# National Electric Power Regulatory Authority
## Islamic Republic of Pakistan

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**Registrar**


No. NEPRA/ADG(Tariff)/TRF-608/ 2466-70

March 14, 2024

Subject: **Determination of the Authority in the matter of Petition filed by Islamabad Electric Supply Company Limited (IESCO) for Determination of Distribution Tariff Under MYT Regime for the FY 2023-24 to FY 2027-28 [Case # NEPRA/TRF-608]**

Dear Sir,

Please find enclosed herewith the subject Determination of the Authority (total 39 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

**(Engr. Mazhar Iqbal Ranjha)**

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
3. Chief Executive Officer, Central Power Purchasing Agency Guarantee Limited (CPPA-G), Shaheen Plaza, 73-West, Fazl-e-Haq Road, Islamabad
4. Chief Executive Officer, Islamabad Electric Supply Company Limited (IESCO), IESCO Headquarter, Street No. 40, G-7/4, Islamabad

National Electric Power Regulatory Authority

(NEPRA)

PETITION NO: NEPRA/TRF-608/IESCO/MYT-Distribution/2023

DETERMINATION OF DISTRIBUTION TARIFF PETITION

FOR

ISLAMABAD ELECTRIC SUPPLY COMPANY LIMITED (IESCO)

FOR THE FY 2023-24 – FY 2027-28

UNDER

NEPRA TARIFF (STANDARDS AND PROCEDURE) RULES - 1998

Islamabad

14, Mar, 2024

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## Abbreviations

| | |
|---|---|
| CpGenCap | The summation of the capacity cost in respect of all CpGencos for a billing period minus the amount of liquidated damages received during the months |
| ADB | Asian Development Bank |
| AMI | Advance Metering Infrastructure |
| AMR | Automatic Meter Reading |
| BoD | Board of Director |
| BTS | Base Transceiver Station |
| CAPM | Capital Asset Pricing Model |
| CDP | Common Delivery Point |
| COSS | Cost of Service Study |
| CPPA (G) | Central Power Purchasing Agency Guarantee Limited |
| CTBCM | Competitive Trading Bilateral Contract Market |
| CWIP | Closing Work in Progress |
| DIIP | Distribution Company Integrated Investment Plan |
| DISCO | Distribution Company |
| DM | Distribution Margin |
| DOP | Distribution of Power |
| ELR | Energy Loss Reduction |
| ERC | Energy Regulatory Commission |
| ERP | Enterprise resource planning |
| FCA | Fuel Charges Adjustment |
| FY | Financial Year |
| GIS | Geographical Information System |
| GOP | Government of Pakistan |
| GWh | Giga Watt Hours |
| HHU | Hand Held Unit |
| HT/LT | High Tension/Low Tension |
| HSD | High Speed Diesel |
| IGTDP | Integrated Generation Transmission and Distribution Plan |
| IESCO | Islamabad Electric Supply Company Limited |
| KIBOR | Karachi Inter Bank Offer Rates |

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| | |
|---|---|
| KSE | Karachi Stock Exchange |
| KV | Kilo Volt |
| kW | Kilo Watt |
| kWh | Kilo Watt Hour |
| LPC | Late Payment Charges |
| MDI | Maximum Demand Indicator |
| MMBTU | One million British Thermal Units |
| MoWP | Ministry of Water and Power |
| MVA | Mega Volt Amp |
| MW | Mega Watt |
| NEPRA | National Electric Power Regulatory Authority |
| NOC | Network Operation Centre |
| NTDC | National Transmission & Despatch Company |
| O&M | Operation and Maintenance |
| OGRA | Oil and Gas Regulatory Authority |
| PEPCO | Pakistan Electric Power Company |
| GEPCO | Gujranwala Electric Power Company Limited |
| PDEIP | Power Distribution Enhancement Investment Program |
| PDP | Power Distribution Program |
| PPA | Power Purchase Agreement |
| PPAA | Power Procurement Agency Agreement |
| PPP | Power Purchase Price |
| PYA | Prior Year Adjustment |
| R&M | Repair and Maintenance |
| RAB | Regulatory Asset Base |
| RE | Rural Electrification |
| RFO | Residual Fuel Oil |
| RLNG | Re-gasified Liquefied Natural Gas |
| RoE | Return on Equity |
| RORB | Return on Rate Base |
| ROR | Rate of Return |

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| | |
|---|---|
| SBP | State Bank of Pakistan |
| SOT | Schedule of Tariff |
| STG | Secondary Transmission Grid |
| SYT | Single Year Tariff |
| T&D | Transmission and Distribution |
| TFC | Term Finance Certificate |
| TOU | Time of Use |
| TOR | Term of Reference |
| TPM | Transfer Price Mechanism |
| USCF | The fixed charge part of the Use of System Charges in Rs./kW/Month |
| UOSC | Use of System Charges |
| WACC | Weighted average cost of capital |
| WAPDA | Water and Power Development Authority |
| XWDISCO | Ex-WAPDA Distribution Company |

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# DETERMINATION OF THE AUTHORITY IN THE MATTER OF PETITION FILED BY ISLAMABAD ELECTRIC SUPPLY COMPANY LIMITED (IESCO) FOR DETERMINATION OF DISTRIBUTION TARIFF UNDER MYT REGIME FOR THE FY 2023-24 TO FY 2027-28

CASE NO. NEPRA/TRF-608/IESCO/MYT-Distribution/2023

PETITIONER

IESCO Headquarters, Street No.40, G-7/4 Islamabad

INTERVENER

NIL

COMMENTATOR

NIL

REPRESENTATION

Chief Executive Officer and along-with its Technical and Financial team

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## 1. Background

1.1 The amendments in the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 was passed by the National Assembly on 15th March, 2018, 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.

1.2 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'.

1.3 The 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, provided 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 were deemed to have Power Supplier Licenses, to ensure distribution licensees earlier performing both the sale and wire functions, can continue to do so. Subsequently, the Authority vide order dated 06.04.2023, granted distribution license to IESCO on a non-exclusive basis for a period of 20 years till April 2043. Similarly, the Petitioner has also been granted, Electric Power Supply License as a Supplier of Last Resort (SoLR) for the supply of electric power within its Service Territory on a non-discriminatory and non-exclusive basis, for a period of 20 years till April 2043 vide order of the Authority dated 21.12.2023.

1.4 In view thereof, Islamabad Electric Supply Company Limited (IESCO), hereinafter called "the Petitioner", being a Distribution as well as a Supplier of Last Resort (SoLR) filed separate tariff petitions for the determination of its Distribution and Supply of Electric Power Tariff under the MYT Regime for a period of five years i.e. from FY 2023-24 to FY 2027-28, in terms of Rule 3 (1) of Tariff Standards & Procedure Rules-1998 (hereinafter referred as "Rules").

1.5 The Petitioner, inter alia, has requested for a distribution cost for the five years period as detailed below;

| Description | Unit | FY 2023-24 | FY 2024-25 | FY 2025-26 | FY 2026-27 | FY 2027-28 |
|---|---|---|---|---|---|---|
| Units Received | GWh | 13,749 | 14,556 | 15,327 | 16,199 | 17,121 |
| Units Lost | GWh | 1,005 | 1,064 | 1,119 | 1,179 | 1,243 |
| % of T&D Losses | % | 7.31% | 7.31% | 7.30% | 7.28% | 7.26% |
| Units Delivered | GWh | 12,744 | 13,492 | 14,208 | 15,020 | 15,878 |
| O&M | Mln Rs. | 30,913 | 35,106 | 39,908 | 45,428 | 51,794 |
| Depreciation | Mln Rs. | 6,695 | 8,195 | 9,765 | 11,239 | 13,288 |
| Return on Regulatory Asset Base (RoRB) | Mln Rs. | 30,180 | 37,736 | 41,751 | 44,744 | 48,549 |
| Other Income | Mln Rs. | (6,155) | (6,528) | (6,929) | (7,361) | (7,825) |
| **Distribution Margin** | **Mln Rs.** | **61,633** | **74,509** | **84,495** | **94,050** | **105,806** |
| **Net Average Sale Rate** | **Rs./kWh** | **4.84** | **5.52** | **5.95** | **6.26** | **6.66** |

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## 2. Proceedings

2.1 In terms of rule 4 of the Tariff standard and Procedure Rules, 1998 (hereinafter referred to as "Rules"), the petition was admitted by the Authority. However, considering the fact that the Supply license of the Petitioner as a deemed supplier was valid only till April 2023, the

Authority decided to deliberate the term of the MYT period as a separate issue during the hearing. 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 scheduled on August 09, 2023, for which notice of admission / hearing along-with the title and brief description of the petition was published in newspapers on July 26, 2023 and also uploaded on NEPRA website; Individual notices were also issued to stakeholders/ interested parties.

3. <u>Issues of Hearing</u>

3.1 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 request of Petitioner to allow MYT for a period of five years is justified?

ii. Whether the Petitioner has properly utilized the allowed investment and achieved consequent prospective benefits or otherwise?

iii. Whether IESCO has deposited the required amount in the Post Retirement Benefit fund in line with the amount allowed by the Authority in previous MYT?

iv. Whether the requested O&M cost, Depreciation, and other Income is justified?

v. Whether the salaries, allowance and post-retirement benefits shall linked with GoP increase or otherwise?

vi. Whether the requested RORB along-with determinant factors and annual adjustment basis as requested by the Petitioner is justified?

vii. What should be the adjustment mechanisms during the MYT? Whether there should any efficiency factor (X Factor)?

viii. Whether the request of the Petitioner for Z-factor is justified?

ix. Whether the request of the Petitioner for allowance of additional hiring and creation of divisions/sub-division is justified?

x. Whether the requested PYA, is justified?

xi. Whether the existing Tariff Terms and Conditions needs to be modified (including the request of Cold Storage to charge "B Industrial Supply" Category tariff instead of "A-2 Commercial" category tariff), and keeping in view the amendments in Consumer Service Manual or otherwise?

xii. 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? Whether there should any Fixed Charges on consumer's categories who are currently not paying any fixed charges?

xiii. Whether the concerns raised by the intervener/ commentator if any are justified?

xiv. Any other issue that may come up during or after the hearing?

4. <u>Filing Of Objections/ Comments</u>

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4.1 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.

4.2 During the hearing, the Petitioner was represented by its Chief Executive Officer along-with its technical and financial teams; On the basis of pleadings, evidence/record produced and arguments raised during the hearing, issue-wise findings are given as under;

5. <u>Whether the request of Petitioner to allow MYT for a period of five years is justified?</u>

5.1 The Authority noted that the Petitioner has filed its MYT Petition for a period of five years i.e. FY 2023-24 to FY 2027-28, however, the Supply license of the Petitioner is valid only till April 2023. In view thereof, the Authority decided to deliberate the matter during the hearing.

5.2 The Petitioner submitted that under Section 7 read with 21 and 23-F, it has to file the request in accordance with the Section 31 of the Act and Rule 3(1) of NEPRA Tariff Standards and Procedure Rules 1998. The Petitioner also submitted that the MYT Petition for the FY 2023-24 to FY 2027-28 is filed as per NEPRA Guidelines issued vide SRO dated 16.01.2015. It also stated that the Authority directed IESCO to file MYT Tariff Petition for next five year i.e. FY 2023-24 to 2027-28 vide decision in the matter of adjustment/ Indexation of tariff for the FY 2021-22 under MYT regime as per applicable guidelines, rules and procedures. The Petitioner during the hearing submitted that its 5 years Investment Plan has already approved by the Authority and in line with approved investment plan, tariff control period of 05 years is requested to be considered. Regarding Supply License LESCO submitted that application for supply License has already been filed before the Authority for consideration, therefore, for supply activity, tariff for 05 year may also be granted.

5.3 The Authority, observed that at the time of filing of the Petition, the Petitioner's Supply license as a deemed supplier was valid only till April 2023. However, subsequently the Authority vide order dated 21.12.2023, allowed the Petitioner Electric Power Supply License as a Supplier of Last Resort (SoLR) for supply of electric power within its Service Territory on a non-discriminatory and non-exclusive basis, for a period of 20 years till April 2043. Further, the Authority also approved the investment of the Petitioner for a period of five (05) years i.e. from FY 2023-24 till FY 2027-28. In view thereof, the Authority has decided to approve the tariff request of the Petitioner under the MYT tariff regime for a control period of five year i.e. from FY 2023-24 till FY 2027-28. The terms & conditions, given by the Authority, in the Distribution and SoLR license, as modified from time to time, of the Petitioner would be applicable during the MYT control period.

6. <u>Whether the Petitioner has properly utilized the allowed investment and achieved consequent prospective benefits or otherwise?</u>

6.1 The Petitioner on the issue presented the following during the hearing;

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| Budget Head | 2018-19 to 2022-23 (PKR in Millions) | | Utilization |
|---|---|---|---|
| | Investment Allowed | Actual Investment | % |
| STG | 17,184 | 12,890 | 75% |
| ELR | 5,573 | 8,982 | 161% |
| DOP | 3,871 | 8,906 | 230% |
| AMI | 18,420 | 5,624 | 31% |
| Others | 22,631 | 24,374 | 108% |
| **Total** | **67,679** | **61,831** | **91%** |

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| Description | 2018-19 | | 2019-20 | | 2020-21 | | 2021-22 | | 2022-23 | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Allowed | Actual | Allowed | Actual | Allowed | Actual | Allowed | Actual | Allowed | Actual | Allowed | Actual |
| STG | 6,748 | 3,989 | 2,545 | 1,636 | 1,566 | 2,547 | 1,196 | 2,050 | 5,129 | 2,668 | 17,184 | 12,890 |
| ELR | 1,114 | 1,185 | 1,114 | 1,322 | 1,114 | 1,256 | 1,114 | 2,359 | 1,117 | 2,860 | 5,573 | 8,982 |
| DOP | 730 | 1,859 | 798 | 1,633 | 798 | 1,514 | 748 | 1,726 | 797 | 2,174 | 3,871 | 8,906 |
| AMI | - | 4 | - | - | - | - | - | 2 | 18,420 | 5,617 | 18,420 | 5,624 |
| Other | 3,326 | 3,222 | 5,633 | 2,823 | 3,241 | 3,308 | 5,535 | 6,416 | 4,896 | 8,605 | 22,631 | 24,374 |
| Grand Total | 11,918 | 10,259 | 10,090 | 7,413 | 6,719 | 8,625 | 8,593 | 12,553 | 30,359 | 22,980 | 67,679 | 61,831 |

| Description | FY 2017-18 | FY 2022-23 | (+/-) | (+/-) | % (+/-) |
|---|---|---|---|---|---|
| IESCO Owned Grid Stations (No.) | 84 | 91 | 7 | ▲ | 8% |
| Grid Stations Feeding Individual Consumers (No.) | 26 | 30 | 4 | ▲ | 15% |
| Peak Demand (MW) | 2,452 | 3,329 | 877 | ▲ | 26% |
| 11 kV Feeders (No.) | 1,043 | 1,311 | 268 | ▲ | 26% |
| Length of Transmission Line (km) | 3,548 | 3,938 | 390 | ▲ | 11% |
| Length of HT Line (km) | 25,157 | 27,269 | 2,112 | ▲ | 8% |
| Length of LT Line (km) | 26,775 | 28,344 | 1,569 | ▲ | 6% |
| Total Installed Transformers (No.) | 47,830 | 55,242 | 7,412 | ▲ | 15% |
| SAIFI | 22.8 | 19.7 | -3.1 | ▼ | -14% |
| SAIDI | 1190.6 | 1061.59 | -129.01 | ▼ | -11% |
| Number of Consumers | 2,838,238 | 3,693,331 | 855,093 | ▲ | 30% |

6.2 The Authority noted that performance of Petitioner under different investment heads allowed in the previous MYT was discussed and deliberated, during the proceedings of the Petitioner's five years investment plan for the FY 2023-24 to FY 2027-28, which was subsequently decided by the Authority vide decision dated 11.05.2023. In view thereof, the Authority considers that this issue need not to be discussed in the instant determination again.

7. <u>Whether the requested O&M cost, Depreciation expenses and other income is justified?</u>

8. <u>Whether the salaries, allowance and post-retirement benefits shall be linked with GoP increase or otherwise?</u>

9. <u>Whether IESCO has deposited the required amount in the Post Retirement Benefit fund in line with the amount allowed by the Authority in previous MYT?</u>

10. <u>Whether the request of the Petitioner for allowance of additional hiring and creation of divisions/sub-division is justified?</u>

10.1 The Petitioner requested the following O&M costs and depreciation charges in its tariff petition for its Distribution Function;

| Break-up of O&M (PKR Millions) | FY 24 | FY 25 | FY 26 | FY 27 | FY 28 |
|---|---|---|---|---|---|
| Salaries, Wages & Other Benefits | 18,096 | 19,973 | 22,036 | 24,312 | 26,836 |
| Post-Retirement Benefits | 7,389 | 8,866 | 10,640 | 12,768 | 15,321 |
| Admin Expenses | 1,497 | 1,728 | 1,995 | 2,303 | 2,658 |
| Repair & Maintenance | 2,131 | 2,460 | 2,840 | 3,278 | 3,783 |
| Travelling | 447 | 516 | 596 | 688 | 794 |
| Transportation | 924 | 1,066 | 1,231 | 1,421 | 1,640 |
| Management Fee | 179 | 206 | 238 | 275 | 317 |
| Miscellaneous Expenses | 250 | 289 | 333 | 385 | 444 |
| **Total** | **30,913** | **35,106** | **39,908** | **45,428** | **51,974** |

Mln. Rs.

| | FY 24 | FY 25 | FY 26 | FY 27 | FY 28 |
|---|---|---|---|---|---|
| Depreciation | 6,695 | 8,195 | 9,765 | 11,239 | 13,288 |

10.2 The Petitioner provided the following justification regarding amount requested under each head of account;

10.2.1 The O&M cost has been segregated into Employees Related Cost (ERC) comprising Salaries, Wages, Post-Retirement Benefits and Non-Employees Related Cost (NERC) including Repair & Maintenance, Transportation & Conveyance, Regulatory Licensing Fee, Stationery and all other O&M expenses. As IESCO is presently following the National Pay Scales of the Federal Government, the same has been assumed for the tariff control period, therefore, any increase in Pay & Allowances of employees and post-retirement benefits shall directly be passed through to the beneficiaries (active and retired employees).

10.2.2 Plan for Replacement Hiring: IESCO has planned for induction of 5,998 number of employees during the tariff Control period against existing yardstick. IESCO wishes to highlight that the Company's sanctioned staff strength is 19,440 against which the current head count of the company is 11,670. It is submitted that such a significant shortage affects overall performance of the Company. Therefore, following its existing yard stick and sanctioned strength of WAPDA, the Company's replacement hiring plan of 5,258 personnel for FY 2023-24 may please be allowed along with proposed hiring plan for FY 2024-25 to FY 2027-28 in different cadres of BPS-1 to BPS-20. All new divisions, sub-divisions and other proposed organizational restructuring including each hiring will be made with BOD approval.

10.2.3 Pursuant to the approval of Bod IESCO to fill the 2,958 No. vacancies of 26 No. different categories. In the meanwhile, Ministry of Energy (Power Division) has frozen the recruitment process vide letter dated 28-05-2022. In September, 2022, Ministry of Energy (Power Division) allowed recruitment of SDO & RO vide letter dated 23-09-2022 and the posts (48 No. SDO & 15 No RO) were advertised on 01-10-2022 and written test was conducted by the 3rd party on 11-12-2022. In the meanwhile, recommendation/directions from Special Committee on the Affected Employees under the chairmanship of Mr. Qadir khan Mandokhel MNA have been received and issued the directions to IESCO that no further recruitment shall be made until the implementation of recommendation of the committee.

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10.2.4 The Petitioner submitted the following details in terms of manpower;

| IESCO Man Power Statistics ( as of January 2023) | | | | |
|---|---|---|---|---|
| | Sanction | Working | Vacant | %age |
| Officer | 573 | 372 | 201 | 65% |
| Official | 18,867 | 11,298 | 7,569 | 60% |
| **Total** | **19,440** | **11,670** | **7,770** | **60%** |

| Category | MP Scale | Regular | Contract | DW | Deputation | Total |
|---|---|---|---|---|---|---|
| **Officers** | | | | | | |
| Technical | 1 | 198 | 78 | 0 | 15 | 292 |
| Non- Technical | 0 | 76 | 3 | 0 | 1 | 80 |
| **Sub-Total** | **1** | **274** | **81** | **0** | **16** | **372** |
| **Official** | | | | | | |
| Technical | 0 | 6,604 | 784 | 80 | 10 | 7,478 |
| Non- Technical | 0 | 3,372 | 336 | 99 | 13 | 3,820 |
| **Sub-Total** | **0** | **9,976** | **1,120** | **179** | **23** | **11,298** |
| **Total** | 1 | **10,250** | **1,120** | **179** | **39** | **11,670** |

10.2.5 The Petitioner during the hearing provided following justification for creation of new divisions/ sub-divisions and new hiring;

| **Justification of the New Divisions/ Sub-Divisions necessitating New Hiring** | |
|---|---|
| Consumers (Nos.) | 3,693,331 |
| Sub-divisions as per yardstick avg. 18,000 consumers/ sub-division | 205 |
| Existing number of Operations Sub-Divisions | 125 |
| Non Activated Sub Divisions | 11 |
| Difference | 80 |
| Proposed new sub-Divisions | 2 |
| Cushion Available for Additional Sub Divisions | 78 |
| **Breakup of New Hiring** | |
| No. of seats where BoD approved recruitment | 2,958 |
| No. of seats required for Non-Activated 11 Nos. Sub Divisions | 942 |
| No. of seats for new Divisions / CSO Offices & Grid Stations etc | 1,054 |
| Hiring against retiring staff during 2023-24 | 311 |
| TOTAL | **5,265** |

10.2.6 It further submitted that currently around 3.6 million number of consumes are being catered /managed by 11,522 numbers of employees which is 41% less than the current sanctioned strength and resultantly IESCO is facing issues those can be addressed, including issues of;

- ✓ Consumer resentment
- ✓ Delay in resolution of complaints
- ✓ Less Recovery
- ✓ High line losses
- ✓ Redressal of Complaints
- ✓ Maintenance Issues
- ✓ Compromised Customer Services

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10.2.7 <u>Post-Retirement Benefits</u>: The post-retirement benefits include expenses related to pension, medical, free supply, and gratuity/ leave encashment. The Petitioner submitted that it may be allowed gross provisions for the staff retirement benefits as per independent Actuaries Reports in Tariff, enabling the Company to transfer net amount after payment of actual liabilities of the retired pensioners into the Post-Retirement Benefits Fund already established. It further stated that the Company fully understands its legal obligation to record and pay these liabilities. Since the unbundling of WAPDA, the Company has been making timely payments to all its retired employees. Keeping in view the above, the gross Post Retirement Benefits have been projected for 2022-23 on the basis of last actuarial Valuation Report and other available information with estimated average 10% increase for FY 2023-24 till FY 2027-28.

10.2.8 The Petitioner requested to allow the gross amount of retirement benefits in tariff for the tariff control period subject to adjustment on the basis of actual contribution in the fund.

10.2.9 <u>Other Operating Expenses:</u> All other expenses are increased by CPI-X during the entire tariff control period including Repair & Maintenance.

10.2.10 <u>Repair & Maintenance:</u> The repair & maintenance cost shall enable the company to ensure smooth and efficient functioning of the transmission and distribution system in operation. Moreover, it shall contribute to the benefit of the consumers at large by reducing power outages, system breakdowns and better service quality in addition to contribution in reduction of the T&D Losses. Foregoing in view, NEPRA is requested to allow full amount of the repair & maintenance projected for tariff control period in this MYT. The repair and maintenance are mainly for standalone items necessary for keeping the system in operation with no additional benefits.

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

10.2.12 <u>Segregation between "Controllable" and "Uncontrollable" cost:</u> The segregation is proposed between controllable and un-controllable costs. The employee related costs (Salaries & Wages and Retirement Costs) are treated as uncontrollable to be passed through on actual basis in the Tariff. All other Costs are considered to be controllable and subject to adjustment with CPI only including Repair & Maintenance. The segregation of controllable and uncontrollable factors and their treatment in MYT is of vital importance. Non-segregation of these costs may force the Company to absorb some "uncontrollable costs" beyond its control, which are not fully recovered from its tariff resulting in financial losses to the Company. In light of the above, it is submitted that any increase in uncontrollable costs be adjusted on an annual basis in the MYT tariff.

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10.2.13 With a view to allow the Company greater autonomy over its operations relating to network management, repair & maintenance cost has been assumed to be increased on the basis of CPI increase which is consistent with the actual requirements due to vast & old distribution system. However, the company is also planning to maintain Fixed Assets Register by way of Fixed Assets tagging and after completion of fixed assets tagging the maintenance cost should be linked with gross fixed assets.

10.2.14 Adjustment Mechanism for O&M Costs: The efficiency factor "X" is being proposed as zero '0' for the Tariff Control Period on the premise that the implementation of CTBCM will further affect the cost effectiveness of the Company when most of the industrial and bulk power consumers will be leaving LESCO and the Company will only be serving the low category domestic consumers, Further all the efficiencies and associated benefits, will be achieved through the implementation of Distribution integrated investment plan (DIIP) are inherently reflected through reduction of T&D losses and which ultimately reduce the average sale rate for end consumer.

## 10.3 Depreciation

10.3.1 On the issue of depreciation, the Petitioner submitted that depreciation has been calculated on the basis of: (i) the value of existing assets; plus (ii) net additions in assets during the projected year. The assets will be depreciated on a straight-line method as per utility practice i.e. buildings on free hold land @ 2%, buildings on leasehold land @ 2%, distribution equipment @ 3.5%, vehicles @ 10%, Computer & ancillary equipment @ 33%, furniture & fixtures @ 10%, other plant and equipment@ 10%. Based upon these assumptions, the depreciation cost will be as follows:

Mln. Rs.

| Description | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 |
|---|---|---|---|---|---|---|
| | Prov. | Projected | | | | |
| Depreciation | 5,741 | 6,695 | 8,195 | 9,765 | 11,239 | 13,288 |

10.4 The revenue requirement of XWDISCOs, generally include the following;

i. Power Purchase Price (PPP)

ii. Distribution/Supply Function Costs

iii. Prior Year Adjustments, if any.

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## 11. Power Purchase Price (PPP)

11.1 The Petitioner submitted their projections regarding Power Purchase price (PPP) for FY 2023-24. The PPP is major component of the consumer-end tariff, which accounts for around 90% of total consumer-end tariff. The Authority while rebasing of consumer-end tariff for the FY 2023-24, determined PPP for all XWDISCOs including the Petitioner, vide decision dated 14.07.2023. The Federal Government notified the determined PPP references for the FY 2023-24, vide SRO dated 26.07.2023, from July 2023. Accordingly, from July 2023 onward, all the monthly FCAs & quarterly adjustments are being allowed based on the notified PPP references for the FY 2023-24.

11.2 In view thereof, the Authority has decided that the PPP of the Petitioner for the FY 2023-24, already notified vide SRO 26.07.2023, shall be included as part of the overall Revenue requirement of the Petitioner for the FY 2023-24. Since PPP pertains to supply function, therefore, same has been accounted for as part Revenue requirement of supply function.

11.3 The Distribution/Supply function costs of XWDISCOs include the following major components;

- Operation & Maintenance Expenses (O&M)
  - Salaries & Wages
  - Post-Retirement Benefits
- Other OPEX
  - Repair & Maintenance Expenses
  - Travelling Allowance
  - Vehicles Fuel and Repair & Maintenance
  - Other Miscellaneous Expenses
- Depreciation
- Return on Rate Base (RORB) (RAB*WACC)
- Other Income *(deducted from the Revenue Requirement)*

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11.4 The amended NEPRA Act under Section 31(3), *inter alia,* has prescribed that the following general guidelines shall be applicable to the Authority in the determination, modification or revision of rates, charges and terms & conditions for provision of electric power services;

*"(a) tariffs should allow licensees the recovery of any and all cost prudently incurred to meet the demonstrated needs of their customers Tariff."*

*(b) tariffs should generally be calculated by including a depreciation charge and a rate of return on the capital investment of each licensee commensurate to that earned by other investments of comparable risk;*

*(c) tariffs should allow licensees a rate of return which promotes continued reasonable investment in equipment and facilities for improved and efficient service;*

*(d) tariffs should include a mechanism to allow licensees a benefit from and penalties for failure to achieve the efficiencies in the cost of providing the service and the quality of service;"*

11.5 Further, as per NEPRA determination of Consumer-end-Tariff (Methodology & Process) Guidelines, 2015, the Authority shall choose a base year for the purpose of determining the affected company's revenue requirement under multi-year tariff regime or annual tariff regime. "Base Year" has been defined as the year on which the annual or multiyear tariff projection is being made, which may be a historical financial year, for which the actual results/ audited accounts are available. It may be a combination of actual results and projected results for the same financial year or it may be a pure projection of a future financial year.

11.6 Considering the fact that the MYT has been filed for the period pertaining to the FY 2023-24 to FY 2027-28, and the cost for the FY 2024-25 i.e. test year, is being assessed as reference cost during the MYT control period, the Authority has decided to consider the costs as per the provisional accounts of the Petitioner for the FY 2022-23 along-with subsequent additional information provided by the Petitioner for FY 2022-23, as base year. Here it is pertinent to mention that audited accounts of the Petitioner for the FY 2022-23, are not available.

11.7 The Authority considers that for projections or assessment of OPEX costs, the two commonly used approaches are the Ex-Ante approach and the Ex-Post approach. In a regime where the allowed OPEX is determined Ex-Ante, there will inevitably be deviations between the allowed and actual OPEX in the form of efficiency savings or losses. Thus resulting in two broad options, one that the utility bears all savings or losses, i.e. no action is taken by the Regulator. The 2nd approach is that the utility shares the savings or losses with consumers. The former provides the utility with a profit incentive to cut costs, but at the same time places the utility at greater financial risk in the face of losses. The latter somewhat dilutes efficiency incentives, but also limits the losses/gains for the utility and its customers. However, the widely used approach is that no adjustments to allowed Revenues or OPEX allowances are made in the next period to compensate for a deviation from allowed OPEX in the current period except for certain allowed adjustments in terms of CPI etc.

11.8 Accordingly, keeping in view the guidelines given in the Act, request of the Petitioner, information provided by the Petitioner subsequently and decisions of the Authority in similar cases, the head wise assessment of the Petitioner under each of requested costs is discussed hereunder;

12. <u>Pay & Allowances;</u>

12.1 The Authority noted that head of Salaries, Wages and Other Benefits include employees Pay & Allowances and Post-retirement benefits and accounts for over 82% of the Petitioner's total O&M costs, excluding depreciation. The Authority understands that employees of XWDISCOs are hired on Government pay scales, thus, any salary increase announced by the Federal Government in Fiscal Budget is also applicable on the employees of XWDISCOs, and the Petitioner is required to pay its employees, increases in salaries & wages announced by the Federal Government through Budget. Therefore, salaries & wages cost of employees can be considered as un-controllable cost for XWDISCOs as long as they remain in public sector.

12.2 Considering the fact that the cost for the FY 2023-24 is being assessed, which would be used as reference during the MYT control period, the Authority has taken into consideration the costs as per the provisional accounts of the Petitioner for the FY 2022-23, information shared by the Petitioner subsequently in this regard. The Authority is of the view that since the previous MYT of the Petitioner has ended on 30.06.2023, therefore, it would be appropriate to account for the actual cost of the base year while projecting Salaries, Wages and Other benefits for the FY 2023-24, as any gain/loss of the previous MYT control period may not be carried forward in the new MYT.

12.3 The actual total cost as provided by the Petitioner for the FY 2022-23, under Salaries & Wages (excluding postretirement benefits, discussed separately) is Rs.11,821 million. The said amount has been considered as base cost and following increases as approved by the Federal Government on Salaries and Wages in the Federal Budget for the FY 2023-24, along-with impact of annual increment i.e. 5% have been incorporated thereon;

- Adhoc relief allowance @ 32.5% on avg. - 30% (BPS-17-22) & 35% (BPS 1-16)
- Annual increment @ 5% of basic pay for 7 months

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✓ Adhoc relief allowance FY 2021-22 revised based on revised basic pay scale

12.4 Accordingly, the cost of Salaries & Wages *(excluding postretirement benefits, discussed separately)*, for both the Distribution and Supply Functions works out as Rs.12,342 million. The same is hereby allowed to the Petitioner for the FY 2023-24 for both its distribution and Supply Functions as reference cost, to be adjusted in the remaining control period as per the adjustment mechanism prescribed in the instant determination.

12.5 Since the Audited accounts of the Petitioner, do not provide bifurcation of the Salaries, Wages and other benefits costs in terms of Distribution and Supply Functions, therefore, for the purpose of allocation of total cost of Salaries, Wages and other benefits in terms of Distribution and Supply Functions, the criteria as adopted by the Petitioner has been used. Thus, the cost of Salaries, Wages and other benefits (excluding postretirement benefits) for the FY 2023-24 pertaining to the distribution function works out as Rs.11,300 million.

12.6 The assessed Salaries & Wages costs for the FY 2023-24 i.e. Rs.11,300 million, shall be considered as the reference cost for future adjustment/ indexation of Salaries & Wages expenses, in the remaining tariff control period as per the mechanism given in the instant determination.

12.7 Here it is also pertinent to mention that DISCOs have been allocated GENCO employees and are drawing their salaries from DISCOs. The impact of such cost has been included by DISCOs in their Pay and Allowance cost for the FY 2022-23. While assessing Salaries, wages & Other Benefits for the FY 2023-24, the cost for the FY 2022-23, as provided by the Petitioner has been considered, therefore, impact of GENCO employees transferred to the Petitioner, if any, has already been accounted for in the cost being allowed for the FY 2023-24. The Petitioner is directed to provide proper details of employees allocated to it by providing proper Employees wise details, their pay scales, terms of adoption in DISCOs, approvals of competent authority for such adoption, placement in DISCOs and Financial impact of Pay & Allowances of such employees as well.

12.8 Considering the fact that employees of XWDISCOs are hired on Government pay scales, and any salary increase announced by the Federal Government in the Federal Budget is applicable on the employees of the Petitioner, therefore, being un-controllable cost, the Authority has decided to actualize the Pay & Allowances cost of the Petitioner, based on its audited accounts for the relevant year for its existing employees. The impact of any such adjustment would allowed as part of PYA in the next indexation/ adjustment request or tariff determination as the case may be.

13. <u>Additional Recruitment</u>

13.1 The Authority observed that Salaries & Wages cost for the FY 2022-23, as per the information provided by the Petitioner, has been considered as base cost, therefore, impact of any new recruitment made till FY 2022-23 has already been accounted for. For future recruitment to be carried out in FY 2023-24 and onward, the Authority understands that allowing cost of additional hiring, upfront would be unfair with the consumers, without considering/ analyzing the benefits of such recruitment. The Authority understands that it will be in a better 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. Although, the Authority has decided to actualize the Pay & Allowances cost of the Petitioner, based on its audited accounts for the relevant year, however, that would only be

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to the extent of existing employees. Accordingly, the Petitioner is directed to provide detail of additional recruitment actually made during each year, along-with its financial impact and quantified benefits accrued, for consideration of the Authority, in its subsequent adjustment/ indexation request.

14. <u>Post-Retirement Benefit</u>

14.1 The head of Post-retirement benefit includes employees' pension, free electricity and medical facility. Here it is pertinent to mention that since employees of XWDSICSOs are hired on Government pay scales, therefore, any pension increase announced by the Federal Government in the Budget is applicable on the retired employees/ pensioners of DISCOs.

14.2 The Petitioner has requested the following amounts under its post-retirement benefits cost during the MYT control period;

Mln. Rs.

| Description | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 |
|---|---|---|---|---|---|---|
| | Prov. | Projected | | | | |
| Depreciation | 5,741 | 6,695 | 8,195 | 9,765 | 11,239 | 13,288 |

14.3 It is pertinent to mention here that the Authority in its previous determinations, considering the overall liquidity position in the power sector and in order to ensure that XWDISCOs fulfil their legal obligations with respect to the post-retirement benefits, directed the XWDISCOs to create a separate fund in this regard. The rationale behind creation of separate fund was to ensure that DISCOs record their liability prudently as the funds would be transferred into a separate legal entity, which would also generate its own profits, as it would be kept separate from the Company's routine operations, thus reducing the Distribution Margin and eventually consumer-end tariff in longer run.

14.4 In compliance with the Authority's direction, the Petitioner has created a separate Fund for its post-retirement benefits and provided following details of its pension fund and Payments;

Mln. Rs.

| Description | Allowed | Recovered | Transferred / Payment |
|---|---|---|---|
| 2018-19 | 4,444 | 4,079 | 2,012 |
| 2019-20 | 1,861 | 1,758 | 4,689 |
| 2020-21 | 2,986 | 2,955 | 4,272 |
| 2021-22 | 3,284 | 3,553 | 4,825 |
| 2022-23 | 3,613 | 3,316 | 4,579 |
| TOTAL | 16,188 | 15,661 | 20,377 |

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14.5 From the above table, it is clear that the Petitioner has complied with the earlier directions of the Authority and deposited amount in the fund over & above its actual payments. In view thereof, the Authority has decided to allow the Petitioner, provision for Post-retirement benefits, for the FY 2023-24.

14.6 Here it is pertinent to mention that since audited accounts of the Petitioner for the FY 2022-23, are not yet available, therefore, information provided by the Petitioner for the FY 2022-23, has been relied upon for working out provision for post-retirement benefits for the FY 2023-24.

14.7 The amount for the FY 2023-24, has been worked out by applying pension increases announced by the Federal Government in Budget FY 2024, on the amount provided by the

Petitioner for the FY 2022-23. Accordingly, the amount for the FY 2023-24 works out as Rs.6,330 million. The same is hereby allowed to the Petitioner for its both Distribution and Supply of Power Functions.

14.8 The Petitioner is directed to deposit the amount of provision, over and above their actual post-retirement benefit payments, in the Fund and in case of failure to deposit the excess amount in the Fund, the same shall be adjusted/deducted in the subsequent tariff determination and from thereon, only actual amounts paid and amount transferred into the fund would be allowed.

14.9 Since the Audited accounts of the Petitioner, do not provide bifurcation of post-retirement benefits in terms of Distribution and Supply Functions, therefore, for the purpose of allocation of total cost of post-retirement benefits in terms of Distribution and Supply Functions, the criteria as adopted by the Petitioner has been used. Accordingly, the cost of post-retirement benefits for the FY 2023-24, pertaining to the Distribution Function, works out as Rs.5,796 million, to be adjusted in the MYT Control period as per the adjustment mechanism provided in the instant determination.

14.10 Considering the fact that the Petitioner is obligated to pay to its pensioners, the pension increases announced by the Federal Government, therefore, being an un-controllable cost, the Authority has decided to actualize the post-retirement benefits cost of the Petitioner for the relevant year, based on its audited accounts. The impact of any such adjustment would allowed as part of PYA in the next indexation/ adjustment request or tariff determination as the case may be.

15. <u>Repair & Maintenance Costs</u>

15.1 The Petitioner has requested the following amounts regarding repair & maintenance cost during the control period;

| Break-up of O&M (PKR Millions) | FY 24 | FY 25 | FY 26 | FY 27 | FY 28 |
|---|---|---|---|---|---|
| Repair & Maintenance | 2,131 | 2,460 | 2,840 | 3,278 | 3,783 |

15.2 No doubt that the adherence to service standards and improvement of customer services is only possible through continuous repair and maintenance of distribution network, however, at the same time the Petitioner has also been allowed huge CAPEX of over Rs.143.351 billion during the MYT control period from FY 2023-24 till FY 2027-28, for making additional investment in Fixed Assets, resulting in new, expensive and efficient equipment, leading to overall reduction in R&M cost and increasing the total Assets base.

15.3 Considering the fact that the cost for the FY 2023-24 is being assessed, which would be used as reference during the MYT control period, the Authority has taken into consideration the costs as per the provisional accounts of the Petitioner for the FY 2022-23 / information shared by the Petitioner subsequently in this regard. The Authority is of the view that since the previous MYT of the Petitioner has ended on 30.06.2023, therefore, it would be appropriate to account for the actual cost of the base year while projecting O&M expenses and other misc. expenses for the FY 2023-24, as any gain/loss of the previous MYT control period may not be carried forward in the new MYT.

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15.4 In view of the foregoing and keeping in view the current approved tariff methodology, the Authority has decided to allow an amount of Rs.1,996 million under R&M head, for the FY 2023-24, after incorporating the inflationary impact on the R&M cost, as per the provisional accounts of the Petitioner for the FY 2022-23, for its both Distribution and Supply Functions, excluding amount related to meters. NCPI as of December 2022 has been applied, as per the provisional accounts of the Petitioner for the FY 2022-23, to work out the Repair and Maintenance expenses for FY 2023-24. Here it is pertinent to mention that the Petitioner itself has requested that all other expenses are increased by CPI-X during the entire tariff control period including Repair & Maintenance. The same is hereby allowed to the Petitioner for the FY 2023-24 for both its distribution and Supply Functions. The allowed cost for the FY 2023-24, shall be considered as maximum cap, subject to downward adjustment only in case actual figures of FY 2022-23 as per the Petitioner's audited accounts, remain lower than its provisionally provided figures.

15.5 Since the Audited accounts of the Petitioner, do not provide bifurcation of the R&M costs in terms of Distribution and Supply Functions, therefore, for the purpose of allocation of total cost of R&M costs in terms of Distribution and Supply functions, the criteria as adopted by the Petitioner has been used. Accordingly, the cost of R&M for the FY 2023-24 pertaining to the Distribution Function works out as Rs.1,990 million.

15.6 The assessed repair and maintenance cost for the FY 2023-24 i.e. Rs.1,990 million, shall be considered, as reference cost for working out future repair and maintenance expenses, during the remaining tariff control period, as per the adjustment mechanism prescribed in the instant determination, unless revised downward, in case actual figures of FY 2022-23 as per the Petitioner's audited accounts, remain lower than its provisionally provided figures.

15.7 While going through the information of provisional amount of Repair & Maintenance expenses submitted by IESCO, it is noted that significant amount under head of Repair of Meter has been included in R&M cost. The Authority in the matter of other DISCOs also observed such significant amount under this head, which was excluded from the expenses and DISCO were directed to capitalize the said cost instead of expensing out. Based on the same analogy, the Authority has decided to exclude cost of meters, while working out R&M expenses of the Petitioner for the FY 2023-24. The Petitioner is directed to capitalize all such costs, as part of their fixed assets, instead of expensing out the same.

16. <u>Other O&M Expenses</u>

16.1 Other O&M expenses includes Travelling costs, Transportation and Other Expenses. The Petitioner requested following amounts under these heads;

| Break-up of Other Expenses (Mln. Rs.) | FY 24 | FY 25 | FY 26 | FY 27 | FY 28 |
|---|---|---|---|---|---|
| Admin Expenses | 1,497 | 1,728 | 1,995 | 2,303 | 2,658 |
| Travelling | 447 | 516 | 596 | 688 | 794 |
| Transportation | 924 | 1,066 | 1,231 | 1,421 | 1,640 |
| Management Fee | 179 | 206 | 238 | 275 | 317 |
| Miscellaneous Expenses | 250 | 289 | 333 | 385 | 444 |
| **Total** | **3,297** | **3,805** | **4,393** | **5,072** | **5,853** |

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16.2 The Authority noted that as per the approved tariff methodology, all other operating expenses are part of O&M costs which are to be assessed through NCPI-X formulae for the whole tariff control period. Here it is pertinent to mention that the Petitioner itself has requested that all other expenses are increased by NCPI-X during the entire tariff control period including Repair & Maintenance. Accordingly, for assessment of Other O&M cost for pertaining to the FY 2023-24 (reference cost), the Authority, keeping in view the cost as per the provisional accounts of the Petitioner for the FY 2022-23, has decided to allow an amount of Rs.3,296 million for the FY 2023-24, after incorporating the inflationary impact on Other O&M cost for the FY 2022-23. The said amount of Rs.3,296 million is being allowed for both the Distribution and Supply of Power function for the FY 2023-24.

16.3 Since the Audited accounts of the Petitioner, do not provide bifurcation of the Other O&M costs in terms of Distribution and Supply of Power Functions, therefore, for the purpose of allocation of total cost of Other O&M costs in terms of Distribution and Supply Functions, the criteria as adopted by the Petitioner has been used. Accordingly, the cost of Other O&M costs for the FY 2023-24 pertaining to the Distribution function works out as Rs.2,689 million.

16.4 By allowing the costs as mentioned above, the Authority has incorporated the costs including bill collection, building rent, NEPRA fee, insurance cost, transportation, rent, rates & taxes, and travelling etc. However, Management Fees of PEPCO, has not been considered as each DISCO is an independent entity having its own board of Directors, thus, allowing any cost on the pretext of PEPCO Management fee is not logical. Further, the Ministry of Energy (MoE), itself in the Peshawar High Court submitted that PEPCO shall be dissolved after June 2011. Accordingly, the cost of PEPCO fee, if any, has not been allowed to the Petitioner.

16.5 The assessed amount of Other O&M expenses for the FY 2023-24 i.e. Rs.2,689 million, shall be considered as the reference cost for future adjustment/ indexation during the remaining tariff control period as per the mechanism given in the instant determination.

17. <u>Depreciation</u>

17.1 Regarding Depreciation, the Petitioner submitted that depreciation is charged on the straight-line method so as to diminish the cost of an asset over its estimated useful life. As per Company's policy, buildings on free hold land @ 2%, buildings on leasehold land @ 2%, distribution equipment @ 3.5%, vehicles @ 10%, Computer & ancillary equipment @ 33%, furniture & fixtures @ 10%, other plant and equipment@ 10%. The depreciation for the FY 2023-24 to FY 2027-28 has been estimated on the original cost of the assets.

Mln. Rs.

| | FY 24 | FY 25 | FY 26 | FY 27 | FY 28 |
|---|---|---|---|---|---|
| Depreciation | 6,695 | 8,195 | 9,765 | 11,239 | 13,288 |

17.2 The Authority noted that as per the Methodology, depreciation expense for the test year, which in the instant case is FY 2023-24, will be determined by applying depreciation charge on the Gross Fixed Assets in Operation, including new investment and will be considered reference for the tariff control period.

17.3 In order to make fair assessment of the depreciation expense, the Authority has accounted for the investments approved for the FY 2023-24. Accordingly, after taking into account the new investments for the FY 2023-24, the Gross Fixed Assets in Operation for the FY 2023-24 have been worked out as Rs.5,843 million. In view thereof, the depreciation charge for the FY 2023-24 has been assessed as Rs.5,843 million, calculated on actual depreciation rates for each category of Assets as per the company policy, which will be considered as reference cost for working out future depreciation expenses for the remaining tariff control period, to be adjusted as per the mechanism provided in the instant determination.

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17.4 After carefully examining the relevant details and information pertaining to the deferred credit and amortization as per the provisional accounts for the FY 2022-23, the Authority has projected amortization of deferred credit to the tune of Rs.2,110 million for the FY 2023-24. Accordingly, the consumers would bear net depreciation of Rs.3,733 million.

17.5 The actual depreciation reflected in the provisional accounts of the Petitioner for the FY 2022-23, do not provide bifurcation of depreciation cost in terms of Distribution and Supply functions, therefore, for the purpose of allocation of depreciation cost in terms of Distribution and Supply Functions, the criteria as adopted by the Petitioner has been used. Accordingly, the complete depreciation cost of Rs.5,843 million for the FY 2023-24 allocated to the Distribution function as per the criteria adopted by the Petitioner. The same would be adjusted during the MYT control period as per the mechanism provided in the instant determination, keeping in view the investment allowed for the year.

18. Whether the requested RORB along-with determinant factors and annual adjustment mechanism as requested by the Petitioner is justified?

18.1 The petitioner submitted that Regulatory Asset Base (RAB) is the gross fixed asset that is used in the distribution activities of the Company. The return on rate base is calculated by applying the WACC on the RAB. Return on equity is calculated using CAPM model and requires the estimation of following components:

- Risk free rate (Rf)
- Beta (β)
- Market premium (P)

18.2 It further stated that risk free rate is the rate of return that the investors expect to earn on investments that have virtually no risk of default. Risk is viewed in terms of the variance in actual returns around the expected return. For an investment to be risk free in this environment, then, the actual returns should always be equal to the expected return. In view of the business horizon of an electricity distribution business, the Company's contractual obligations and operational risks which extend beyond a single year, it is proposed that the risk free rate should be considered on the basis of last determinations. This rate would be adjusted on an annual basis as per State Bank of Pakistan publications.

18.3 Currently, NEPRA uses a standard beta for calculating the return on equity for all DISCOs, the same beta has been used for computing return on equity in all previous three determinations. The Petitioner also submitted that cost of debt is taken as 3 Months KIBOR+2.75% spread of 30th June 2023 and rates charged.

18.4 Based on the previous determination Risk free rate is taken as 18.92% as per the latest auction result of SBP for Pakistan Investment Bonds dated May 11, 2023. The risk premium of 7.53% & Beta of 1.1 has been taken as per the previous determinations by NEPRA. Cost of debt is calculated as SBP 3 months KIBOR dated May 17, 2023 of 21.76% plus 2.75% as per the previous determinations by NEPRA. Based on the above, the WACC is computed to be 25.32%.

18.5 It was further stated that as per MYT guidelines the RORB assessment will be made in accordance with the following formula/mechanism:

*RORB(Rev) = RORB(Ref) *RAB(Rev) / RAB(Ref)*

*Where:*

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*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.*

18.6 In view thereof, the Petitioner requested the following RORB for the MYT control period;

| Descriptions | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 |
|---|---|---|---|---|---|
| | Projected | | | | |
| RoRB (Rs. Mln.) | 30,180 | 37,736 | 41,751 | 44,744 | 48,549 |
| Rate Rs./kWh | 2.37 | 2.80 | 2.94 | 2.98 | 3.06 |

Mln. Rs.

| Description | FY 24 | FY 25 | FY 26 | FY 27 | FY 28 |
|---|---|---|---|---|---|
| Gross Fixed Assets in Operation - Opening Balance | 140,934 | 164,495 | 192,956 | 221,048 | 245,435 |
| Addition in Fixed Assets | 23,561 | 28,461 | 28,092 | 24,387 | 38,848 |
| Gross Fixed Assets in Operation - Closing Bal | 164,495 | 192,956 | 221,048 | 245,435 | 284,284 |
| Less: Accumulated Depreciation | 23,639 | 31,833 | 41,598 | 52,837 | 66,125 |
| Net Fixed Assets in Operation | 169,618 | 190,099 | 208,434 | 221,582 | 247,143 |
| Add: Capital Work In Progress - Closing Bal | 13,449 | 13,449 | 13,449 | 13,449 | 13,449 |
| **Investment in Fixed Assets** | **183,067** | 203,548 | 221,883 | 235,031 | 260,592 |
| Less: Deferred Credits | 42,574 | 45,946 | 49,674 | 53,790 | 58,323 |
| Regulatory Assets Base | 140,494 | 157,602 | 172,208 | 181,241 | 202,268 |
| Average Regulatory Assets Base | 119,202 | 149,048 | 164,905 | 176,725 | 191,755 |
| Rate of Return | 25.32% | 25.32% | 25.32% | 25.32% | 25.32% |
| **Return on Rate Base** | **30,180** | **37,736** | **41,751** | **44,744** | **48,549** |

18.7 The Authority observed that as per Section 31(3) of the amended NEPRA Act, the following general guidelines shall be applicable to the Authority in the determination, modification or revision of rates, charges and terms and conditions for provision of electric power services;

*(b) tariffs should generally be calculated by including a depreciation charge and a rate of return on the capital investment of each licensee commensurate to that earned by other investments of comparable risk;*

*(c) tariffs should allow licensees a rate of return which promotes continued reasonable investment in equipment and facilities for improved and efficient service;*

18.8 In line with the aforementioned guidelines, the Authority allows DISCOs Weighted Average Cost of Capital (WACC) to account for the return on equity and cost of debt. Similarly, for recovery of principal portion of debt the Authority includes a depreciation charge in the revenue requirement of DISCOs.

18.9 Consequent to the aforementioned discussion, the WACC works out as per formula given below;

Cost of Equity;

$K_e = R_F + (R_M - R_F) \times \beta$

Where

$R_F$ is Risk Free rate

$R_M$ is Market Return

$\beta$ is Beta

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The cost of debt is;
Kd = KIBOR + Spread

18.10 Accordingly, the WACC has been worked out as per formula given below;

WACC= ((Ke x (E / V) + (Kd x (D / V))

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

18.11 The Authority uses the Capital Asset Pricing Model (CAPM) for calculation of Return of Equity (RoE) component of the WACC, being the most widely accepted model, which is applied by regulatory agencies all over the world to estimate the cost of capital for regulated utilities. Further, as per the tariff methodology, in case of negative equity the Authority would consider a minimum of 20% equity and any equity in excess of 30% would be considered as debt.

18.12 The expected return on any investment is the sum of the risk-free rate and an extra return to compensate for the risk. This extra return or 'risk premium' is the difference between market rate of return and risk free rate. Generally, the return on stock market index is taken as a measure of market rate of return.

18.13 To have an appropriate measure of the market rate of return, the Authority also analyzed KSE-100 Index return, over a period of 13 years i.e. FY 2010 to FY 2022. Further, return of different neighboring markets and other international markets were also analyzed. Regarding assessment of beta, the Authority has considered the earlier studies in the matter, range of betas used by international Regulators, and accordingly decided to use the beta of 1.10, while assessing the RoE component.

18.14 Keeping in view the above, and the Authority's earlier decisions in the matter of other XWDISCOs, the Authority has decided to allow RoE component of 14.47% for the FY 2023-24.

18.15 As regard the cost of debt, it is the interest rate on which a company would get borrowing from the debt market / commercial banks i.e. a rate at which banks lend to their customers. In order to have a fair evaluation of the cost of debt, we have taken cost of debt as 3 month's KIBOR + 2.00% spread, as allowed to other XWDISCOs. Consequently, the cost of debt has been worked out as 24.9% i.e. 3 Months KIBOR of 22.90% as of 4th July 2023 plus a spread of 2.00% *(200 basis points).*

18.16 In view thereof, the WACC for the FY 2023-24 has been worked out as under;

**Cost of Equity;**
Ke = 14.47%

**The cost of debt is;**
Kd = 24.90%

**WACC= ((Ke x (E / V) + (Kd x (D / V))**
Where E/V and D/V are equity and debt ratios respectively taken as 30% and 70%;
WACC = ((14.47% x 30%) + (24.9% x 70%)) = 21.18%

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18.17 The Authority during the earlier tariff determination of DISCOs, noted that the DISCOs have insufficient cash balances against their 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, for which DISCOs failed to provide details in this regard. The Authority was of the view 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, DISCOs in their previous tariff determinations was directed to provide rational / justification for improper utilization of the money because the consumers have to suffer unnecessary delay on this account. Similarly for the FY 2022-23, it has again been observed that the Petitioner has insufficient cash balance as on 30th June 2023, based on the provisional data as provided by the Petitioner, 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. Thus, it would be unfair and unjust with the consumers to suffer due to the unlawful act of the Petitioner.

18.18 Accordingly, receipts against deposit works and security deposits has been considered as a part of Deferred Credits for the assessment of RAB for FY 2023-24, after excluding therefrom the cash/ bank balances and the amount of stores & Spares available with the Petitioner.

18.19 Based on above and using WACC of 21.18% on RAB, by including allowed investment for the FY 2023-24, the RoRB of the Petitioner for the FY 2023-24 has been worked out as under;

| Description | FY 2022-23 | FY 2023-24 |
|---|---|---|
| Fixed Assets O/B | 104,445 | 124,003 |
| Addition | 19,558 | 21,346 |
| Fixed Assets C/B | 124,003 | 145,349 |
| Depreciation | 40,282 | 46,126 |
| Net Fixed Assets | 83,721 | 99,223 |
| Capital WIP C/B | 24,250 | 26,466 |
| Fixed Assets Inc. WIP | 107,971 | 125,689 |
| Less: Deferred Credits | 44,088 | 47,329 |
| **Total** | **63,882** | **78,360** |
| **RAB** | | **71,121** |
| WACC | | 21.18% |
| **RORB** | | **15,060** |

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18.20 The total amount of RoRB as worked out above has been allocated in terms of Distribution and Supply Functions, as per the criteria adopted by the Petitioner itself. Accordingly, the complete RORB of Rs. 15,060 million for the FY 2023-24 allocated to the Distribution Function as per the criteria adopted by the Petitioner.

18.21 The reference RoRB would be adjusted every Year based on the amount of RAB worked out for the respective year after taking into account the amount of investment allowed for that year as per the mechanism given in the instant determination.

18.22 In addition the allowed RAB for previous year will be trued up downward only, keeping in view the amount of investment allowed for the respective year. In case, the Petitioner ends up making higher investments than the allowed, the same would be the Petitioner's own commercial decision and would not be considered while truing up the RAB, unless due to any regulatory decisions/interventions/approved plans for which the Petitioner obtains prior approval of the Authority. In such case the Authority may also revise the efficiency targets in terms of T&D losses etc.

18.23 The Authority also understands that interest payment is an obligatory cash flow liability unlike discretionary dividend payment and considering the fact that any default may hamper the financial position of the Petitioner, hence the Authority has decided to cover the risk of floating KIBOR. Accordingly, fluctuation in the reference KIBOR would be adjusted biannually. In addition, the Authority has also decided to allow sharing of benefit by introducing a claw back mechanism for any savings resulting from cheaper financing by the Petitioner to the extent of 2.00%spread. If the Petitioner manages to negotiate a loan below 2.00% 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 2.00%, the additional cost would be borne by the Petitioner.

19. Other Income

19.1 Regarding Other Income, the Petitioner has submitted that Other Income includes mark-up on bank deposits, amortization of deferred credit and income from other sources. The Petitioner further mentioned that the Late Payment Surcharge has been excluded from the total Other Income as per decision of NEPRA, which will be adjusted against surcharge. The other income will relate to supply business only. The Petitioner submitted the following on account of other income;

Mln. Rs.

| Description | FY 24 | FY 25 | FY 26 | FY 27 | FY 28 |
|---|---|---|---|---|---|
| Other Income | (6,155) | (6,528) | (6,929) | (7,361) | (7,825) |

19.2 Since the other income would be trued up every year as per the mechanism provided in the instant determination, therefore, for the FY 2023-24, the Authority has decided to consider the amount as requested by the Petitioner, including the amount of amortization of deferred credit but exclusive of the amount of late payment charges. In view thereof, the Authority has assessed Rs.6,155 million as Other Income for the both Distribution and Supply functions for the FY 2023-24, which does not include late payment charge but includes amortization of deferred credit.

19.3 The Authority in consistency with its earlier decision, on the issue, has not included the amount of LPS while assessing the other income for the FY 2023-24. Here it is pertinent to mention that the LPS recovered from the consumers on utility bills shall be offset against the late payment invoices raised by CPPA (G) against respective XWDISCO only, and in the event of non-submission of evidence of payment to CPPA (G), the entire amount of Late Payment charge recovered from consumers shall be made part of other income and deducted from revenue requirement in the subsequent year.

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19.4 The total amount of Other Income as worked out above has been allocated in terms of Distribution and Supply Functions, as per the criteria adopted by the Petitioner itself. Accordingly, Other Income for the FY 2023-24 pertaining to the Distribution Function works out as Rs.2,913 million, which is hereby allowed. The same would be adjusted as per the adjustment/ indexation mechanism given in the instant determination.

20. <u>What should be the adjustment mechanisms during the MYT? Whether there should any efficiency factor (X Factor)?</u>

21. <u>Whether the request of the Petitioner for Z Factor for extra ordinary events is justified?</u>

21.1 Regarding adjustment mechanism of different components, the Petitioner submitted as under;

21.1.1 <u>Other Operating Expenses:</u> All other expenses are increased by CPI-X during the entire tariff control period including Repair & Maintenance.

21.1.2 <u>Segregation between "Controllable" and "Uncontrollable" cost:</u> The segregation is proposed between controllable and un-controllable costs. The employee related costs (Salaries & Wages and Retirement Costs) are treated as uncontrollable to be passed through on actual basis in the Tariff. All other Costs are considered to be controllable and subject to adjustment with CPI only including Repair & Maintenance.

21.1.3 <u>Repair & Maintenance:</u> With a view to allow the Company greater autonomy over its operations relating to network management, repair & maintenance cost has been assumed to be increased on the basis of CPI increase which is consistent with the actual requirements due to vast & old distribution system. However, the company is also planning to maintain Fixed Assets Register by way of Fixed Assets tagging and after completion of fixed assets tagging the maintenance cost should be linked with gross fixed assets.

21.1.4 <u>Adjustment Mechanism for O&M Costs:</u> The efficiency factor "X" is being proposed as zero '0' for the Tariff Control Period on the premise that the implementation of CTBCM will further affect the cost effectiveness of the Company when most of the industrial and bulk power consumers will be leaving IESCO and the Company will only be serving the low category domestic consumers. Further all the efficiencies and associated benefits, will be achieved through the implementation of Distribution integrated investment plan (DIIP) are inherently reflected through reduction of T&D losses and which ultimately reduce the average sale rate for end consumer.

21.1.5 <u>On the issue of Z-Factor</u>, the petitioner submitted that there shall be a provision for costs incurred as a result of force majeure events such as earthquakes, flooding, wind storms, thunder storms, acts of terrorism, etc. In the absence of a provision for such events and adjustments restricted strictly to the CPI-X factor, the Company will be unable to recoup the costs required to undertake the necessary repairs.

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

22. <u>Indexation Mechanism:</u>

22.1 The allowed/ assessed components of Revenue Requirement for the FY 2023-24 shall be adjusted/ indexed during the MYT control period, as per the following mechanism;

22.2 The Petitioner has submitted that O&M component of the Distribution Margin shall be indexed with NCPI, however, efficiency factor "X" has been proposed as zero '0' for the Tariff Control Period.

22.3 The Authority, while assessing the O&M costs of the Petitioner i.e. rent, rates & taxes, collection expenses, repair & maintenance, travelling, transportation, management fee, and Audit Charges etc., has incorporated these costs in the reference cost, keeping in view the provisional accounts of the Petitioner for the FY 2022-23 and/ or the amount requested by the Petitioner, to be adjusted in the remaining MYT control period as per the adjustment mechanism mentioned below. The risk / benefits of any future cost fluctuations thereof lies with the Petitioner along with an opportunity for optimizing overall costs under these head. The treatment is in line with the very sprit of multi- year tariff regime and in accordance with Authority's approved tariff methodology.

22.4 On the issue of Z-Factor, the Authority noted that the Petitioner has been allowed Insurance cost as part of its O&M charges. The insurance coverage is supposed to cover any damages/ loss to assets of the Petitioner, due to earthquakes, flooding, wind storms, thunder storms, acts of terrorism, etc. If the Petitioner still wants any further coverage, it may opt for further insurance to mitigate its commercial risk through its profits.

22.5 Regarding adjustment of O&M costs with the efficiency factor X, the Authority noted that the Petitioner although has proposed to index its O&M costs with NCPI minus X, however, at the same time it has been requested to keep the X-factor as zero. The Authority in line with its earlier decisions in the matter of MYTs, has decided to keep the efficiency factor "X", as 30% of increase in NCPI for the relevant year of the MYT control period. The Authority has further decided to implement the efficiency factor from the 3rd year of the control period, in order to provide the Petitioner with an opportunity to improve its operational performance, before sharing such gains with the consumers.

22.6 The reference O&M costs, would be adjusted every Year with NCPI-X factor. However, the X factor would be applicable from the 3rd year of the MYT control period. The Adjustment mechanism would be as under;

**O & M (Rev)** = O & M (Ref) **X** [1 + (ΔNCPI-X)]

Where

**O &M (Rev)** = Revised O&M Expense for the Current Year
**O &M (Ref)** = Reference O&M Expense for the Reference Year

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ΔNCPI = Change in NCPI published by Pakistan Bureau of Statistics for the month of December for the respective year. Reference NCPI for the purpose of future adjustment/ indexation shall be 29.47%.

X = Efficiency factor i.e. 30% of NCPI relevant for indexation

23. **Salaries & Wages and Post-retirement Benefits;**

23.1 Considering the fact that employees of XWDISCOs are hired on Government pay scales, and any salary increase announced by the Federal Government in the Federal Budget is applicable on the employees of the Petitioner, therefore, being un-controllable cost, the Salaries & Wages and benefits, would be actualized, based on the audited accounts of the Petitioner for the relevant year for its existing employees. The impact of any such adjustment would allowed as part of PYA in the next indexation/ adjustment request or tariff determination as the case may be.

23.2 Also considering the fact that the Petitioner is obligated to pay to its pensioners, the pension increases announced by the Federal Government, therefore, being an un-controllable cost, the Post-retirement Benefits would be actualized based on the audited accounts of the Petitioner for the relevant year. The impact of any such adjustment would allowed as part of PYA in the next indexation/ adjustment request or tariff determination as the case may be. It would be mandatory for the Petitioner to deposit the whole amount of allowed Post retirement benefits into the separate Fund and route all its pension payments through the Fund. If the Petitioner fails to transfer the whole amount of postretirement benefits into the Fund, the same shall be adjusted/deducted in the subsequent tariff determination and from thereon, only actual amounts paid and amount transferred into the fund would be allowed.

24. **RORB**

24.1 The reference RoRB would be adjusted every Year based on the amount of RAB worked out for the respective year after taking into account the amount of investment allowed for the year as per the following mechanism;

| Adjustment Mechanism - RoRB | |
|---|---|
| RORB(Rev) | =RORB(Ref) x RAB(Rev) / RAB(Ref) |
| FY 2023-24, proposed RORB may be considered as refernce cost for future adjustment.<br>In addition the allowed RORB for previous year will be trued up based ona actual investment (maximum cap to the extent of allowed investment)carried out during that year. Further KIBOR flucation on bi-annual basis also subjec to adjustment. | |

24.2 In addition the allowed RAB for previous year will be trued up downward only, keeping in view the amount of investment allowed for the respective year. In case, the Petitioner ends up making higher investments than the allowed, the same would be the Petitioner's own commercial decision and would not be considered while truing up the RAB, unless due to any regulatory decisions/interventions/approved plans for which the Petitioner obtains prior approval of the Authority. In such case the Authority may also revise the efficiency targets in terms of T&D losses etc.

24.3 The Authority also understands that interest payment is an obligatory cash flow liability unlike discretionary dividend payment and considering the fact that any default may hamper the financial position of the Petitioner, hence the Authority has decided to cover the risk of floating KIBOR. Accordingly, fluctuation in the reference KIBOR would be adjusted biannually. In addition, the Authority has also decided to allow sharing of benefit by introducing a claw back mechanism for any savings resulting from cheaper financing by

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the Petitioner to the extent of 2.00% spread. If the Petitioner manages to negotiate a loan below 2.00% 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 2.00%, the additional cost would be borne by the Petitioner.

25. <u>Depreciation Expenses</u>

25.1 The reference Depreciation charges would be adjusted every Year as per the following formula;

| Adjustment Mechanism - DEPRECIATION (DEP) | |
|---|---|
| DEPRECIATION (Rev) | =DEP(Ref) x GFAIO(Rev) / GFAIO(Ref) |
| FY 2023-24, proposed Depreciation may be considered as refernce cost for future adjustment.<br>In addition the allowed Depreciation for previous year will be trued up based ona actual investment (maximum cap to the extent of allowed investment) carried out during that year | |

Where: DEP (Rev) = Revised Depreciation Expense for the Current Year

DEP (Ref) = Reference Depreciation Expense for the Reference Year

GFAIO (Rev) = Revised Gross Fixed Assets in Operation for the Current Year

GFAIO (Ref) = Reference Gross Fixed Assets in Operation for the Reference Year

25.2 In addition the allowed Depreciation for previous year will be trued up downward only, keeping in view the amount of investment allowed for the respective year. In case, the Petitioner ends up making higher investments than the allowed, the same would be the Petitioner's own commercial decision and would not be considered while truing up the depreciation expenses, unless due to any regulatory decisions/interventions/approved plans for which the Petitioner obtains prior approval of the Authority.

26. <u>Other Income</u>

26.1 Other Income shall be adjusted annually as per the following mechanism during the MYT control period to calculate future Other Income.

| Adjustment Mechanism - Other Income (OI) | |
|---|---|
| OI(Rev) | =OI(Allowed Previous year) + {OI(allowed for previous year) – OI(Actual previous year)} |
| FY 2023-24, proposed Other income may be considered as refernce cost for future adjustment.<br>In addition the allowed Other Income for previous year will be trued up based on actual Other Income during that year | |

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27. <u>Whether the requested Prior Years Adjustment is justified?</u>

27.1 The Petitioner submitted that Prior Year Adjustments (PYA) includes but not limited to any over/under recovery of Power Purchaser cost due to delayed determination / implementation of consumer end tariff to be trued up to the extent of actual figures, any under or over recovery of revenue due to variation in the forecasted and actual consumer mix, variation in forecasted and actual DM, Other Income and Prior Period Adjustments, and any other adjustments in addition to the above. The Petitioner accordingly requested a PYA of Rs.73,487 million as detailed below, presented during hearing of its instant MYT

Petition. The Petitioner however has claimed the entire amount in its Supply of Power Function Petitioner.

| Prior Year Adjustments (PYA) | Mln. Rs. |
|---|---|
| Post-Retirement Benefits | 1,579.00 |
| Distribution Margin 2021-22 | 8,545.00 |
| NEPRA Annual Fees (Supply Business) FY 2021-22 | 24.00 |
| NEPRA Annual Fees (Supply Business) FY 2022-23 | 33.00 |
| Advance tax/Minimum Tax (2021-22) | 2,732.00 |
| Advance tax/Minimum Tax (2022-23) (1st & 2nd Qtr) | 2,180.00 |
| Supplemental Charges FY 2021-22 | 4,035.00 |
| Sales Mix 2019-20 | 4,495.00 |
| Sales Mix 2020-21 | 12,528.00 |
| Sales Mix 2021-22 | (1,132) |
| Accrual of Fuel Charges adjustments FY 2019-20 (Nov-19 To June-20) | 1,841.00 |
| Subsidy Claim (51-350 Units exempted for FPA) (Aug-2011 to Mar-2013) | 2,815.00 |
| GENCO Pension Impact | 29.00 |
| LPS | 17,405.00 |
| PYA Recoverable Adjustment | 14,354 |
| Quarterly Adjustment 2nd & 3rd Quarter (2019-20) | 567 |
| Depreciation | 1,902 |
| RORB FY 2021-22 (6422-5824) | 598 |
| Other Income | (1,052) |
| Total | 73,478 |

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27.2 The Petitioner provided the following justification for different costs requested under the head of PYA;

- ✓ Minimum tax payment has been calculated as minimum tax on turnover u/s 113 of Income Tax Ordinance applicable.
- ✓ Supplementary charges include advice under debit notes by CPPA for previous years.
- ✓ Sales Mix adjustment has been worked out as Rs.4,495 Million for FY 2019-20, Rs.12,528 Million for FY 2020-21 and Rs.(1,132) for FY 2021-22 based on sales mix variance. The adjustment has been calculated based on the data available as at the time of preparation of this tariff petition.
- ✓ Supplemental charges have been debited by CPPA-G to IESCO from 2017-18 up to 30.06.2022, the Authority may reconsiders IESCO's request to allow Rs.17,405 million.
- ✓ Regarding GENCO pensioners, Cabinet Committee on Energy (CCoE) conveyed vide memo dated 21.09.2020, decided immediate closure of certain power plants of GENCOs having aggregate capacity of 1,796 MW. Ministry of Energy (Power Division) Generation & Transmission Wing stated that GENCOs were paying pension out of their Capacity Purchase Price (CPP). Once immediate closure of GENCO's power plants, CPP of such power plants is no more available, hence, GENCOs would not be in a financial position to pay pensions to the pensioners allocated to such plants. Summary dated September 16, 2021 is reproduced as under;

  *"It is proposed that 2,368 pensioners of GENCOs may be adjusted in their pension*

*disbursing DISCOs or WAPDA. Similarly, 1,753 employees of these plants would be adjusted in DISCOs. Pensions of these employees will be paid by the relevant DISCOs on their retirement according to rules of the relevant DISCOs. In turn the respective DISCOs & WAPDA would claim adjustment of the same from NEPRA in their respective tariffs."*

- ✓ ECC in case No. ECC-347/32/2021 dated 23.09.2021 has considered the summary submitted by the power Division regarding "adjustment of pensioners of GENCO's power plants under closure" and approved the proposal.
- ✓ NEPRA vide decision dated 17.11.2022 has also directed the DISCOs to ensure payment of these pensioners provisionally and submit this instant case along with next Tariff Petition. Out of 2,368 pensioners, 71 pensioners adjusted in IESCO as per ECC decision dated 23.09.2021. Since the adjustment of these GENCO pensioners in IESCO, an amount of Rs.29.400 Million has been paid to them for the period from 10-2021 to 12-2022 on account of pension and medical allowance.

27.3 The Prior Year Adjustment includes the impact of variation in the following, based on the Authority's allowed benchmarks of T&D losses and recoveries;

- ✓ Difference between the actual PPP billed and the amount recovered by the DISCO.
- ✓ Difference between the assessed DM and the amount actually recovered.
- ✓ Difference between previously assessed PYA and the amount actually recovered.
- ✓ Difference between actual other income and the amount allowed
- ✓ Variation due to Sales Mix.

27.4 It is important to highlight that variation between the PPP billed to DISCOs by CPPA-G and the amount recovered by the DISCOs, based on the Authority's allowed benchmarks of T&D losses and recoveries, are being accounted for separately through Quarterly/Bi-Annual Adjustment mechanism, therefore, in the instant PYA, impact of any over/ under recovery of the allowed quarterly adjustments has been accounted for.

27.5 Regarding minimum tax/ turnover tax, the Authority has decided to provisionally allow actual tax payments as claimed in the petition, net off of the amount of Refund outstanding from FBR, if any and the amount already allowed by the Authority. Accordingly, an amount of Rs.4,912 million is hereby allowed to the Petitioner on account of minimum tax/ turnover tax. The amount being allowed on provisional basis, is subject to adjustment in subsequent tariff adjustment/indexation, once the audited accounts of the Petitioner till FY 2022-23 are provided.

27.6 Regarding under / over recovery of the quarterly adjustments, it is pertinent to mention that Quarterly adjustments are allowed to XWDISCOs based on projected sales for the period in which recovery is allowed. Therefore, any under/over recovery based on actual sales for the period (based on Authority's allowed benchmarks of T&D losses) viz a viz projected sales on which recovery was assumed, is trued up and any such under/Over recovery is made part of PYA. Accordingly, the under / over recovery against the allowed quarterly adjustments for the period FY 2019-20, FY 2020-21 & FY 2021-22 (upto 3rd quarter) has been worked out

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as negative amount of Rs.916 million, after incorporating therein the impact of sales to Life line consumers. The same is hereby included as part of PYA.

27.7 Regarding under/ over recovery of allowed distribution margin, the Authority noted that XWDISCOs tariff are revenue cap tariff, and any under/over recovery on account of allowed Distribution Margin is adjusted as part of PYA. Accordingly, the Petitioner PYA is adjusted by positive amount of Rs.7,224 million on account of under/ over recovery of the allowed DM for the period FY 2021-22.

27.8 The Authority noted that the Petitioner while working out PYA regarding under/ over recovery of the allowed DM, has also included cost on account of actualization of Salaries & Wages and O&M costs. The Authority noted that no such provision is available in the Multi Year Tariff determination of the Petitioner regarding actualization of Salaries & Wages and O&M costs. In view thereof, the claimed adjustment for Pay & Allowance & O&M are not justified, hence declined.

27.9 Regarding supplemental charges, the Authority has not allowed Supplemental charges separately rather XWDISCOs are allowed to retain the amount of late Payment charges to off-set the impact of supplemental charges billed by CPPA-G. Here it is pertinent to mention that while accounting for LPS against Supplemental Charges, the Authority individually accounts for the amount of LPS against each DISCO's supplemental charges as per the decision of the Authority for the respective year. In view thereof, the request of the Petitioner is not acceded to.

27.10 On the issue of GENCO Pensioners' the Authority has decided to allow the impact of GENCO pensioner of Rs.29 million to the Petitioner as part of PYA. Regarding NTDC pensioner the Authority in the matter of other XWDISCOs has decided as under;

*"Regarding NTDC Pensioners, the Petitioner is directed to submit a separate case before the Authority detailing all the facts and reasons along-with financial impact of NTDC Pensioners, as the Authority vide letter dated 17.11.2022, directed all DISCOs and WAPDA to ensure payments to the GENCO pensioners provisionally, in light of the ECC decision dated 23.09.2021."*

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27.11 In light of above decision of the Authority, the Petitioner is also directed to submit a separate case before the Authority detailing all the facts and reasons along-with financial impact of NTDC Pensioners, if any.

27.12 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 period from July 2020 to December 2022 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 period.

27.13 After considering all the aforementioned factors, the Authority observed that the Petitioner has retained a net amount of Rs.0.74 million on account of negative FCA for the period from July 2020 to December 2022, pertaining to the lifeline consumers, domestic consumers (consuming up to 300 units) and Agriculture Consumers, which is still lying with the Petitioner. The Authority further observed that as per the information for Tariff Differential

Subsidy claims provided by Petitioner, it has recovered net surcharges during the period from July 2020 to December 2022.

27.14 Consequently, the net amount of Rs.0.74 million retained by IESCO on account of ,negative FCA for the period from July 2020 to December 2022, 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 the Petitioner.

27.15 Based on the discussion made in the preceding paras, the PYA of the Petitioner has been worked out as under and incorporated in revenue requirement of supply tariff;

| Description | IESCO |
|---|---|
| July 2020 to December 2022 | |
| Impact of Negative FCA- retained | - 0.95 |
| Impact of Positive FCA- Lifeline | 0.21 |
| Net | - 0.74 |
| July 2020 to December 2022 | |
| Tariff Diff. Subsidy | 44,476 |
| Surcharge | - 91,808 |
| Net - Jul.20 to Mar. 23 | - 47,331 |
| Excess Negative FCA -Adjusted as subsidy | - |
| Excess Negative FCA -Adjusted as PYA | - 0.74 |
| 2nd & 3rd Qtr. FY 2019-20 (Oct.20 to Sep.21) | |
| Allowed Amount | 16,653 |
| Qtr. Rs./kWh | 1.4303 |
| Recovered | 16,103 |
| Under/(Over) Recovery | 550 |
| 4th Qtr. FY 2019-20 | |
| Allowed Amount | 7,750 |
| Qtr. Rs./kWh | 0.6660 |
| Recovered | 7,742 |
| Under/(Over) Recovery | 8 |
| 1st & 2nd Qtr. FY 2020-21 (Oct. 21-Sept.22) | |
| Allowed Amount | 7,323 |
| Qtr. Rs./kWh | 0.66 |
| Recovered | 7,720 |
| Under/(Over) Recovery | - 397 |
| 3rd Qtr. FY 2020-21 (Oct.21-Sept.22) | |
| Allowed Amount | 2,959 |
| Qtr. Rs./kWh | 0.2683 |
| Recovered | 3,119 |
| Under/(Over) Recovery | - 160 |
| 4th Qtr. FY 2020-21 (Feb. Apr. 22) | |
| Allowed Amount | - 361 |
| Qtr. Rs./kWh | - 0.1428 |
| Recovered | - 335 |
| Under/(Over) Recovery | - 27 |
| 1st Qtr. FY 2021-22 (Jun. Aug. 22) | |
| Allowed Amount | 859 |
| Qtr. Rs./kWh | 0.3121 |
| Recovered | 1,152 |
| Under/(Over) Recovery | - 293 |
| 2nd Qtr. FY 2021-22 (Jul. Sep. 22) | |
| Allowed Amount | 4,234 |
| Qtr. Rs./kWh | 1.5376 |
| Recovered | 5,542 |
| Under/(Over) Recovery | - 1,308 |

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| Description | IESCO |
|---|---|
| **3rd Qtr. FY 2021-22 (Sep. Nov. 22)** | |
| Allowed Amount | 1,164 |
| Qtr. Rs./kWh | 0.4226 |
| Recovered | 1,076 |
| **Under/(Over) Recovery** | 88 |
| **4th Qtr. FY 2021-22 (Oct. 22 Jan. 23)** | |
| Allowed Amount | 8,445 |
| Qtr. Rs./kWh | 2.7626 |
| Recovered | 8,010 |
| **Under/(Over) Recovery** | 436 |
| **1st Qtr. FY 2022-23 (Feb. Mar. 23)** | |
| Allowed Amount | 2,657 |
| Qtr. Rs./kWh | 1.9695 |
| Recovered | 2,468 |
| **Under/(Over) Recovery** | 188 |
| **2nd Qtr. FY 2022-23 (Apr. Jun. 23)** | |
| Allowed Amount | 1,201 |
| Qtr. Rs./kWh | 0.36 |
| Recovered | |
| **Under/(Over) Recovery** | |
| **D.M FY 2021-22** | |
| Allowed Amount | 25,412 |
| Rate. Rs./kWh | 1.57 |
| Recovered | 18,189 |
| **Under/(Over) Recovery** | 7,224 |
| **PYA 2019-20** | |
| Allowed Amount | - 5,482 |
| Rate. Rs./kWh | - 0.50 |
| Sales till Feb.11 2022 | 11,207 |
| Recovered | - 5,557 |
| **Under/(Over) Recovery** | 75 |
| **MLR Allowed Cost** | |
| LPS | |
| **Sales Mix Var.** | |
| FY 2019-20 | - 2,504 |
| FY 2020-21 | 2,084 |
| FY 2021-22 | - 1,136 |
| | **- 1,555** |
| **Excess LPS to be adjusted - FY 2020-21** | |
| LPS Recovered from Consumers | 1,285 |
| Supplemental charges billed by CPPA | 5,302 |
| **Net** | 4,017 |
| **Excess LPS to be adjusted - FY 2021-22** | |
| LPS Recovered from Consumers | 1,602 |
| Supplemental charges billed by CPPA | 5,634 |
| **Net** | 4,032 |
| **Adjustment in PYA** | - |
| **Other Costs - FY 2020-21 to FY 2022-23** | |
| Pay & Allowance FY 2023 Adjustment | |
| Turn over/Min. Tax | 4,912 |
| Supplier NEPRA Fee- FY 2021-22 | 24 |
| Supplier NEPRA Fee- FY 2022-23 | 33 |
| Genco Pensioners FY 2022 & FY 2023 | 29 |
| NTDC Pensioners | - |
| **Total** | **4,998** |
| **Total** | **9,825** |

| MYT True Ups | IESCO |
|---|---|
| **FY 2020-21** | |
| **Depreciation** | |
| Allowed | 3,605 |
| Actual | 887 |
| **Under/(Over) Recovery** | - 2,718 |
| **RoRB (Investment + KIBOR)** | |
| Allowed | 5,080 |
| Actual | 3,008 |
| **Under/(Over) Recovery** | - 2,072 |
| **Other Income** | |
| Allowed | - 2,750 |
| Actual | - 2,379 |
| **Under/(Over) Recovery** | 371 |
| **FY 2021-22** | |
| **Depreciation** | |
| Allowed | 3,457 |
| Actual | 3,543 |
| **Under/(Over) Recovery** | 86 |
| **RoRB (Investment + KIBOR)** | |
| Allowed | 5,824 |
| Actual | 3,827 |
| **Under/(Over) Recovery** | - 1,997 |
| **Other Income** | |
| Allowed | - 421 |
| Actual | - 3,075 |
| **Under/(Over) Recovery** | - 2,654 |
| **Total MYT Rue Ups** | **- 8,985** |
| **G. Total PYA FY 2021 22 & FY 2022 23** | **840** |

28. <u>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 Sanctioned Load or otherwise? Whether there should any Fixed Charges on consumer's categories who are currently not paying any fixed charges?</u>

28.1 Regarding revision in applicable fixed charges on different consumer categories and change in mechanism of application of fixed charges based on actual MDI or sanctioned load or otherwise, the Authority noted that large number of stakeholders raised their concerns in the matter. The Authority considering such large representations of the stakeholders decided to initiate separate proceedings in this regard. Accordingly, a separate hearing in the matter was held on 06.06.2023. Therefore, any amendments/modification in the terms & conditions for application of fixed charges would be made based on the final outcome of the separate proceedings being carried out by the Authority.

29. <u>Whether the existing Tariff Terms and Conditions needs to be modified (including the request of Cold Storage to charge "B Industrial Supply" Category tariff instead of "A-2 Commercial" category tariff), and keeping in view the amendments in Consumer Service Manual or otherwise?</u>

29.1 The Authority has made the following changes in the Consumer Service Manual, which have already been intimated to all DISCOs vide letter dated December 14, 2022;

*<u>For Industries</u>*

*The consumers may be allowed extension of load above 5MW to 7.5 MW from the DISCO's owned grid station subject to availability of load in the grid and capacity in the 11kV existing dedicated feeder. In such a case the consumer will bear 100% grid sharing charges including transmission line charges and 100% cost of land proportionate to load above 5MW to 7.5 MW.*

29.2 The above changes are required to be reflected in the Tariff terms & conditions, in the instant tariff Decisions/determinations of DISCOs.

29.3 Regarding request of Cold Storages to charge "B Industrial Supply" Category tariff instead of "A-2 Commercial" tariff, the Authority, considering large representations of the stakeholders decided to initiate separate proceedings in this regard. Accordingly, a separate hearing in the matter was held on 06.06.2023. Therefore, any amendments/modification in the terms & conditions for application of fixed charges would be made based on the final outcome of the separate proceedings being carried out by the Authority.

30. <u>Order</u>

30.1 In view of the discussion made in preceding paragraphs and accounting for the adjustments discussed above, the allowed revenue requirement of the Petitioner, for the FY 2023-24, to the extent of its distribution function is summarized as under;

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| Description | Unit | DoP |
|---|---|---|
| **Units Received** | [MkWh] | 12,880 |
| **Units Sold** | [MkWh] | 11,939 |
| **Units Lost** | [MkWh] | 942 |
| **Units Lost** | [%] | |
| Pay & Allowances | | 11,300 |
| Post Retirement Benefits | | 5,796 |
| Repair & Maintainance | | 1,990 |
| Traveling allowance | | |
| Vehicle maintenance | | 2,689 |
| Other expenses | | |
| **O&M Cost** | | 21,775 |
| Depriciation | | 5,843 |
| RORB | | 15,060 |
| O.Income | | (2,913) |
| **Margin** | **[Mln. Rs.]** | 39,766 |

30.2 Here it is pertinent to mention that the Authority allowed Interim Tariff to IESCO vide decision dated 14.07.2023, whereby IESCO was allowed a revenue requirement of Rs.32,340 million for its Distribution Function for the FY 2023-24, subject to adjustment/ refund based on the final outcome of the MYT determination. The said interim tariff has since been notified by the GoP vide SRO dated 26.07.2023, to be effective from 01.07.2023.

30.3 As now, the Authority has determined the MYT of IESCO for the control period from FY 2023-24 to FY 2027-28, whereby a revenue requirement of Rs.39,766 million has been assessed for the Distribution Function of the Petitioner for the FY 2023-24. Accordingly, the differential amount of Rs.7,426 million, shall be allowed as part of PYA in the subsequent adjustment / indexation determination of the Petitioner for the FY 2024-25.

30.4 The Petitioner is directed to follow the following time lines for submission of its future indexation/adjustment during the MYT control period;

| Description | ADJUSTMENTS/ INDEXATION | TIME LINES |
|---|---|---|
| Margin | | |
| Salaries, Wages & Benefits | Annually as per the mechanism given in the decision | Request to be submitted by Petitioner in February of every year, so that adjustment / indexation for the next year is determined in timely manner. |
| Post-retirement Benefit | | |
| Other operating expenses | | |
| Depreciation | | |
| Return on Regulatory Asset Base | | |
| Other Income | | |
| Prior Year Adjustment | Annually as per the mechanism given in the decision | |
| KIBOR | Bi-Annually, as per the decision | |
| Return on Equity (ROE) | No adjustment allowed over Reference ROE | |
| Spread | As per the mechanism in the decision | |

Ref. NCPI-General of December 2022 i.e. 29.47%

30.5 Islamabad Electric Supply Company Limited (IESCO), being a distribution licensee, is allowed to charge its consumers, the following "Use of system charge" (UOSC) for the FY 2023-24, or as amended by the Authority from time to time;

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| Description | For 132 kV only | For 11 kV only | For both 132kV & 11 kV |
|---|---|---|---|
| Asset Allocation | 36.87% | 36.82% | 73.68% |
| Level of Losses | 0.99% | 4.57% | 5.51% |
| UoSC Rs./kWh | 1.30 | 1.73 | 3.11 |

30.6 Responsible to provide distribution/supply service within its service territory on a non-discriminatory basis to all the consumers who meet the eligibility criteria laid down by the Authority.

30.7 To make its system available for operation by any other licensee, consistent with applicable instructions established by the system operator.

30.8 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;

30.9 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

30.10 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.

30.11 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.

31. <u>Summary of Direction</u>

31.1 A summary of all directions passed in this determination by the Authority are reproduced hereunder. The Authority hereby directs the Petitioner to;

i. To complete tagging of its assets.

ii. To capitalize the cost of meters instead of expensing out.

iii. To restrain from unlawful utilization of receipts against deposit works & security deposits, and to give clear disclosures in its Financial Statements with respect to the consumer financed spares and stores, work in progress and cash & bank balance.

iv. To provide its working regarding under/(over) recovery of quarterly adjustments along-with break-up of units sold for each category, for each quarter, for consideration of the Authority.

v. To submit the details of remedial measures taken by IESCO for the achievement of performance standards as laid down in NEPRA Performance Standards.

vi. To clear all pending connections to its eligible consumers as specified in the Consumer Eligibility Criteria and Performance Standard Distribution Rules, 2005 and submit a detailed compliance report to NEPRA on a monthly basis.

vii. DISCOs shall ensure Open Access to all the relevant entities/licensees without discrimination and shall objectively evaluate and make available on the website of

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DISCO the network available capacity, current allocation of the capacity and the future investment required to be made part of distribution system planning.

viii. To take all possible measures to facilitate consumers in terms of complaint handling, connection provision as per CSM and establish one window solutions.

ix. To submit its annual adjustment / indexation requests by February every year, so that adjustment / indexation for the next year is determined in timely manner.

31.2 The Authority, keeping in view the amended NEPRA Act, 2018, whereby sale of electric power has been removed from the scope of distribution licenses and transferred to supply licensee, directed the Petitioner in its earlier tariff determinations to make organizational restructuring in terms of segregation of responsibilities of the Distribution and Sale functions, in order to ensure independent and transparent working of both these functions.

31.3 Since all the distribution companies are 100% owned by the GoP, therefore, DISCOs in consultation with GoP should develop a centralized restructuring plan and submit the same to NEPRA for consideration and necessary vetting for its compliance with NEPRA applicable documents.

31.4 The Authority observed that the Petitioner although in instant Petition has bifurcated its costs into Distribution and Supply of Power Functions, however, the petition was submitted with common accounts and both functions combined. No progress has been shared by the Petitioner in terms of its organizational restructuring. The Authority understands that a proper organization restructuring, is essential to improve the performance of the Petitioner and to ensure transparency for both functions. Therefore, the Petitioner is again directed that a restructuring plan in consultation with the Federal Government may be prepared, within the stipulated time.

31.5 The Petitioner is directed to ensure compliance of the Authority's direction during the FY 2024-25 and submit its progress report along-with its annual adjustment/ indexation request for the FY 2025-26. In case of non-compliance by the Petitioner, the Authority shall start legal proceedings against the Petitioner under relevant rules and regulations, which may not be limited to imposing of fines but also initiate process for adjustment in the revenue requirement of the Petitioner.

32. It is pertinent to mention that as per the Authority's Determination dated July 14, 2023, the interim tariff allowed to the petitioner was subject to adjustment/ refund based on the final outcome of the MYT determination. However, it is crucial to note that the Uniform Tariff has been notified by the Federal Government taking into account the interim tariff (which is in effect and implemented) and any adjustment at this stage may result in process of redetermination of uniform tariff for FY 2023-24. This will lead to practical difficulties, considering that only a few months are left in FY 2023-24.

33. In view thereof, while being mindful of the interest of the consumers and companies providing electric power services in accordance with principles of transparency and impartiality as enshrined in section 7 (6) of the NEPRA Act, the differential amount of Rs.7,426 million for distribution function, shall be allowed as part of PYA in the subsequent adjustment/indexation determination of the Petitioner for the FY 2024-25 and for the FY 2023-24, the interim tariff notified by the GOP vide SRO dated 26.07.2023, will remain effective.

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34. The determination of the Authority, is hereby intimated to the Federal Government in terms of section 31(7) of the Regulation of Generation, Transmission and Distribution of Electric Power Act.

AUTHORITY

Mathar Niaz Rana (nsc)
Member

Rafique Ahmed Shaikh
Member

Engr. Maqsood Anwar Khan
Member

Amina Ahmed
Member

Waseem Mukhtar
Chairman

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14/03/24