the Authority. Any adjustment in this regard would be adjusted subsequently as PYA.

True ups allowed in the MYT

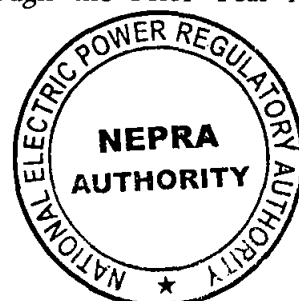
- 15.22. The MYT determination also allows truing up of certain costs allowed to the Petitioner during the tariff control period i.e. Depreciation, Investments and KIBOR + Savings in spread as Prior Year Adjustments, as per the prescribed mechanism as detailed below;

Para 38.8 - Depreciation

- 15.23. Regarding Depreciation, the MYT determination mentions that;

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

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- 15.24. The Authority noted that actual depreciation of the Petitioner for the FY 2019-20, as per the information, provided by the Petitioner, remained at around Rs.3,325 million, against the allowed amount of Rs.2,902 million in the revenue requirement for the FY 2019-20. Accordingly, the additional amount of Rs.423 million, is being allowed to the Petitioner for the FY 2019-20, through PYA.

Para 31.31 - Investments

- 15.25. Regarding Investments, the MYT determination mentions that;

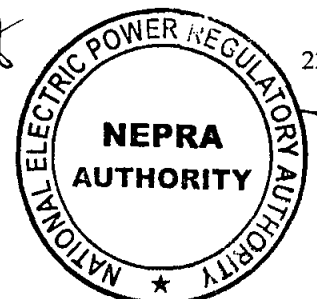
"Considering the fact that RAB for the FY 2015-16 & onwards has been allowed based on estimated level of investments and in case the actual investments carried out turn out to be different from the estimated level i.e. the Petitioner ends up in making higher investments than the allowed, the benefit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

KIBOR and Spread Variations – para 31.25 of the Determination decision dated 29.02.2016

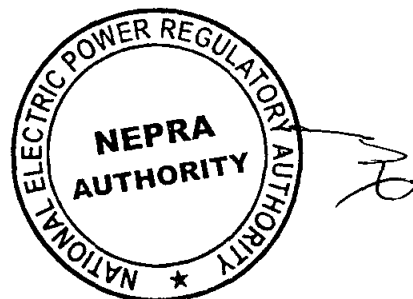
".....the Authority has decided to cover the risk of floating KIBOR, thus, any fluctuation in the reference KIBOR would be adjusted biannually...."

".....If the Petitioner manages to negotiate a loan below 2.75% spread, the savings would be shared equally between the consumers and the Petitioner through PYA mechanism annually. In case of more than one loan, the saving with respect to the spread would be worked out by a weighted average cost of debt. The sharing would be only to the extent of savings only i.e. if the spread is greater than 2.75%, the additional cost would be borne by the Petitioner....."

- 15.26. The Authority noted that the Petitioner was allowed an RoRB of Rs.4,526 million, based on projected investment of Rs.10,090 million for the FY 2019-20, whereas, as per the audited accounts, provided by the Petitioner, its actual investment for the FY 2019-20 has remained around Rs.7,483 million.
- 15.27. In view thereof and as provided in the true up mechanism, the RoRB of the Petitioner needs to be revised for the FY 2019-20, keeping in view the actual investments made by the Petitioner during the FY 2019-20.
- 15.28. Accordingly, the RoRB of the Petitioner for the FY 2019-20, after taking into account the actual investments made, has been reworked as Rs.4,526 million. The difference of Rs.172 million between the already allowed RoRB of Rs.4,698 million, and the revised amount of Rs.4,526 million has been adjusted through PYA.
- 15.29. No adjustment on account of KIBOR for the FY 2019-20 is being allowed as the Authority while determining the RoRB for the FY 2019-20, used the actual KIBOR numbers as of 1st July 2019 and 2nd January 2020, thus, no further adjustment on account of variation in KIBOR for the FY 2019-20 is to be allowed.
- 15.30. Based on the discussion made in the above paragraphs, the Authority has assessed the following true- ups of the Petitioner for the FY 2019-20;



Description	Rs. Mln IESCO
Provision for Post Retirement Benefit	
Allowed	1,861
Benefit Paid	2,963
Transferred to Account	1,367
Under/(Over) Recovery	2,469
Depreciation	
Allowed	2,902
Actual	3,325
Under/(Over) Recovery	423
RoRB (Investment)	
Allowed	4,698
Actual	4,526
Under/(Over) Recovery	(172)
Total MYT True Ups	2,720



- 15.31. Based on the discussions made in the preceding paragraphs, the total PYA of the Petitioner including true up of costs allowed under MYT has been worked out as under;

Description	IESCO
Total Prior Period Adjustment	5,046
Total MYT True Ups	2,720
Grand Total	7,766

16. Whether the existing fixed charges applicable to different consumer categories needs to be revised and requires any changes in mechanism for charging of such charges based on Actual MDI or Sanction Load or otherwise?

- 16.1. The Petitioner during the hearing submitted that it has already requested NEPRA to revise the criteria of fixed charges on the basis of 50% of sanctioned load in case of no energy is consumed during the month. The Authority noted that other DISCOs also during proceedings of their tariff petitions supported applicability of fixed charges based on sanctioned loads.
- 16.2. The Authority also noted that as per the decision dated 01.11.2021 in the matter of Wheeling Costs to be included in the Tariff Determination of DISCOs, it was decided as under;

"Hybrid BPC

12.1. In future tariff determinations of DISCOs, for Hybrid BPCs, fixed charges shall be levied based on their sanctioned load or actual MDI, whichever is higher and will be applicable on such BPCs who retain DISCOs as deemed supplier. In the meanwhile, based on the above formula, NEPRA will determine it on case to case basis."

- 16.3. The Authority observed that as per the current tariff structure, certain consumer categories like Commercial, Industrial, Bulk and Agriculture are levied fixed charges, which are based on their actual MDI for the month. The Authority considers that the capacity charges of generation companies which are fixed in nature, as it has to be paid based on plant availability, are charged to DISCOs based on the actual MDIs of DISCOs. However, the present consumer end tariff

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design is of volumetric nature whereby major portion of the cost is charged / recovered from the consumers on units consumed basis i.e. per kWh and only a small amount is recovered on MDIs basis from the consumers.

16.4. In view of the above discussion, decision of the Authority dated 01.11.2021 in the matter of wheeling and to ensure that Hybrid BPCs, who keep DISCOs connection as backup, also share portion of the fixed costs, the Authority has decided to change the mechanism for levying of monthly fixed charges to various categories of consumers. The Fixed charges shall now be charged, based on 50% of the sanctioned load or actual MDI for the month, whichever is higher. However, in such cases, no minimum monthly charges would be billed even if no energy is consumed. The Authority has also decided to increase the rate of fixed charges currently applicable to certain categories i.e. from Rs.400/kW/M, 420/kW/M and 440/kW/M to Rs.440/kW/M, 460/kW/M, and 500/kW/M respectively. At the same time, the Authority not to overburden such consumers who are levied fixed charges, has adjusted their variable rate, to minimize the impact of increase in fixed charges.

16.5. Here it is also pertinent to mention that once the CTBCM becomes operational, the Hybrid BPCs shall be treated in accordance with the prevailing Regulations at that time.

17. Whether there should be any amendment in Terms and Conditions of Tariff (For Supply of Electric Power to Consumers by Supply Licensees) keeping in view the changes in Consumer Service Manual?

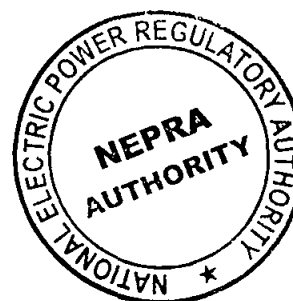
17.1. The Authority observed that certain amendments have been approved in the NEPRA CSM, regarding extension of load for B-3 & C-2 from 5MW upto 7.5MW, after following due process of law. The same amendments are also required to be incorporated in the Tariff determination of DISCOs. Accordingly, the following changes are being made in the Terms & Conditions of Tariff;

"Considering the fact that the Authority, through CSM, has already allowed extension in load beyond 5MW upto 7.5MW whose connection is at least three (3) years old, therefore, for such consumers the applicable tariff shall remain as B-3 or C-2 as the case may be. However, while allowing extension in load, the DISCOs shall ensure that no additional line losses are incurred and additional loss, if any, shall be borne by the respective consumers."

18. Electric Vehicle Charging Stations

18.1. In order to provide an enabling regulatory regime for the Electric Vehicle Charging Stations ("EVCS") that would supplement the introduction and promotion of Electric Vehicles ("EV") in Pakistan, and provide a strong base for the growth of the EV charging infrastructure to support the development of this industry. The charging services for EV is going to involve setting up a dedicated facility that would require a dedicated infrastructure including AC/DC conversion, conductive charging system, charging connectors, plugs, inlets and socket outlets, cables, protection system and dedicated electricity supply system with dedicated connection and transformer.

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- 18.2. Here it is pertinent mention that the National Electric Vehicle Policy 2019 requires the following;

"NEPRA shall develop a policy to enact EV tariffs and to ensure compliance with EV standards and specifications. The foremost of which are safety standards for EVs."

- 18.3. The Authority in view thereof, in exercise of powers under section 7 read with section 31 of NEPRA Act read with 3(1) of NEPRA Tariffs (Standards & Procedure) Rules, 1998 carried out proceedings to amend the terms and condition of XWDISCOs and KE's tariff for this purpose. During the proceedings the issues regarding tariff to be charged from electric vehicles by EVCS along-with proposed amendments in the tariff Terms & conditions for the purpose was discussed in detail.

- 18.4. Based on the outcome of the proceedings, the Authority has decided as under;

18.5. **Amendment in Tariff Terms & Conditions**

- ✓ In A-2 Commercial "1", following is added at the end;

"ix) Electric Vehicle Charging Stations"

- ✓ In A-2 Commercial "2", following is added;

"Electric Vehicle Charging Stations shall be billed under A-2(d) tariff i.e. Rs./kWh for peak and off-peak hours. For the time being, the tariff design is with zero fixed charges, however, in future the Authority after considering the ground situation may design its tariff structure on two part basis i.e. fixed charges and variable charges."


- ✓ In addition in A-2 Commercial, following is added;

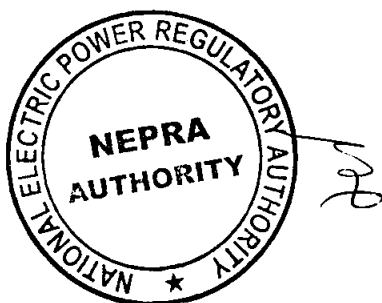
- 18.6. *"The Electric Vehicle Charging Station shall provide "charging service" to Electric Vehicle with a maximum cap as determined by the Authority from time to time. For the time being the Cap has been determined as **Rs.50/kWh**. The EVCS shall be billed by DISCOS under A-2(d) tariff. However, monthly FCAs either positive or negative shall not be applicable on EVCS."*

18.7. **Addition in Schedule of Tariff**

- ✓ In Schedule of Tariffs (SoTs), under A-2 General Supply Tariff - Commercial, a new tariff i.e. A-2(d) – Electric Vehicle Charging Station is added.

19. **Whether the existing Tariff Terms and Conditions needs to be modified, especially with reference to the request of Telecom companies to charge "B Industrial Supply" Category tariff instead of "A-2 Commercial" category tariff?**

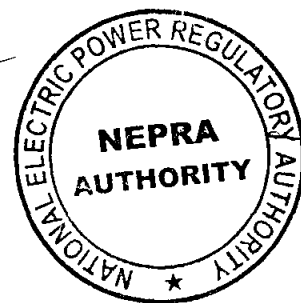
- 19.1. The Authority during the tariff determinations of GEPCO for the FY 2019-20, on the request of Telenor regarding charging of Industrial tariff from Telecom Operators decided as under; 



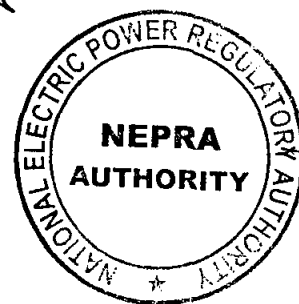
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"The Authority observed that the issue highlighted by the commentator M/s Telenor Pakistan regarding applicability of Industrial tariff to Cellular Mobile Operator (CMOs) pertains to all the DISCOs including K-Electric as CMOs are operating all over Pakistan, therefore, the issue requires deliberations involving all stakeholders i.e. DISCOs, CMOs, Ministry of Energy, MoIT etc. The Authority noted that proceedings regarding Tariff petitions filed by all XWDISCOs for the FY 2018-19 and FY 2019-20, except GEPCO, have already been completed, therefore, the Authority has decided to consider the request of M/s Telenor as a separate issue during the proceedings for the upcoming tariff Petitions of DISCOs for the FY 2020-21 & onward".

- 19.2. In view thereof, in the instant tariff adjustment requests of the Petitioner, the subject matter is being discussed as a separate issue.
- 19.3. The Petitioner during the hearing submitted that Telecom sector is only providing the services to consumers not value addition, therefore A-2 commercial is accurate
- 19.4. Telecom companies in their comments/ Intervention Requests have submitted that Telecom Sector including Cellular Operators (CMOs) has been declared as an Industry vide Ministry of Industries notification dated 20.04.2004, therefore, for the purpose of charging of electricity, industrial tariff may be applied to CMOs instead of currently applicable Commercial tariffs.
- 19.5. M/s NAYatel and M/S PTCL both submitted that in line with the Telecom Policy of 2004, the Federal Government was pleased to declare Telecom sector including Cellular Operators as an "Industry" with immediate effect vide Gazette Notification dated 20.04.2004, issued by the Ministry of Industries and Production, Government of Pakistan.
- 19.6. The Ministry of Information Technology vide UO dated 16.06.2014 also endorsed the request of the Telecom Sector including CMOs to be classified as Industrial Undertaking under clause (b) of Section 2(29C) of the Income Tax Ordinance 2001.
- 19.7. In view of the above, it has been submitted that telecom companies along with other CMO's as an "Industrial Undertaking", so that "Industrial Tariff" is applied across the board to the Telecom Sector companies in Pakistan instead of "Commercial Tariff". Accordingly, it has been requested that issue of applicability of "Industrial Tariff" on Telecom Sector may be addressed and determined by the Authority, while determining the Uniform Tariff for DISCOs throughout Pakistan, including the current MYT indexation request of IESCO.
- 19.8. The Ministry of IT & T vide its letter dated 18.06.2014 addressed to FBR, submitted the following;
- ✓ *"... MoIT endorses the request of Telecom Industry, including Mobile Cellular Operators (CMOs) to be classified as "Industrial Undertaking" under clause (b) of section 2 (29C) of the Income Tax Ordinance 2001.*
 - ✓ *We will appreciate if the issue is examined and finalized in light of the aforementioned Cabinet decision and the subsequent notification issued in this regard by the Ministry of Industries & Production."*



- 19.9. The Ministry of Information Technology and Telecommunication, vide letter dated 29.04.2020, while referring to the meeting of the Committee on issues of CMOs constituted by the Prime Minister, held on 13.04.2020 stated that like any high tech industry, Telecom Operators use electricity for their infrastructure i.e. Data Centers, exchanges, points of presence (POPs), BTSs, Mobile Switching centers, Base Station Controllers (BSCs) etc. MoIT&T accordingly requested NEPRA to implement the Government orders.
- 19.10. DISCOs during the hearing submitted that as per tariff terms and conditions industrial connections required motive load and Telecom companies does not fall under this category of tariff.
- 19.11. The Ministry of Energy (MoE) vide comments dated 02.08.2021, submitted that the government has extended various reforms, packages & incentives, inter alia; Circular Debt Management Plan (CDMP), facilitative Ease of Doing Business architecture, strategizing increase in sales to high value consumer classes, Industrial Support package (ISP), flat peak & off-peak tariff scheme for industrial units and Zero-Rated Industrial (ZRI) package. Industrial tariff is applicable to the industries production facilities and the warehouses, which are used to transmit the products to the retailer/ distribution network, are considered as commercial value addition. Telecom companies being engaged in provision of telecom services through retail/ distribution network infrastructure, may be treated as commercial value-added activity for which consumer has to pay and, therefore, the same may be continued to be served electricity under commercial tariff category. In view of above, it has been submitted that any consideration of the Authority for the relocation of telecom companies from commercial category to industrial category may not be aligned with the economic objectives underlying the various industrial packages/concessions in field. Moreover, this relocation will result in the revenue gap and put extra burden on other consumers or fiscal space.
- 19.12. The Ministry of Finance (MoF) vide comments dated 30.07.2021, submitted that Telecom Companies/Cellular Mobile Companies Operators are basically involved in commercial activities and electricity cost is a pass through item. Further, Telecom Companies/Cellular Mobile Companies Operators fix their consumer end tariff without consulting the Regulator. Therefore, Finance Division is further of view that electricity supply to these companies for their infrastructure units under the category "A-2 Commercial" may be continued and they may not be considered for supply of electricity under the tariff category "B-2 Industrial Supply".
- 19.13. Here it is pertinent to mention that subsequent to the aforementioned Intervention Requests and Comments from the Telecom companies, separate tariff petitions have also been filed by M/s PTCL, M/s Telenor and M/s Pak Telecom Mobile Company (Ufone) Limited for change in tariff category of Telecom Operators from Commercial to Industrial.
- 19.14. Since the said Petitions are under consideration of the Authority, therefore, the Authority has decided to issue a separate additional decision on the issue once the proceedings on the aforementioned petitions are completed.



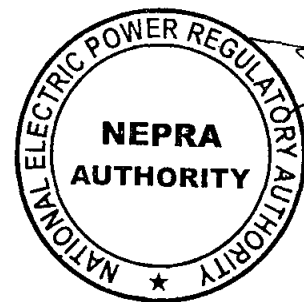
20. Whether there should any Fixed Charges on Residential & General Services Consumers, having net metering facility?

- 20.1. The Petitioner during the hearing submitted that at present no Fixed Charges are charged from all category of consumers (Residential, General Services, Commercial, Tube well & Industrial) having net metering facility. Accordingly, the Petitioner proposed that a certain amount of fixed charges per month on installed DG Facility for Net metering connections for use of system may be charged from all categories of consumers.
- 20.2. The Authority observed that the net metering regime is presently at a nascent stage as current installations are a negligible portion of total generation capacity of the power system, therefore, decided not to levy any fixed charges on Residential and General services net metering consumers.
- 20.3. However, considering the steep rise in the Power Purchase cost of electricity coupled with stability in the prices of installing DG facilities, the Authority has decided to initiate proceedings for amendment in NEPRA (Alternative and Renewable Energy) Distributed Generation and Net Metering Regulations, 2015, for change in tariff payable by DISCOs to net metering consumers for excess energy delivered in the system.

21. Revenue Requirement

- 21.1. In view of the discussion made in preceding paragraphs and accounting for the adjustments discussed above, the adjusted revenue requirement of the Petitioner, for the FY 2020-21 is as under;

Description	Unit	Allowed FY 2020-21		
		DoP	SoP	Total
Units Received	[MkWh]	12,096	12,096	12,096
Units Sold	[MkWh]	11,068	11,068	11,068
Units Lost	[MkWh]	1,028	1,028	1,028
Units Lost	[%]	8.50%	8.50%	8.50%
Pay & Allowances		7,060	1,795	8,855
Post Retirement Benefits		2,459	527	2,986
Repair & Maintenance		1,021	142	1,163
Traveling allowance				
Vehicle maintenance		1,325	184	1,509
Other expenses				
O&M Cost		11,865	2,648	14,513
Depreciation		3,605	-	3,605
RORB		5,080	-	5,080
O.Income		(2,750)	-	(2,750)
Distribution/Supplier Margin	[Mln. Rs.]	17,799	2,648	20,447
Prior Year Adjustment		-	7,766	7,766
Revenue Requirement	[Mln. Rs.]	17,799	10,414	28,213



- 21.2. The above determined revenue shall be recovered from the consumers through the projected sales of 11,068 GWhs.
- 21.3. Here it is pertinent to mention that the Petitioner has also filed its adjustment/indexation request for the FY 2021-22, which is under process with the Authority. Therefore, the impact of above adjustment/indexation for the FY 2020-21, has been included in the adjustment/indexation decision of the petitioner for the FY 2021-22, as PYA.

22. ORDER

- 22.1. From what has been discussed above, the Authority hereby approves the following adjustments in the MYT of the Petitioner Company for the Financial Year 2020-21:-

- I. Responsible to provide distribution service within its service territory on a non-discriminatory basis to all the consumers who meet the eligibility criteria laid down by the Authority,
- II. To make its system available for operation by any other licensee, consistent with applicable instructions established by the system operator.
- III. To follow the performance standards laid down by the Authority for distribution and transmission of electric power, including safety, health and environmental protection instructions issued by the Authority or any Governmental agency [or Provincial Government;
- IV. To develop, maintain and publicly make available, with the prior approval of the Authority, an investment program for satisfying its service obligations and acquiring and selling its assets
- V. To disconnect the provision of electric power to a consumer for default in payment of power charges or to a consumer who is involved in theft of electric power on the request of Licensee.
- VI. The Petitioner shall comply with, all the existing or future applicable Rules, Regulations, orders of the Authority and other applicable documents as issued from time to time.

23. Summary of Direction

- 23.1. The summary of all the directions passed in this decision by the Authority are reproduced hereunder. The Authority hereby directs the Petitioner to;
- To file next Multi-Year Tariff petition in line with notified Consumer End Tariff Guidelines 2015.
 - To provide its working regarding Under/Over Recovery of quarterly adjustments along-with break-up of units sold for each category for the period from FY 2019-20 till FY 2021-22, for consideration of the Authority.
 - To maintain a proper record of its assets by way of tagging each asset for its proper tracking.



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- To provide detail of its actual tax assessments and the amount paid to FBR along-with the amount allowed by the Authority on account of tax payments since FY 2014-15 with its subsequent adjustment request.
- Ensure that in future consumer's deposits are not utilized for any other purpose.
- Restrain from unlawful utilization of receipts against deposit works and security deposits, failing which, the proceedings under the relevant law may be initiated against the Petitioner.
- Give clear disclosures in its Financial Statements with respect to the consumer financed spares and stores, work in progress and cash & bank balance
- To take all the possible preventive measures to ensure no fatal accidents occur in future and improve its HSEQ performance. Detail objectives/targets of HSE are attached as Annex-A for compliance.
- To take all possible measures to facilitate consumers in terms of complaint handling, connection provision as per CSM and establish one window solutions.
- DISCOs shall ensure Open Access to all the relevant entities/licensees without discrimination and shall objectively evaluate and make available on the website of DISCO the network available capacity, current allocation of the capacity and the future investment required to be made part of distribution system planning.
- The DISCO through Market Implementation & Regulatory Affairs Department (MIRAD) shall prepare and develop the medium-term demand forecast, transmission plans and business plan for submission of the same to the Authority. All other departments of the DISCOs shall be obligated to provide their sub-plans to MIRAD for consolidation.
- MIRAD shall ensure effective reporting and monitoring of the allowed investment on monthly, quarterly and annual basis. The main components would include STG, DOP, ELR and Commercial Improvement.
- MIRAD shall be adequately staffed at all times as per the approved organochart for effective and efficient performance of its functions. MIRAD shall develop the dashboard for effective monitoring and reporting of above plans. The CEO along with the functional in-charge of each department will be responsible for presenting the above mentioned progress to the Authority and also submit the monthly, quarterly and annual progress reports in the matter.
- DISCO shall ensure Data Standardization for load forecasting and coordinate with PITC for auto retrieval and analysis of data for demand forecasts and use a software based on a modern language instead of Fox-Pro based software for accurate and reliable demand forecasts.
- MIRAD shall undertake an exercise to identify and accurately use the data of captive consumers in the demand forecasts and ensure better coordination with local agencies/housing colonies/industrial consumers for potential upcoming demand for better and reliable demand forecasts.

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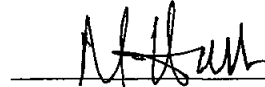
- Provide year wise detail of amounts deposited in the Fund, amount withdrawn along-with profit/interest earned thereon since creation of Fund.

24. Decision of the Authority and Annexure-A (HSE targets) attached with this decision, is hereby intimated to the Federal Government for notification in official gazette in terms of section 31(7) of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997.

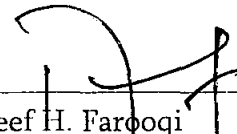
AUTHORITY



Rafique Ahmed Shaikh
Member

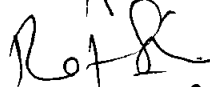


Engr. Maqsood Anwar Khan
Member

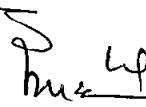


Tauseef H. Farooqi
Chairman

⊗ My additional note is attached herewith.


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Additional Note:

At the outset, the multi-year tariff determination which I am signing is for the control period from financial year 2020-21 to 2024-25; the two years of its control period have already been lapsed. Timely tariff determinations depend on submission of the petition by DISCOs within the given time. However, in sheer disregard of timelines given in the NEPRA Guidelines for Consumer End Tariff-2015 as well as the Authority's direction, DISCOs have failed to submit their petitions in timely manner which reflects their indifference to the regulatory discipline which ultimately cause suffering for the power sector as well as the end-consumers.

For the period from July, 2020, beyond the tariff control period of last determined tariff, the Authority has been issuing the quarterly adjustments under the given mechanism. Such adjustments, though covers the cost increase to larger extent but not suffice to cover the entire financial impact. Therefore, I am of the opinion that quarterly adjustments beyond the tariff control period are highly undesirable and should not be allowed.

This is a fact on record that NEPRA has been allowing huge amount to DISCOs under the head of investments for up-gradation of their infrastructure, however, DISCOs could not be able to improve their T&D losses and quality of supply corresponding to the allowed investment. Therefore, comprehensive audit of DISCOs is necessary to check the utilization of funds allowed under the head of investments.

The overall recovery position of DISCOs is also below the desired level. Resultantly, the country is facing circular debt and despite certain bail out packages, the circular debt is on the rise which currently stands at more than Rs. 2.5 trillion. To get rid of the circular debt issue, immediate actions are needed which may include the structural changes in ownership and control of the DISCOs.

This has also been highlighted in the last many years that the performance of DISCOs has been marred with serious governance issues. Load shedding on account of Aggregate Technical and Commercial (AT&C) losses is one of the classic example of poor governance. Instead of improving their distribution network, checking the theft of electricity and improving the recovery, DISCOs have found an easy way of indiscriminate load shed at feeder level. This AT&C base load shedding is a stumbling block in improving the sales growth of Discos. This is a fact that sufficient generation capacity is available in the country, mostly on take or pay basis. The AT&C base load shedding is suffering the consumers in shape of not having the electricity as well as increased electricity cost due to payment of capacity payment of unutilized capacity. I am of the considered view that the burden of capacity payments due to underutilization of power plants caused by DISCO level load shedding should not be passed on to the consumers.

DISCOs are allowed sizeable amount for payments on account of pension and other post-retirement benefits which is being increased year on year basis. Although, under the agreed terms and conditions, these payments are binding but not a direct cost of product, i.e. generated electricity. Had the pension fund been established earlier in a timely manner to meet this obligation, the burden of these payments on consumers could have been avoided.



The present centralized control of DISCOs has shown its inherent tendency for inefficiency and unless developed as independent corporate entities, autonomous in their business decisions, DISCOs will continue to burden the power sector. Therefore, immediate actions are needed to revamp DISCOs and free them of centralized control. In my view, this is time to either privatize DISCOs or transit to public private partnership to run these entities as independent business in a competitive environment. The involvement of provincial governments may help in improving the governance of DISCOs especially in controlling electricity theft and improving the recovery.



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HSE Objectives/Targets

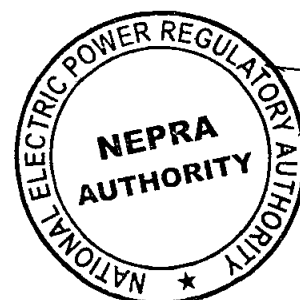
Definition

1. **Goal:** Goals are general guidelines that explain what needs to be achieved by the Licensee with management intervention, providing resources and support. Goals should be specific, measurable, attainable, realistic, and time-sensitive (SMART).
2. **Objective/Target:** Objectives/Targets define strategies or implementation steps to attain the identified goals. They are more specific and outline the “who, what, when, where, and how” of reaching the goals.
3. **KPI:** A Key Performance Indicator is a measurable value that demonstrates how effectively Licensee is achieving goals and objectives. Key Performance Indicators (KPIs) in numbers for the goals and objectives to review and monitor its status for effective implementation.

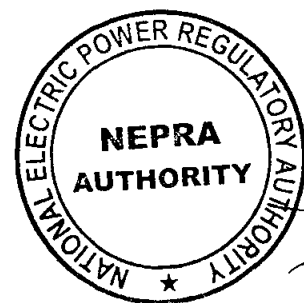
HSE Objectives/Targets

DISCO's HSE Goal: Improve public and employee safety to achieve zero fatality incidents.

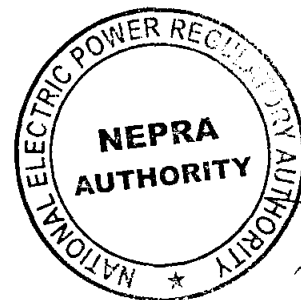
No.	Objective/Target	Key Performance Indicator
1.	Provide and maintain earthing/grounding to all HT/LT infrastructures, apparatus, and poles, along with stay wire. Earthing/grounding resistance shall be as per Distribution Design Code or manufacturer's instruction. In the absence of grounding instruction, the earthing resistance for HT/LT structures/ poles shall be not more than 5 Ohms and Distribution transformer shall be not more than 2.5 Ohms to determine the integrity of the grounding path to ensure protection from shock hazards. The earthing resistance for Grid Station/ Substation/ Switchyard equipment shall not be more than 2 Ohms. Verify integrity of fixed earthing/grounding by continuity and resistance measurement tests. In general, this cycle can range from 6 months to 3 years, depending on conditions and criticality. Wet locations testing should be 12 months and critical care shall be 6 months. Provide name	Earthing/grounding of infrastructures, apparatus, and poles, along with stay wire until June 30, 2022.
		Periodic verification of integrity of earthing/ grounding.
		On the basis of periodic continuity and resistance measurement tests, continually repair/rectify deteriorated earthing/grounding system within one month.



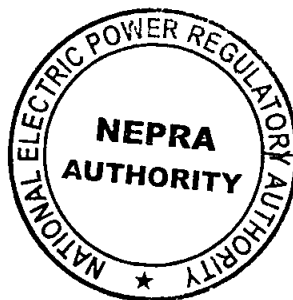
No.	Objective/Target	Key Performance Indicator
	plate/ tag to all structures/ poles/ equipment's with numbers for tracking of earthing/ grounding testing record, etc. Original record of testing with structures/ poles/ equipment's numbers shall be retained and preserved by licensee for three (03) years.	
2.	Replace all substandard RORA fuses in each subdivision with standard fuses in accordance with approved design such as a high rupturing capacity fuse of standard size and rating. Install only standard fuses every time.	Installation of standard fuses until June 30, 2022.
3.	Conduct annual survey in each subdivision to identify hazardous points, deteriorated systems, hardware and conductors. Implement rehabilitation program to rectify/replace hazardous points, deteriorated systems, hardware and conductors.	<p>Survey report of each subdivision until the end of each fiscal year.</p> <p>On the basis of survey report, rectify/replace hazardous points, deteriorated systems, hardware and conductors within three months.</p>
4.	Conduct survey in each subdivision to identify conductors in narrower/ congested areas having less clearance from houses/ buildings. Re-organize/re-position or Install insulated conductors (aerial bundled cables/conductors) to achieve minimum horizontal and vertical safe clearance.	<p>Survey report of each subdivision until the end of each fiscal year.</p> <p>On the basis of survey report, re-organize/re-position or install insulated conductors within three months.</p>
5.	Conduct survey to identify substandard/obsolete electromechanical relays/protections for abnormal conditions (short-circuits, overloading, ground fault, broken conductor features, etc.) whose failure can result in serious injuries. Replace substandard/obsolete electromechanical relays/protections with high speed digital/programmable relays/protections.	<p>Survey report until the end of each fiscal year.</p> <p>On the basis of survey report, replace relays/ protections within three months.</p>
6.	Conduct a need assessment for authorized workshops. Establish authorized workshops with repair facilities having	Workshop Need Assessment Report until June 30, 2022.



No.	Objective/Target	Key Performance Indicator
	testing facilities for transformer reliability and integrity to ensure fitness.	Established authorized workshops as per report until Dec 31, 2022.
7.	<p>Arrange and maintain stock of following special PPE at each subdivision and Grid station for authorized employees/ contractors while working or handling energized systems against approved "Permit to Work" under the continuous direction and supervision of the job in-charge.</p> <p>1. Full Face Shield (polycarbonate or similar non-melting type)</p> <p>2. Insulated gloves with sleeves rated for the voltage involved.</p> <p>3. Arc Flash Kit for Arc Flash Protection such as Category 4 Arc Flash Resistant Suite, Arc Flash Hood Arc-rated Gloves and Arc-rated Fall Protection while working at high voltages (more than 420 V).</p> <p>Arrange training at each subdivision and Grid station for these special PPE for authorized employees/ contractors.</p> <p>Ensure use of these special PPE in each subdivisions.</p>	Maintain stock of full face shield, insulated gloves with sleeves and arc flash kit until June 30, 2022.
		Training by supplier until June 30, 2022.
		Use of full face shield, insulated gloves with sleeves and arc flash kit at each subdivision and Grid station until June 30, 2022.
8.	<p>Arrange and maintain stock of Full Body Harness with front work positioning belt (positioning lanyard) along with double lanyard for 100% tie at each subdivision and Grid station for authorized employees/ contractors while working on height more than 6 feet/1.8 meter above the ground or impact level.</p> <p>Full Body Harness with front work positioning belt (positioning lanyard) along with double lanyard for 100% tie shall be used at heights more than 6 feet/1.8 meter above the ground when climbing poles, towers and structures including working through mobile elevated aerial platform, man-baskets,</p>	Maintain stock of Full Body Harness with front work positioning belt (positioning lanyard) along with double lanyard until June 30, 2022.
		Training by supplier until June 30, 2022.
		Use of Full Body Harness at each subdivision and Grid station until June 30, 2022.



No.	Objective/Target	Key Performance Indicator
	<p>man-lift or bucket mounted vehicles. Full Body Harness with front work positioning belt is to allow an employee to be supported on an elevated vertical surface such as a wall or pole and to work with both hands free. Use of a body belt alone for fall arrest is prohibited. Full Body Harness with PVC coated hardware should be used when working in an explosive or electrically conductive environment. Anchor the safety harness lanyard on a rigged anchorage point at height, having a fall clearance safety factor of three (03) feet from impact level or ground level.</p> <p>Arrange training at each subdivision and Grid station for these special PPE for authorized employees/ contractors.</p> <p>Ensure use of these special PPE in each subdivision and Grid station.</p>	



Handwritten signature/initials