National Electric Power Regulatory Authority
Islamic Republic of Pakistan

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No. NEPRA/TRF-337/LESCO-2015/3069-3071
March 8, 2016

Subject: **Determination of the Authority in the matter of Petition filed by Lahore Electric Supply Company Ltd. (LESCO) for the Determination of its Multi-Year Consumer end Tariff Pertaining to Financial Years 2015-2016 to 2019-20** [Case # NEPRA/TRF-337/LESCO-2015]

Dear Sir,

Please find enclosed herewith the subject Determination of the Authority along with Annexure-I, II, III, IV, V, VI, VII, VIII & IX (182 pages) in Case No. NEPRA/TRF-337/LESCO-2015.

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

3. The Order part along with Annexure-I, II, III, IV, V, VI, VII, VIII & IX of the Determination needs to be notified in the official Gazette.

Enclosure: As above

08.03.16

(Syed Safeer Hussain)

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

CC:

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

National Electric Power Regulatory Authority

(NEPRA)

PETITION NO: NEPRA/TRF-337/LESCO-2015

TARIFF DETERMINATION

FOR

LAHORE ELECTRIC SUPPLY COMPANY LIMITED (LESCO)

DETERMINED UNDER

NEPRA TARIFF (STANDARDS AND PROCEDURE) RULES - 1998

Islamabad

March, 2016

Abbreviations

ADB	Asian Development Bank
AJK	Azad Jammu and Kashmir
AMI	Advance Metering Infrastructure
AMR	Automatic Meter Reading
BoD	Board of Director
BTS	Base Transceiver Station
CAGR	Compound Annual Growth Rate
CAPEX	Capital Expenditure
CAPM	Capital Asset Pricing Model
CCI	Council of Common Interest
CDP	Common Delivery Point
COSS	Cost of Service Study
CPI	Consumer Price Index
CPPA (G)	Central Power Purchasing Agency Guarantee Limited
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
CTC	Capacity Transfer Charges
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
FESCO	Faisalabad Electric Supply Company Limited
FY	Financial Year
GFA	Gross Fixed Assets
GoAJK	Government of Azad Jammu and Kashmir
GOP	Government of Pakistan
GWh	Giga Watt Hours
HHU	Hand Held Unit
HT/LT	High Tension/Low Tension
HSD	High Speed Diesel

IFRS/IAS	International Financial Reporting Standards/International Accounting Standards
IGTDP	Integrated Generation Transmission and Distribution Plan
IESCO	Islamabad Electric Supply Company Limited
IPP	Independent Power Producer
KIBOR	Karachi Inter Bank Offer Rates
KSE	Karachi Stock Exchange
KV	Kilo Volt
Kw	Kilo Watt
kWh	Kilo Watt Hour
LPC	Late Payment Charges
LESCO	Lahore Electric Supply Company Limited
MDI	Maximum Demand Indicator
MEPCO	Multan Electric Power Company Limited
MMBTU	One million British Thermal Units
MW	Mega Watt
MoWP	Ministry of Water and Power
MVA	Mega Volt Amp
MYT	Multi Year Tariff
NEPRA	National Electric Power Regulatory Authority
NPCC	National Power Construction Corporation
NPV	Net Present Value
NTDC	National Transmission & Despatch Company
O&M	Operation and Maintenance
OGRA	Oil and Gas Regulatory Authority
PEPCO	Pakistan Electric Power Company
PESCO	Peshawar Electric Supply Company Limited
PPA	Power Purchase Agreement
PPAA	Power Procurement Agency Agreement
PPP	Power Purchase Price
PPRA	Public Procurement Regulatory Authority
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
SAIDI	System Average Interruption Duration Index
SAIFI	System Average Interruption Frequency Index
SBP	State Bank of Pakistan
SOT	Schedule of Tariff
STG	Secondary Transmission Grid
T&D	Transmission and Distribution
T&T	Transmission and Transformation
TDS	Tariff Differential Subsidy
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
X-Factor	Efficiency Factor
XWDISCO	Ex-WAPDA Distribution Company

DETERMINATION OF THE AUTHORITY IN THE MATTER OF PETITION FILED BY LAHORE ELECTRIC SUPPLY COMPANY LIMITED (LESCO) FOR THE DETERMINATION OF ITS MULTI-YEAR CONSUMER-END TARIFF PERTAINING TO THE FINANCIAL YEARS 2015-16 TO 2019-20

CASE NO. NEPRA/TRF-337/LESCO-2015

PETITIONER

Lahore Electric Supply Company Limited (LESCO), 22-A Queens Road, Lahore.

INTERVENER

1. Anwar Kamal Law Associates (AKLA)
2. All Pakistan Textile Mills Associations (APTMA)
3. Nishat Mills Limited (NML)
4. Pakistan Steel Melters Association (PSMA)

REPRESENTATION

1.	Mr. Qaiser Zaman	Chief Executive Officer
2.	Mr. Muhammad Bukhsh Baloch	Chief Financial Officer
3.	Mr. Muhammad Anwar	Technical Director
4.	Mr. Asad-ullah- khan	Operation Director
5.	Mr. Khalid Mahmood	Customer Services Director
6.	Mr. Zamir Hussain Kolachi	Human Resource Director
7.	Mr. Imtiaz Ahamd Butt	D.G. (I.T.)
8.	Mr. Javed Iqbal Quershi	Legal Director

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

Khawaja Muhammad Naeem
Member

8.3.16
Himayat Ullah Khan
Member

Syed Masood-ul-Hassan Naqvi 8/3
Member

Maj (R) Haroon Rashid 8/3/16
Vice Chairman

Brig (R) Tariq Saddozai
Chairman
8/3/16

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08.03.16

1. BACKGROUND

1.1. Lahore Electric Supply Company Limited (LESCO), hereinafter called "the Petitioner", being a Distribution Licensee of NEPRA filed a petition dated October 27, 2015 for the determination of its consumer-end tariff pertaining to the Financial Years 2015-16 to 2019-20 in terms of Rule 3(1) of Tariff Standards & Procedure Rules-1998 (hereinafter referred as "Rules"). The Petitioner has sought the following reliefs;

1.2. Multiyear Distribution Margin for FY 2015-16 to FY 2019-20 to be determined and allowed;

- ✓ Investment plan including consumers' contribution be approved for FY 2015-16 to 2019-20 as per the petition;
- ✓ T & D losses target be considered @ 13.85% provisionally for FY 2015-16.
- ✓ To Redefine the baseline for determination of target of T&D losses by taking a realistic approach in view of the study submitted by LESCO;
- ✓ Allow Provision of post-retirement benefits in piecemeal during five years.
- ✓ Direction for CPPA(G) to calculate DISCO's load on coincidental basis instead of non-coincidental basis.
- ✓ Amendment in the schedule of tariff, as approved in case of FESCO determination dated Dec 31, 2015, on the following lines:-
    - o Defining life line customers in residential category, viz., having load upto 1 kW and with monthly average consumption upto 50 kWh.
    - o Introducing a new category of General Supply Tariff A-3 for establishments like offices, to be governed under Non-TOU rates.
- ✓ Revision in Security Deposit Rates and the Policy, in line with the revision in electricity tariffs made since last notification of security deposits.
- ✓ Allow the new hiring cost of Rs.1,064 million over & above the Salaries, Wages & Benefits.
- ✓ Allow the cost of creation of new circles, divisions and sub divisions.

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- ✓ Allow financing cost on the loan obtained by Power Sector for meeting the obligations towards the generation companies and oil companies.
- ✓ Allow the True-up mechanism as proposed.
- ✓ Tax payments be allowed on actual basis.
- ✓ Additional incentive of T&D Losses reduction may be allowed.
- ✓ Efficiency factor (X) may be kept to the limit of 0% during the first three years and 0.5% for fourth and fifth year to bring in efficiencies in the utility's operations as was done in the case of K-Electric (formerly KESC)
- ✓ Financial viability of the petitioner for the reliable supply of electricity to its 4 million consumers be ensured;
- ✓ Proposed tariff be allowed and made applicable immediately upon admission of this petition subject to an order for refund for the protection of consumers during the pendency of this petition in terms of Sub-Rule 7 of Rule 4 of NEPRA (Tariff Standards and Procedure) Rules, 1998;
- ✓ Any other relief.

2. PROCEEDINGS

2.1. In terms of rule 4 of the Rules, the Petition was admitted by the Authority on 5th November, 2015. The Authority while considering the request of the Petitioner for immediate application of the proposed tariff, under rule 4 (7) of the Rules, is of the view that the petitioner could not provide justifications for the requested relief therefore, the request does not merits consideration.

In compliance of the provisions of rules 4(5)(6) and 5 of the Rules, notices of admission and hearing were sent to the parties which were considered to be affected or interested. An advertisement in this regard was also published in the leading national newspapers with the title and brief description of the petition on 28th November, 2015 inviting filing of reply, intervention requests and comments by any interested or affected party.

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3. FILING OF OBJECTIONS/ COMMENTS:

3.1. Despite issuing separate notices to the key stakeholders and publication of notices in the national newspapers, neither any reply nor any intervention request was filed within the prescribed time, however intervention requests were filed by All Pakistan Textile Mills Association (APTMA), Nishat Mills, Pakistan Steel Melters Association (PSMA) and M/s Anwar Kamal Law Associates (AKLA) after the stipulated time. The Authority, in the interest of justice and to provide opportunity to the stakeholders, condoned the delay in filing the intervention request and the requests were allowed accordingly.

4. INTERVENERS

4.1 The Pakistan Steel Melters Association

4.1.1 The brief contentions so raised by The Pakistan Steel Melters Association are described as under:

- ✓ Steel Melters have zero line losses and they pay their bills in time, further they are instrumental in overall lowering line losses of Petitioner.
- ✓ Huge amount of electricity is utilized by them since it is used as its raw material and any further increase in tariff will be unbearable.
- ✓ Consumers should not be penalized because of the Petitioner's theft and mismanagement, as this tantamount to extortion.
- ✓ A through inquiry and audit of the Petitioner by a third party be conducted at the very lowest level.

4.2 Anwar Kamal law Associates (AKLA)

4.2.1 M/s Anwar Kamal Law Associates (AKLA) in its Intervention request raised inter-alia the following concerns:-

- ✓ Approval of IGTDP is a precondition for the submission of the petition as per the Tariff Guidelines but same is not done in the instant case.

- ✓ The Authority increased the T&D losses of Petitioner in last year's determination, whereas with the Investment amount paid by the consumers during the last 4 to 5 years, the losses should have been reduced.

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- ✓ The Accounts for retaining the over-recovered amount on account of FCA and profit thereon during the reference Base Year are not stated in the Petition.

- ✓ The month wise details of payable amount on account of electricity purchases from CPPA (G) and the amount paid to CPPA (G) is not stated in the Petition.

- ✓ Month wise details of Late Payment Surcharge (LPS) recovered from the consumers and its' ultimate utilization is not mentioned.

- ✓ Outcome of the Over-billing issue initiated in 2008-09, is still not known to the consumers.

- ✓ Month wise amount collected from the consumers on account of various Surcharges and the ultimate use on account of each Surcharge is not stated in the Petition.

- ✓ The Petitioner's recovery is almost 100%, then why its consumers are subjected to load management.

- ✓ The Capacity charges for Plants which are not supplying electricity to CPPA(G), and as a result of which consumers of the Petitioner are suffering from Load-Shedding, should not be paid by LESCO?

- ✓ Audit of CPPA (G), should be conducted considering the fact that CPPA (G) is purchasing high-cost electricity from Wind, Solar and other high-cost Power Plants for the Petitioner, while low cost electricity Plants are / were not utilized to their full capacity and due to Transmission Line constraints?

- ✓ Supply of 650 MW electricity to K-Electric results in high-cost electricity and Load-Shedding for LESCO consumers.

- ✓ Has the Government of Pakistan conveyed the details of the Surcharges which will be added on to the Tariff to be determined by NEPRA?

- ✓ A Period of seven days (5 working days only) is not enough for meaningful participation by the consumers.

4.2.2 M/s AKLA also during the hearing of the Petition held on December 18, 2015 submitted its additional comments, a brief of which is as under;

- ✓ That NEPRA has failed to determine the consumer end Tariff of LESCO within the due time. Similarly for the FY 2015-16, the tariff should have been determined prior to the commencement of the Financial Year. Determination of Tariff Petition so late is not only against the applicable law, but also has adverse Financial Impact on the consumers.

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- ✓ That late determination of Consumer-end tariff cause late decision in the matter of motion for leave for review and/or reconsideration request and has raised certain issues are as follows;

  - Can the GoP notify NEPRA's Determination or decision against which review motion or reconsideration request has been filed and pending with NEPRA for final decision?
  - Can LESCO charge from its consumer a tariff which is not determined for that period?
  - Can the GoP withhold the NEPRA's decision sent for notification?
  - Can the effective period consumer-end tariff as determined by NEPRA be changed by the Govt. while notifying the decision?
  - Can the PYA of an amount which could not be recovered due to system inefficiency, failure of any agency to discharge its' duty as per given timelines or for any other factor which is controllable, be allowed and is it legal and justified?
  - Under what circumstances and for how much time can the Govt. withhold the decision of NEPRA which is sent to it for notification?
  - Who will be responsible for the adverse financial impact of delayed determination of consumer-end tariff?
  - Who will be responsible for the adverse financial impact of delayed notification of tariff?
  - How will consumer be compensated for adverse financial impact due to late determination and notification of consumer-end tariff?
  - Has NEPRA calculated the adverse financial impact which consumer had suffered due to late determination and notification of consumer-end tariff?

- ✓ AKLA on the issue of installation of ToU meters stated that the Authority directed the LESCO to convert all consumer categories, including residential consumers having load requirement of 5kW and above, TOU metering. The rational of metering as mentioned in the determination was to chop system peak demand, discourage inefficient use of electricity and avoid operation of inefficient plants to reduce generation cost. Despite, repeated directions LESCO failed to install TOU meters which shows the failure not only of LESCO but of NEPRA itself to the effect that these agencies do not have the capacity and capability to set and or achieve a realistic target.

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- ✓ AKLA further stated that NEPRA determines Peak, Off Peak and Normal tariff separately with a distinct and separate tariff for each category, this installation and non-installation of ToU meters is giving rise to discrimination among the consumers of LESCO for getting benefit or bearing loss on this account for no fault of others. AKLA has therefore proposed that there should only be Peak and Off-Peak meters for consumers of all categories having load of 5kW & above.

- ✓ The Authority has given certain directions to LESCO to carry out the Audit regarding the over-billing issue in Kasur and Okara circle, however, compliance report is still not known to the consumers which shows that NEPRA failed to get the compliance of its direction. AKLA has also referred to the order of the IHC wherein case of overbilling in DISCOs has been referred to NEPRA.

- ✓ The Authority directed LESCO and other DISCOS to print bills with snapshots to remove the excessive billing and ensure accurate meter reading, to be implemented not later than June 30, 2015. However till date direction of the Authority has not been implemented. This shows that NEPRA has failed to get compliance of its direction.

- ✓ On the issue of concrete recovery plan and issue of subsidy from GoP, it is the contention of M/s AKLA that upon failure of LESCO to comply with these directions, NEPRA did not initiate legal proceedings against the Petitioner. Non-payment of subsidy amount from GoP in a timely manner is financially burdening the consumers. AKLA has serious reservation on the subsidy regime as in the opinion of AKLA if tariff is determined by NEPRA on prudent cost basis, after disallowing the inefficiencies, the cost of electricity will become so low as to not require any subsidy. Further, the heavy taxes duties, sales tax at generation and again at the distribution stage also cause higher tariff of electricity.

- ✓ For the last many years the consumers are forced to take costlier electricity, which otherwise can be supplied on the cheaper rate. The reason for costlier electricity is the inefficiencies of all these agencies which are involved in managing the power sector.

- ✓ That the Authority has increased the level of T&D losses for various DISCOs including LESCO in its determination of the FY 2014-15. The T&D losses of LESCO have been increased from 9.01% in the year 2013-14 to 11.75% in 2014-15 while relying on the T&D study carried out. The consumer of LESCO are justified to ask whether the result is authentic and if it had come in the range 20 to 30% would NEPRA have allowed this level of T&D losses?

- ✓ If LESCO is not been able to manage the level of its T&D loss even after spending billions of rupees of consumer, than LESCO have no legitimate right for increased T&D losses.

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- ✓ While allowing investment as the same will be paid by consumers of the DISCOs all stakeholders should be involved in its approval process. The Process of approval of investment as given in the guidelines needs to be adopted by NEPRA.

- ✓ Component wise detail and working of PYA should be depicted as part of tariff determination.

- ✓ NEPRA should take steps to restrain LESCO by using assessed figures of different heads for different heads i.e. amount allowed for investment against O&M expenses.

4.3 All Pakistan Textile Mills Association (APTMA)

4.3.1 The brief contentions raised by APTMA, in its intervention request are as under:-:

- ✓ Section (3) (13) (o) of the NEPRA guidelines for determination of consumer end tariff issued on 16th January, 2015 requires "The details of the immediately prior year's monthly and accumulated distribution losses along with break-up of technical and administrative losses.". This requirement has been partially met since the breakup of technical losses by voltage level for each month is not provided in Form-7. Therefore, the Petitioner's system technical loss indicated in Form-7 is baseless.

- ✓ Section 6 (28) of the NEPRA guidelines for determination of consumer end tariff issued on 16th January, 2015 requires "The Schedule of Tariff for an annual or multi-year tariff shall indicate the cross-subsidy and/or inter region subsidy, if any, for the respective class of consumers". This requirement was met by FESCO in its petition but was not met in NEPRA Multiyear tariff determination of the same. It is requested that NEPRA should ensure compliance to this effect in the Petitioner's multiyear tariff determination.

- ✓ Section 7 (39) (4) of NEPRA guidelines for determination of consumer end tariff requires, that "The tariff Petitioner shall determine the financial impact on a class of customers that is affected by a change in the rate structure, change in the rate levels or a change in the annual or multiyear tariff terms and conditions." The Petitioner has not provided any information to this effect which utilities normally comply by submitting sample prototype Customer Bills calculation at New versus existing tariff to depict the financial impact on various categories/groups of customers.

- ✓ Despite clear cut directions of NEPRA in its hearing of 18th December, 2015, no formal input/comments/evaluation of Financial Advisors for the Petitioner aimed at upcoming privatization are not along with the instant petition, whereas Financial Advisors for FESCOs upcoming privatization gave a very comprehensive report that was annexed to its petition.

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- ✓ Seven months of FY 2015-16 have passed, therefore, half yearly results should have been referred to in this petition when estimating the revenue requirements for this period. Incidentally, the petitioner is utterly silent about the audited financial statements for the period ended on June 30th, 2015 and un-audited statements for the period ended 31st December, 2015. These two statements should have been used as a reliable reference but the Petitioner rather used projected estimates for the period of Jul-Dec, 2015 instead of the actual data as indicated in Form-7 of the petition.

- ✓ NEPRA has considered 2015-16 as a Test Year and will determine tariff this year that will become reference for the next four years formula based tariff adjustment. The period selected must be at least as recent as the utility's latest calendar or fiscal year. Test year is used for the purpose of setting rates based on the costs expected to be incurred when the rates come into effect. If revenues and costs are mismatched in the revenue requirement, the resulting rates will either over or under recover costs, causing rates to not be just and reasonable. Hence, utmost care and caution is required to keep the assumptions for the Test Year as close to realities as possible to avoid big variances on account of fuel price adjustment or prior year adjustment. Therefore, test period of twelve (12) consecutive calendar months consisting of six (6) months of actual FY 2015-16 data derived from the books and records of the utility and six (6) months of projected data which together shall be the period upon which fair and reasonable rates can be determined by NEPRA.

- ✓ Fuel charges component of the Energy Power Purchase Price is a pass through expense and varies with fluctuation in the international fuel prices that declined to around US$ 30. The impact of the international market decline can be seen in the trend of RFO prices in Pakistan as well.

- ✓ RFO based power generation cost share in the total generation cost has been assessed as 59% by NEPRA in its recently issued multiyear tariff determination for FESCO for FY 2015-16. NEPRA used Rs. 47,981/M.Ton whereas the actual furnace oil prices declined on the basis of Jul,2015 to Feb,2016 actual plus Mar-Jun, 2016 projected , Average RFO Price comes to Rs. 33,416/M.Ton for FY 2015-16. It is requested that NEPRA to use this price in the Petitioner's determination to ensure compliance to the requirements of Section (7) (43) of NEPRA guidelines, as per which Forecasts and/or projections of fuel expense may reflect the trend in international oil prices, the trend in local fuel market prices and the trend in rupee devaluation. The Intervener in support of reduction in prices has referred a World Bank quarterly report issued in January, 2016 predicting RFO price to range between US$20-40 in 2016.

- ✓ T&D losses targets requested by the Petitioner in its petitions and determinations given on this account have been made on the basis of internal assessment, in the absence of

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any technical study and have not been shared with the customers/stakeholders neither by LESCO in its petitions nor NEPRA in its determinations.

- ✓ In Para (11.9) of NEPRA tariff determination of LESCO for FY 2013-14, 1st time ever NEPRA made a reference to a technical study conducted under the PDIP funded by USAID, the report of which was issued in April 2011. The report indicates T&D losses of 6.20% comprising of 5.20% distribution losses and 1.00% transmission losses. NEPRA decided to assess the level of T&D losses in the light this report.

- ✓ NEPRA in the tariff determination for LESCO for FY 2014-15 during the Motion for Leave for Review has stated that, for the purpose of fairness, NEPRA conducted an in-house study of Petitioner's T&D losses. T&D losses of 9.01% were assessed in the matter of Petitioner for the FY 2013-14. Determination in the matter of LESCO for FY 2014-15 confirms that Petitioner on 26th February 2015, submitted a technical report for T&D Losses with the following results;

  - Transmission losses 2.17%
  - 11 kV Distribution Feeder 7.19%
  - LT Line Losses 3.09%

- ✓ The technical losses of LESCO fall in between 6 2% to 9.47% as shown in the figure above. This conclusion is based on the two studies conducted one internally by NEPRA and second by LESCO with the assistance of third party consultants. Therefore, the T&D losses assessed for FY 2013-14 & FY 2014-15 should be adjusted in the form of Prior Year Adjustment and fixation of T&D loss target for 2015-16 as it was undertaken by LESCO to make adjustments based on the results of the technical study.

- ✓ NEPRA to benchmark Test Year T&D loss Target as 9.5 % and subsequent yearly targets are set accordingly. It is further proposed that these targets to be aligned to the expected outcome of the ADB financed STG investment program that is perfectly within the range of the results of technical loss assessed by PDIP operational Audit Report, NEPRA in-house technical study and LESCO Technical study conducted by third party.

- ✓ Proposed investment Plan lacks Meaningful Performance Targets and its size, is over ambitious to be implemented in 5 years period. NEPRA approval of the proposed Investment plan assuming that the New Investor after Privatization will execute it as stated in FESCO's determination issued by NEPRA is not justified since neither the timing of the Privatization nor the Whereabouts of the are known at the moment. Besides, willingness of the New Investor to implement this plan is uncertain because it may not be aligned to his vision and strategy.

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- ✓ Proposed investment Plan of Rs. 93 Billion summarized below is very ambitious and beyond the capability of LESCO. The size of the investment plan in 2016-17 doubles the size of 2015-16. Considering that 2015-16 is almost gone with four months to go when 2016-17 begins. The Petitioner has not provided any information that can satisfy the stakeholders that this plan will be successfully implemented. NEPRA must get the following information before making any decision that is not limited to the following:

    - o Assets Addition (Jul-Dec, 2015)
    - o CWIP as of 31-12-2015
    - o Contracts/Purchase Orders issued & expected to be completed by June, 2016.
    - o Month wise Procurement Plan for 2016

- ✓ As the Fundamental principle of investment from the regulatory perspective of "Used and useful" shall govern the determination of the rate base. Therefore, the approved investment program must be capitalized and assets used for the business operations to ensure that are used in the period as planned. Secondly, usefulness can only be ensured if the predefined meaningful performance improvement targets such as operational cost reduction, improving reliability or customer service are achieved.

- ✓ NEPRA tariff determination for FY 2014-15 of LESCO acknowledges concerns of investments indirectly affecting the annual Return on Rate Base (RORB) for a DISCO. The proposed unprecedented mega size investment program is designed to increase RORB only. If, approved as such by NEPRA, customers will have to pay additional cost of Rs. 17.5 billion. Meager performance improvement targets for SAIFI & SAIDI were set in the investment plan attached with the original petition but no reference is given in the resubmission. However, increase in T&D loss to 13.85% in 2015-16 is proposed as compared to:
    - o 9.47% based on the voltage level losses determined by LESCO consultant
    - o 11.75% determined by NEPRA for FY 2014-15
- ✓ The Petitioner in support has submitted an analysis of the FY 2012-13 and 2013-14 where the Petitioner has made net investment of Rs. 2,814 million and Rs. 2,413 million respectively

- ✓ Financing of the Petitioner investment plan is also dependent on the self-financing condition imposed by the donors. The Petitioner is expected to have liquidity constraints since it will have negative prior year adjustments on it revenue requirement. Therefore, cash flow constraint, needs to be developed to ascertain the liquidity level of the Petitioner.

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- ✓ The Petitioner's investment plan approval should be deferred till the finalization of private sector participation's selection to allow him the opportunity of review and finalization.

- ✓ Prior Year Adjustment of NEPRA determination for FY 2014-15 amounted to Rs. 24,150 million and customers should have received this adjustment by June 30, 2015. Unfortunately, the subject determination was not notified on time, therefore, the Petitioner collected the excess amount and used it.

- ✓ In the instant petition, the Petitioner has deliberately concealed the amount of PYA and has not made adjustment to its revenue requirement for FY 2015-16. It is requested that a penalty on the Petitioner be imposed for such a criminal act. Since LESCO would have used this money by over 12 months period by the time the current determination and notification process is completed, we request NEPRA to consider a relief of 18.33% as return for the customers since their money has been retained and used by the Petitioner.

- ✓ The Petitioner may be directed to reimburse its customer the amount of net excess billing resulting in from using 2013-14 tariff for billing 2014-15 energy consumed to industrial B-3 customers in particular and all other customers, if applicable.

- ✓ Proposed tariff for B-3 and B-4 industrial customer classes is 25%-43% over and above cost of service of these consumer which is unfair, especially in the circumstances when the textile industry is already confronted with serious financial crisis.

- ✓ Tariff rate over and above the cost of servicing requiring industrial B-3 customers to pay 15% more than the cost of service in particular and any customer class to subsidize other customer classes should not be allowed.

- ✓ Export to other DISCO's cost not billed and recovered from the respective DISCO as per the Wheeling formula devised by the NEPRA which is unfair on part of the other customers.

- ✓ Recovery of past periods pension contribution in five year is not justified, as increase in pension liability due to lack of funding and non-investment of contribution in separate pension fund. Therefore the negligence and in efficiency on part of the Petitioner should be disallowed.

- ✓ Manpower increase by 31% is not justified, as the Petitioner is using an old fashioned yard stick having no basis and unknown to everyone. Resultantly it is contrary to the objective of reducing O&M cost, therefore the same should be rejected.

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- ✓ Prior year adjustment for higher cost recovery due to delay in implementation of decision by GoP having adverse effect on industrial customers ended up in paying Rs. 4.842 billion over to the cost.

- ✓ O&M cost may be linked to the assets base but the ratio of O&M cost in relation to the asset must be benchmarked with the peer utilities in Pakistan to start with the benefits from others.

4.4 Nishat Mills Limited (NML)– Intervener

4.4.1 Nishat Mills Limited (NML) in its Intervention request raised certain concern; a brief whereof is as under:-

- ✓ In the era of acute shortage of electricity especially in the LESCO and FECSO region intervener intended to deliver/ supply electricity being generated for self-consumption to their manufacturing units through their own constructed distribution mechanism and to handover it to LESCO keeping the right of exclusivity of LESCO intact.

- ✓ Since the LESCO is not entering into a mutually beneficial arrangement as per the directions of NEPRA. Further that LESCO is not taking benefit of the income stream from expected arrangement as aforesaid and ultimately affecting the consumer's tariff (including intervener).

5. Rejoinder by the Petitioner

5.1.1 The concerns so raised by the intervener were communicated to the Petitioner and the Petitioner has filed rejoinder to the following effect.

5.2 Pakistan Steel Melters Association (PSMA)

5.2.1 Regarding point of PSMA not to raise the tariff of B3 & B4 consumer categories, the Petitioner has submitted that the requested tariff adjustment is absolutely justified based on the grounds already brought to the notice of the honorable Authority. The intervener has not raised any material objection on the submissions made, hence it is devoid of substance and logic.

5.2.2 The Petitioner further submitted that it has already provided the cost of service study and proposed the rates accordingly and has requested NEPRA to ensure that its revenue requirement are recovered from the tariff to be charged to customers.

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5.3 Anwar Kamal Law Associates (AKLA)

5.3.1 On the point of tariff determination for FY 2015-16 prior to July 01, 2015 the Petitioner has submitted that MYT is being filed for the first time by it and the process involves a learning curve also. However, it may be appreciated that NEPRA issued Tariff Methodology and Process Guidelines in January 2015. This was followed by exchange of communications & discussions to seek various clarifications. Finally, the comprehensive tariff filing requirements took considerable time for meeting those requirements. Now that the petition has been filed with the regulator, it is for the honorable Authority to consider the effective date of implementation of revision in tariff.

5.3.2 On the issue of submission of IGTDP with Tariff Petition, the Petitioner stated that the investment plan has been submitted with the tariff petition. However as pointed out above, the Tariff Guidelines were issued in Jan-2015 and the time lines given therein were difficult to implement for the first tariff proceedings (e.g. requirement of submission of investment plan in September while the guidelines were issued in January). Hence the investment plan is submitted before the regulator for review along with the review of Revenue Requirement determination of LESCO. The comments of the intervener bad governance in the power sector are uncalled for as all the stake holders in the Power sector including Government, Regulator and the Utilities' Management have been putting in best efforts for the improvement in services and the situation in Power sector is much better than 3-4 years before. This significant improvement in power sector has resulted into strengthening of national economy, growth in industrial and agriculture sectors and more jobs creation etc.

5.3.3 Regarding issue of T&D Losses, the Petitioner has submitted that no doubt investment is being made to improve the system but it must also be kept in mind that significant load growth is also taking place, which causes additional loss. LESCO has already shared with NEPRA the study carried out by third party about the technical losses in the company at various voltage levels and LESCO look forward to regulatory guidance in the matter.

5.3.4 On the issue of accounts for retaining the over recovered amount of FCA, the Petitioner is of the view that these comments of the intervener are uncalled for as in case of any profit on the over-recovered amount, the same benefit is provided to consumers through adjustment of other income in Distribution Margin.

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5.3.5 On the issue of Accounts for retaining the over-recovered amount on account of not passing on the FCA to the domestic consumers of 300 units and profit thereon being not stated in the Tariff Petition, the Petitioner has mentioned that NEPRA calculates FPA keeping in view the overall fuel cost of the system and charged to the consumers on the following basis;

i. In case of additional FPA charged to the consumers across the board except life line.
ii. In case of less FPA it is charged to the consumers across the board except upto 300 units of domestic consumers and agricultural consumers.

5.3.6 However, DISCOs charge fuel price adjustment according to the determination and notification of NEPRA.

5.3.7 The Petitioner has mentioned that month wise detail of power purchase volume and cost thereof are given in form 3 of the annexure to the petition.

5.3.8 Regarding the issue of Late Payment Surcharge, the Petitioner has stated that is net off with supplementary charges of IPPs and the same relief is provided to the consumers in the shape of not adding the supplementary charges in PPP according to the revised mechanism of NEPRA.

5.3.9 On the issue of overbilling issue, the Petitioner has mentioned that it has already taken a number of measures to control the over-billing issue, including but not limited to the following:-

- Facilitating Customers through immediate redressal of their grievances.
- Introduction of printing of snap-shots of meter reading on the bills.
- Planning to use smart meters technology to have remote meter reading.

5.3.10 Regarding Surcharges charged to various categories of consumers, the Petitioner has submitted that the following Surcharges are levied in the Electricity Bills by Ministry of Water & Power, Govt. of Pakistan:

1) **"Tariff Rationalization Surcharge"** for maintaining uniform rates of electricity across the country for each of the Consumer Category. This is to be utilized by CPPA (G) exclusively for discharging of determined cost of power producers.

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2) **"Financing Cost Surcharge".** This is to be utilized by CPPA (G) exclusively for discharging of the financing cost of various loans obtained to discharge liabilities of power producers against the sovereign guarantees of GOP.

3) **"Neelum-Jhelum Surcharge".** This is to be utilized by the Neelum- Jhelum Company exclusively for Neelum- Jhelum Hydro Power Project.

5.3.11 On the point of Load shedding in LESCO area when its recovery is almost 100%, the Petitioner has mentioned that the limited scale load shedding is being carried out due to the high growth demand vis-à-vis the generation and supply arrangements.

5.3.12 Regarding payment of capacity charges for Plants which are not supplying electricity to CPPA (G), the Petitioner has stated that it is paying to CPPA (G) as per regulated Tariff. Payment for purchase of power depends upon the terms and conditions of the applicable agreements. The minimal load shedding currently being carried out is due to the, *inter alia*, growth in demand surpassing the generation and supply arrangements.

5.3.13 On the issues of carrying out Audit of CPPA (G), the Petitioner is of the view that CPPA (G) is an independent company registered Under the Companies Ordinance 1984. CPPA has appointed independent external auditors for the audit purpose. However, the chartered auditors are auditing the financial statements as per requirement of Companies Ordinance 1984 and Purchase of power is on the basis of Economic Dispatch Order prepared by NPCC.

5.3.14 On the issue of Audit of NTDC, the Petitioner has stated that it is a duly licensed regulated corporate entity where regular auditing is carried out both internally and externally. Also, all the transactions carried out by regulated entity are subject to due regulatory oversight. Therefore, LESCO need not indulge into another audit.

5.3.15 On the issues i.e. supply of 650 MW to K-Electric and detail of surcharges to be added by the GoP, the Petitioner has mentioned that these Policy issues need attention of the Government and the Regulator.

5.3.16 Regarding time period for filing of Intervention Request, the Petitioner has stated that this time line is in accordance with Tariff Methodology and Process guide lines issued by NEPRA vide SRO NO. 34(I)/2015 Dated 16th January 2015.

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5.3.17 On the point of non-following of timelines, the Petitioner has stated that this is the first tariff petition filed under NEPRA Tariff Methodology and Process Guide-lines issued by NEPRA vide SRO NO. 34(I)/2015 Dated 16th January 2015. All necessary information requirements of the regulator have been met with. Any new process takes some time to be under stood and followed by all concerned. Therefore, the question of material non-compliance does not arise.

5.3.18 Regarding observing timelines for determination, the Petitioner has submitted that it understands that with the issuance of NEPRA tariff guidelines 2015 (Methodology & Process) the whole process is more streamlined, whereby timelines have been defined for each activity/process of the revenue requirement determination process. Accordingly it is expected that no undue delays will take place in the consumer end tariff determination process.

5.3.19 On the issue of ToU metering, the Petitioner has mentioned that it has installed TOU meters at 97% of the eligible connections with sanctioned load above 5 kW. However, as regards the proposal to apply TOU rates for all connections of 5 kW and above (with or without TOU meters), LESCO believes that the application of TOU tariff to such customers, which operate only during off peak hours (like single shift industries, offices) or those which operate 24/7 (like cellular companies connections) and do not have the potential to shift their load from peak hours to off peak hours, would not help in load management and result in straight revenue loss.

5.3.20 Regarding excessive billing, the Petitioner has stated that the matter of reported excess billing during past period is under review/ scrutiny and in final stage of completion. As already explained during the public hearing that the report will be shared with NEPRA, once the review findings are finalized.

5.3.21 On the issue of printing snapshots of meters on the electricity bills, the Petitioner has stated that as already brought out during the public hearing of LESCO's MYTP on Feb 18, 2016 it is printing Electricity bills with snapshots of meter reading in a phased manner on account of following;

- Provision of necessary equipment to the meter reading staff;
- Alignment of Billing System remotely through WAN;
- Arrangement of manpower resources & necessary training.

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5.3.22 On the issues pertaining to recoveries, the Petitioner has apprised that necessary compliance to the NEPRA directions has already been made:

- Recovery plan is already submitted vide letter No. 284/CEO/LESCO dated June 30, 2015.
- The outstanding subsidy recoverable from GOP has been reduced from Rs 56 Bln (as on 30th June, 2014) to Rs.13.66 Bln. (as on 30th June, 2015).
- The audited financial statement showing the aging of debtors has already been provided to NEPRA.

5.3.23 Regarding electricity purchases and sales, the Petitioner has mentioned that power purchase and sales figures have been rationalized in the resubmitted MYT Petition filed on Jan 21, 2016. The Petitioner also submitted that the power purchase price is always determined based on approved settled mechanism and every year the cost numbers for tariff control period is being determined and approved by NEPRA. Further, any variation in fuel cost components of the power purchase price is being passed on to the consumers on monthly basis. It is further submitted that power purchase cost to the extent of regulated allowed level is pass through cost of distribution licensee.

5.3.24 On the point of 8-16 hours load-shedding, the Petitioner has stated that the statement by the intervener is unrealistic and uncalled for as the average load shedding in LESCO area is 4-6 hours a day and not 8-16 hours as claimed by the intervener. As regards the request for relief on account of lower fuel prices the same is already being shared with the consumers by NEPRA through monthly Fuel Price Adjustments.

5.3.25 Regarding T&D losses, the Petitioner has stated that the comments of the intervener are general in nature without consideration of technical parameters. As per NEPRA directions, LESCO engaged the consultant M/S Power Planners International (PPI) (Third Party) through open bidding for evaluation of Transmission & Distribution losses separately. After technical study for Transmission & Transformation (T&T) Losses, the technical losses evaluated by third party M/S PPI were 2.17 %. These losses were discussed during the public hearing of LESCO MYTP. M/S PPI has also evaluated the technical loss of distribution network by considering a reasonable sample of all the category of whole network and the results are as under:

i. Annual Energy loss in the HT (11KV) Network including line & Transformer loss = 6.296 %
ii. Average Energy Loss in L.T network = 3.38285 %
iii. Annual Energy Loss in Cables = 0.34144 %
iv. Total Loss (11-kV & Below) = 10.02%

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5.3.26 The Petitioner has further submitted that the T&D losses targets have been set keeping in view the load growth, NTDC generation plan inclusive of integrated system load flow studies carried out by NTDC and LESCO jointly for next five years.

5.3.27 On the issue of Investment Plan, the Petitioner has mentioned that its distribution network is required to be enhanced to meet with the requirement to supply the power to end consumers. There is increase in load on LESCO's distribution network upto 12% during last five years despite non availability of the enough generation of electricity to supply round the clock and In order to keep the system sustainable there is requirement of continuous investment. The detailed justifications and benefits of different investment projects are available in the resubmitted investment plan document.

5.3.28 Regarding PYA, the Petitioner submitted that as per tariff mechanism any legitimate/determined cost of the company which is not covered through tariff during the year that is recovered under prior year adjustment through consumer end tariff of next year in line with the clause 53(1) of the tariff guidelines (Methodology and Process) notified vide SRO 34 (I)/2015 dated January 16, 2015. As regards the full details of prior year adjustment, the Petitioner has stated that it believes that the relevant details are already incorporated in the relevant tariff determination by NEPRA.

5.3.29 Regarding the Operation & maintenance cost, the Petitioner has submitted that the Operational & Maintenance expenses as per audited financial statements includes the amount of provision of postretirement benefits and provision for doubtful debts as per International Accounting Standards which is not based on actual cash outflow. The Petitioner has further stated that the Authority, in tariff determination does not allow provision of post retirement benefits rather only allowed the same as per actual cash outflow.

5.3.30 On the point of other income, the Petitioner has submitted that it provides the head-wise details of other income in its each tariff petition submitted to NEPRA and the same is incorporated by NEPRA in its tariff determination of the relevant year. The Petitioner also stated that the Authority decided that Late Payment Surcharge recovered from consumers on utility bills, previously pass on to consumers through other income, shall be offset against the late payment invoices raised by CPPA against respective DISCO only.

5.3.31 On the issue of Power Purchase Price, the Petitioner has apprised that the multi-year Tariff is futuristic in its approach, it takes into account the more likely future scenario of fuel prices to have stable tariffs in place. The mechanism of fuel price adjustment was implemented on monthly basis, in order to pass on the variation in cost of generation of

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electricity in relation to the determined reference cost of fuel. The mechanism is adopted to avoid any delay in passing the under and over recovery to the consumer.

5.4 <u>All Pakistan Textile Mills Association (APTMA)</u>

5.4.1 Regarding rationalization of Revenue Requirement, the Petitioner has mentioned that since multi-year Tariff is futuristic in its approach, it takes into account the more likely future scenario of fuel prices to have stable tariffs in place. However, the fuel cost, being a "pass through" item, there is no net gain for the utility and the impact of any increase/decrease is passed on to the end users viz. customers.

5.4.2 Regarding fixing of T&D loss target at 9.5%, the Petitioner has submitted that the proposal made by the Intervener is arbitrary. As per independent third party study, following are the technical losses:

Transmission Loss = 2.17 %

Distribution Loss = 10.02 %

T&D technical Loss = 12.19 %

5.4.3 To this, if administrative losses of about 1.65 % (hard areas like Kasur and Okara Circles and some areas in the border region) are added, the total T&D Losses remain around 13.85 %.

5.4.4 On the issue of allowing Pension Contribution amount over a period of 15 years, the Petitioner has stated that the proposal to create Pension Fund in five years will in fact contribute to lower burden of Revenue Requirement in future as the contribution to Pension Fund will contribute towards DM. The amount funded in the Pension Fund will generate funds to discharge future pension liabilities which will lead to reduction in consumer end tariff to that extent. Therefore, it will be beneficial for end consumers to allow the contribution in 5 years.

5.4.5 Regarding additional hiring, the Petitioner has mentioned that the request of the Intervener is illogical as any operational power utility serving in the industrial and agricultural hubs of the country with an ever increasing customer base cannot afford to put halt to its staffing needs. The shortage of staff is already adversely impacting the efficiency of operations and customer care activities of the company. There were subdivisions having more than double the normal number of customers. So the recruitment of staff to meet the deficiencies is inevitable as we have to keep the utility

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operational and meet our customer needs. LESCO has already updated the Privatization Commission, the Ministry of Water & Power and NEPRA in the matter.

5.4.6 Regarding reimbursement of the amount of net excess billing resulting from using 2013-14 tariff application, the Petitioner has submitted that the point raised by APTMA is not clear. There is no excess billing by LESCO on account of charging past period tariffs to the later periods as all the tariffs have been charged in their applicable periods on the basis of NEPRA determinations and the notifications of the Government of Pakistan.

5.4.7 Regarding deferment of the proposed Investment Plan, the Petitioner has cited that these comments of the intervener are uncalled for as these tantamount to lack of trust in the regulatory proceedings. When the Utility's investment program is being reviewed by the Regulator, every stake-holder should demonstrate faith in the process and submit its viewpoint based on the merits of the case.

5.4.8 The Petitioner further stated that for an operational power utility, putting the entire investment program on hold can have severe repercussions not only on the quality and reliability of power supply by LESCO but also can affect the national economy in general and the industrial & agricultural sectors in particular. Privatization Commission, GOP, is on board through its consortium of consultants on the tariff petition filed by LESCO. Therefore, the interests of private sector investment are duly safeguarded.

5.4.9 Regarding charging of tariff rates over and above the cost of service and cross subsidization, the Petitioner is of the view that this point relates to NEPRA. However it may be submitted that cross subsidization within customers' categories, in line with the socio economic objectives of the Government is prevalent in most of the regulatory jurisdictions and also covered under NEPRA regulations

5.4.10 Regarding adjustment of fuel price within 1st week of month, the Petitioner has mentioned that current Fuel Price Adjustment mechanism is based on the established NEPRA procedures, wherein the adjustment is determined by the regulator within the minimum time-frame after completing due review of all required actual data.

5.4.11 Regarding linking of O&M cost with the assets base, the Petitioner has stated that the current practice of thorough review of O&M cost by the regulator on the basis of factors like historical trend and prudence is more realistic and beneficial for the customers instead of any notional values.

5.4.12 Further, LESCO has suggested actualizing the various O&M costs under true-up mechanism in the tariff petition minimizing the possibility of arbitrary values.

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5.4.13 Regarding determination of the quantum of revenue in accordance with the NEPRA approved formula, the Petitioner has stated that it understands that APTMA is referring to the issue of cross subsidy within tariffs However, it may be submitted that cross subsidization within customer categories, in line with the socio-economic objectives of the Government, is prevalent in most of the regulatory jurisdictions and also covered under NEPRA regulations.

5.4.14 The Petitioner on the concern raised by APTMA regarding its failure to resubmit the petition with one week from 18th December, 2015 submitted that NEPRA during the hearing of 18th December 2016, directed it to resubmit their petition within one week but simultaneously the Authority also directed to have necessary coordination with the Financial Advisors of Privatization Commission to bring them on board with the submissions made in the MYTP and also directed for a more careful internal review of the MYTP contents before resubmission. Accordingly, the Petitioner carried out an exhaustive review internally and had dialogue with the FA externally which took couple of more days than the stipulated time for which it also applied for extension in time period to resubmit its case and same was explained during the hearing on February 18, 2016.

5.4.15 The Petitioner on the point of APTMA that the re-submitted petition is not a new petition, rather only some of the irritants have been addressed without making any reference to the earlier rejected petition, has mentioned that the resubmitted petition is based on the directions of the Authority which focused on two major areas:

a) Coordination with FAs of PC to bring them on board with regard to MYTP.
b) Exhaustive internal review that resulted into revision in many numbers.

5.4.16 Accordingly, the resubmitted petition has been filed with the Authority that is under review and the hearing on which was held on February 18, 2016.

5.4.17 On the issue of non-provision of the breakup of technical losses by voltage level for each month in Form-7, the Petitioner has stated that breakdown of technical and administrative losses has been provided. The Petitioner further submitted that as per the direction of NEPRA, it has conducted technical study, the result of which has also been shown on Form-7 which is as follows:

- Transmission & Transformation (T&T) Losses **2.17 %.**
- Losses of distribution network are as under:

  i. Technical loss HT (11KV) Network including line & Transformer losses **6.296 %**

  ii. Technical losses L.T network **3.38285 %**

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iii. Technical losses Cables **0.34144 %**

- NEPRA determines the losses target on annual basis.

5.4.18 The Petitioner further apprised that billing to customers is being carried on in batches so monthly breakdown is not representative of technical losses.

5.4.19 On the issue of indicating, the cross-subsidy and/or inter region subsidy for the respective class of consumers in the SoT, the Petitioner has submitted that it has provided cost of service study as Annex-7 to its MYT petition.

5.4.20 On the point of not determining/ providing the financial impact on a class of customers that is affected by a change in the rate structure, rate levels or in the tariff terms and conditions, the Petitioner has stated that the MYT Petition has been submitted as per tariff guidelines and methodology 2015 and tariff wise change in rate structure and change in rate levels along with its financial impact is already elaborated in Form-26.

5.4.21 On the concern regarding lack of input/ comments/ evaluation by the Petitioner's Financial Advisors, the Petitioner has stated that the resubmitted petition is based on the directions of the Authority which included the Coordination with Financial Advisors of Privatization Commission to bring them on board with regard to MYTP.

5.4.22 The Petitioner further apprised that after detailed coordination and consultation, the financial advisor and the Petitioner are on the same page as such the resubmitted MYT Petition was filed with consensus by incorporating the inputs of Financial Advisor in the resubmitted MYT Petition. The consensus was further evidenced by the fact that a senior team, including foreign expert, of the financial advisor also represented the Petitioner in the public hearing conducted held on Feb 18, 2016.

5.4.23 On the point of using actual data for the period from July to Dec. 2015 instead of the projections, the Petitioner has submitted that its statutory audit of financial statements for FY 2014-15 has been conducted however the same is yet to be approved in the Annual General Meeting. The Petitioner further submitted that it has already shared the unapproved audited financial statements with NEPRA.

5.4.24 On the point of using FY 2015-16 as Test Year, the Petitioner has mentioned that as per NEPRA Tariff guidelines and methodology the test year is defined in 6 (g) as "Test Year means the first year of tariff control period in multiyear tariff regime" and accordingly it has taken the Fiscal Year 2015-16 as test year, being the first 12 months of the tariff control period.

5.4.25 On the concern of the Intervener regarding projection of higher Fuel Prices for the FY 2015-16, the Petitioner has submitted that since multi-year Tariff is futuristic in its

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approach, it takes into account the more likely future scenario of fuel prices to have stable tariffs in place, however, the fuel cost, being a "pass through" item, there is no net gain for the utility and the impact of any increase/decrease is passed on to the end users viz. customers.

5.4.26 The Petitioner on the point of assessing T&D losses for the MYT period from 9.5% to 6.23% and adjustment of losses already determined for the FY 2013-14 & FY 2014-15 through Prior Year Adjustment, has submitted the following;

i. The comments of the Intervener about lack of any technical study by LESCO for evaluation of losses are uncalled for.

ii. As per NEPRA directions, LESCO engaged the consultant M/S Power Planners International (PPI) (Third Party) through open bidding for evaluation of Transmission & Distribution losses separately.

iii. After technical study for Transmission & Transformation (T&T) Losses, the technical losses evaluated by third party M/S PPI were 2.17 %. These losses were discussed during the public hearing of LESCO's MYTP.

iv. M/S PPI has also evaluated the technical loss of distribution network by considering a reasonable sample of all the category of whole network and the results are as under:

- Annual Energy loss in the HT (11KV) Network including line & Transformer loss = 6.296 %
- Average Energy Loss in L.T network = 3.38285 %
- Annual Energy Loss in Cables = 0.34144 %

Total Loss (11-kV & below) = 10.02%

v. T&D losses targets have been set keeping in view the load growth, NTDC generation plan inclusive of integrated system load flow studies carried out by NTDC and LESCO jointly for next five years.

5.4.27 On the issue of proposed Investment plan, the Petitioner has mentioned that the Investment plan has been prepared keeping in view the required NEPRA targets as specified in the NEPRA Grid Code and Distribution Code. The Petitioner further submitted that comprehensive details of the goals and objectives of the investment plan have been presented in section IV of the DIIP.

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5.4.28 The Petitioner on the point of Prior Year Adjustment, is of the view that the NEPRA tariff guidelines and methodology, provides the mechanism of prior period adjustment which has been followed by it. The amount of Rs. 24,150 Million referred by the intervener is already embedded, as a relief to the customers, in the tariff notified dated Jun 09, 2015. Hence the comments from the intervener are uncalled for.

5.4.29 On the concern of the Intervener regarding overstatement of the Revenue requirement, the Petitioner has mentioned that as already submitted above, the multi-year Tariff is futuristic in its approach, which takes into account the more likely future scenario of fuel prices to have stable tariffs in place. However, for the fuel cost, being a "pass through" item, there is no net gain for the utility and the impact of any increase/decrease is passed on to the end users viz. customers. Regarding overstatement of Distribution Margin is concerned, it is submitted that it contains an amount of Rs.9,602 million as provision for post-retirement benefits of employees including WAPDA employees allocated to LESCO pursuant to determination of the Authority for FY 2014-15.

5.5 Nishat Mills Limited (NML)

5.5.1 On the point of Nishat Mills Limited (NML) to erect /install its own distribution lines and direct the Petitioner to enter into a distribution/ supply mechanism with NML, in its order to deliver/ supply electricity for self-consumption to NML's manufacturing units from its existing power plants through construction of its own distribution mechanism, the Petitioner is of the view that it is not relevant to the instant case under regulatory review. No substantial evidence has been provided by the intervener about the case made by the petitioner for MYT determination. However, the Authority may consider the request of Intervener in term of Rule 07 of NEPRA Generation Rules read with article 9.4 of the Petitioner's distribution license through a separate regulatory proceeding.

6. Framing of Issues

6.1 On the basis of pleadings following issues were framed to be considered during the hearing and for presenting written as well as oral evidence and arguments: -

- Whether the petitioner has complied with the directions of the Authority given in the tariff determination for the FY 2014-15?
- Whether the petitioner's projected power purchases & sales for the FY 2015-16 to FY 2019-20 is reasonable?

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- Whether the petitioner projected power purchase cost for the FY 2015-16 to FY 2019-20, is justified?

- Whether the Petitioner's request to allow the last three years reduction made in the O&M expenses with regard to provision of postretirement benefits after creation of Post Retirement Fund is justified?

- Whether the Petitioner's request to allow the total amount of its pension obligations of Rs.70 Billion, over a period of five years for transferring the same in the Separate Pension Fund is justified?

- Whether the Petitioner's request for annual adjustment of non-controllable O&M costs based on actual costs merits consideration?

- Whether the Petitioner's request for annual adjustment of RAB to reflect actual CAPEX merits consideration?

- Whether the Petitioner's stance against the charging of UoSC by NTDC for the energy transmitted to LESCO directly by IPPs on 132KV Distribution System merits consideration?

- Whether the Petitioner's stance for calculation of UoSC based on coincidental demand instead on non-coincidental demand merits consideration?

- Whether the Petitioner's proposed transmission and distribution losses for FY 2015-16 to FY 2019-20 are justified?

- Whether the petitioner reference O&M cost of for the FY 2015-16, including cost of new hiring, is justified for future adjustments till FY 2019-20?

- Whether the petitioner reference depreciation charge for the FY 2015-16 is justified for future adjustments till FY 2019-20?

- Whether the petitioner Return on Regulatory Asset Base based on rate of return of 18 33% for FY 2015-16 to 2019-20 is justified?

- Whether the petitioner projected other income for the FY 2015-16 to 2019-20, is reasonable?

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- Whether exclusion of Late Payment Surcharge completely from other income, is justified?

- Whether the Petitioner's request to allocate Late Payment Charges levied by CPPA as per actual delay made by DISCO rather than allocating the same based on an arbitrary mechanism merits consideration?

- Whether the petitioner's proposed Investment plan for the FY 2015-16 to FY 2019-20, is justified, keeping in view the prospective benefits?

- Whether the petitioner's proposed mechanism for calculation of prior year adjustment is justified?

- Whether the proposed revenue requirements and average sale rate for FY 2015-16 to FY 2019-20, is justified?

- Whether the proposed incentive for proportionate increase in return on equity against reduction in transmission and distribution (T&D) losses, merits consideration?

- What will be the mechanism of charging Wheeling/Use of System Charges (UOSC) in case of network of XW-DISCOs are used for Wheeling?

- Whether the request of Petitioner to allow one-time reopeners/adjustments for private sector participation on the following, merits consideration:

    a. Revision of T&D loss targets
    b. Amendments/ revisions to IGTDP
    c. Review of the financing requirements.

- Whether the request of Petitioner to annually true up the following, merits consideration:

    a. Risk Free Rate
    b. Cost of Debt
    c. Distribution Margin (Uncontrollable Costs)

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- Whether the proposed efficiency factor (X) at Zero (0%) for first three years, and 0.5% for last two years, to be applied to the bench mark O&M cost excluding R&M adjusted by CPI, merits consideration?

- Whether allowance of cost of working capital, merits consideration?

- Whether the requested allowance of Rs. 1,064 million for additional recruitment of 4,545 employees in FY 2015-16 is justified?

- Whether the petitioner's request to link repair and maintenance cost with its gross fixed assets is justified?

- Whether the Petitioner's request for adjustment of O&M costs incurred as a result of force majeure or uncontrollable events (Z-Factor) is justified?

- Whether the Petitioner's proposal for sharing of efficiency benefits regarding completion of required investment at lower than allowed cost, merits consideration.

- Whether the requested floor of 19% for return on equity merits consideration?

- Whether the mark-up in range of KIBOR + 300-350 bps on delayed tariff differential subsidy by GOP or alternatively be allowed to adjust TDS from Power Purchase Cost, merits consideration?

- Whether the request of the Petitioner for financial charges on loans obtained by GoP through PHPL merits consideration?

- Whether there is any major deviation in the petition from the NEPRA guidelines for determination of consumer-end tariff (Methodology & Process) notified vide SRO. 34(I) 2015 dated 16.01.2015?

- What is the financial impact / loss of revenue due to TOU metering for cellular company connections and other similar connections?

- Whether the criterion proposed by the petitioner for segregation between controllable and un-controllable costs is justified?

- Whether there should be any penalty as a cut on Distribution Margin (D.M) if desired level of performance standards are not achieved by the Petitioner?

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- Whether there should be any mechanism for sharing of profits/benefits by the Petitioner with the consumers if the petitioner performance exceeds the desired level?

- Whether the concerns raised by the intervener / commentator are justified?

- What are the concerns of the Petitioner on the application of domestic tariff for Government office, educational institutions and mosques?

6.2 **The following issues were also framed for the hearing with respect to the IGTDP:**

- Whether the load demand forecast provided by LESCO is justified? LESCO may submit the basis of load demand forecast.

- Whether the base line conditions identified by LESCO in its 5 years' investment plan is truly reflective of its prevailing performance and conditions?

- Whether LESCO has arranged the funds required to undertake these projects? If yes, LESCO is required to provide the details of source of funding in respect of each project. In addition, LESCO is also required to provide the details regarding PC-I approval in respect of each project identified under IGTDP.

- Whether the indicated capital cost of Rs. 74,305 million (excluding consumer contribution) for proposed projects for next 5 years under optimally achievable case is justified? LESCO is required to submit year wise rationale in respect of improvement in HT/LT ratios and average length per 11 kV feeders. Further LESCO may provide component wise details regarding material cost, cost of land (if any) and other costs of each project individually.

- Whether the indicated capital cost of Rs. 85,729 million (excluding consumer contribution) for proposed projects for next 5 years under best case scenario is justified?

- Whether the proposed T&D loss reduction in the given time period of MYT is justified?

- The linkage between investment plans and performance standards is the core component of investment plans therefore LESCO may provide a comprehensive year wise analysis about improvement in SAIFI, SAIDI and other performance standards achieved through its investments.

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7. **HEARING**

7.1 The hearing in the matter was on December 18, 2015 at Avari Tower Hotel Lahore for which prior notices were sent to the parties. During the hearing, the Petitioner was represented by its Chief Executive Officer along with his financial and technical team. The Authority, during the hearing, observed that the Petitioner could not respond properly to the Authority's queries. It was also noted that the petition was not properly prepared and there were contradictions in the information provided therein, which raised serious doubts about the reliability of data/information. The Authority also noted with great concern that the representatives of the Privatization Commission (PC) /Financial Advisors (FA) appointed by the GoP, had not contributed seriously in the preparation of the subject tariff petition. In view of the deficiencies noted, the Authority decided to adjourn the hearing and directed the petitioner to come up again to the Authority within seven days after making up the deficiencies and having input / consultation from the FA on the subject tariff petition.

7.2 The Petitioner vide its letter dated December 31, 2015 requested the Authority to extend the time limit up to January 31, 2016 for resubmitting MYTP as the FA of the PC requiring more time for reviewing its MYTP. The Authority acceded to the request of the Petitioner. The Petitioner submitted the deficient information on January 25, 2016 and accordingly, the next hearing of the petition was scheduled for February 18, 2016and conducted in NEPRA Tower, Islamabad.

7.3 During the hearing, the petitioner and the interveners presented their respective points of view. Having gone through the pleadings, respective contentions of the parties, evidence/record produced and arguments raised during the hearing, issue-wise findings of the Authority are given as under:

8. **Issue # 1: Whether the Petitioner has compiled with the directions of the Authority given in the tariff determination for the FY 2014-15?**

8.1 The Authority issued several directions in the tariff determination for the FY 2014-15, the compliance of which are discussed under relevant heads. However, few of the directions are discussed below;

8.2 **To minimize the consumer complaints in its area of jurisdiction and to share data of actual consumer complaints and nature of complaints filed in the FY 2013-14 not later than 31st March, 2015.**

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8.2.1 On the concern of Commentators regarding burnt transformers and inflated bills, the Authority during the tariff determination process for the FY 2014-15 had directed the Petitioner to minimize consumer complaints in its area of jurisdiction and to share data of actual consumer complaints and nature of complaints filed in the FY 2013-14 not later than 30th June, 2015.

8.2.2 The Petitioner in response to the Authority's direction submitted during the hearing that following actions have been taken in order to minimize the number of complaints.

- Customer Service Centres are operating at each operational circle level to facilitate customers in following areas;
  - ✓ Bill corrections;
  - ✓ Meter change orders (MCOs);
  - ✓ New connections;
  - ✓ Instalments of bills.
- Additionally, complaint cells are operating at sub-division level;
- Complaint Cells are being further strengthen through provision of the followings:
  - ✓ Bucket mounted service vehicles at division level;
  - ✓ Ladder mounted service vehicles at sub-division;
  - ✓ Recruitment of line staff to fill the acute shortage and
  - ✓ Bifurcation of subdivisions, creations of new circles and divisions
  - ✓ Meter Reading through mobile phones and printing of Snap shot of meter reading on the bills.
  - ✓ Arrangement of logistic for complaints duty.

8.2.3 The Petitioner also in compliance of the Authority's direction submitted status of the complaints whereby it received 71,490 complaints during FY 2013-14 and as per the Petitioner all these complaints have been redressed. The complaints were regarding instalments, duplicate bills, correction of paid bills, wrong reading, due date extension etc.

8.2.4 Although the Petitioner submitted detail of complaints received and re-dressed in FY 2013-14 and has elaborated on the measures aimed at reducing the consumer complaints, however the purpose of the Authority's direction was to know the impact of the measures undertaken by the Petitioner in terms of reduction in number of complaints. A standalone figure of complaints received does not serve the purpose unless compared

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with the number of complaints received after the measures adopted by the Petitioner. In order to validate the Petitioners' claim it is therefore directed to provide a comparison of the complaints on year to year basis to adjudge the effectiveness of the measures undertaken by the Petitioner.

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

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

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

8.5.1 The Authority considers that one of the key reasons for high transmission and - distribution losses in DISCOs is the lack of any tracking mechanism for electricity flow from the points of their electricity purchases (CDP) down to the final consumers. A reliable metering and recording system at every voltage level starting with the 132 kV grid, at the 11 kV and to 440 and 220 volts is therefore critical for the elimination of theft, unaccounted electricity and diagnosing technical problems. In view thereof, the Authority directed all DISCOs to install AMR and AMI Systems. The Authority considered that such systems would also enable it in analyzing XWDISCOs' genuine investment requirements. Consequently, reduction in losses would help in saving billions of rupees annually and support GOP's efforts in eliminating circular debt. Thus, the Authority directed all DISCOs;

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

8.5.2 The Petitioner during hearing of its instant petition has submitted that Installation of meters at the CDPs is the licensing obligation of NTDC and it understands that NTDC has already intimated NEPRA regarding the installation of secure metering system (SMS). The Petitioner further submitted that it has Installed AMR/AMI at receiving end

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of all its 11 kV outgoing feeders and Installation of AMR/AMI at consumer end are being considered in investment plan submitted to NEPRA through DIIP.

8.5.3 While appreciating the efforts made by the Petitioner, the Authority still feels that further efforts are required to complete the installation of AMRs/ AMIs System within the given time lines.

8.6 <u>To print bills with the snap shots of meter readings (both previous and current) not later than 30th April, 2015.</u>

8.7 <u>To appraise the Authority on the completion timelines with respect to the investments pertaining to the HHU's, not later than 30th April, 2015.</u>

8.7.1 In order to protect the interest of consumers in the matter of excessive billing, the Authority while considering the proposals floated by different DISCOs, during the proceedings of the tariff determination for the FY 2014-15 tariff determination process; agreed with the proposal submitted by PESCO regarding printing of snapshot of meter reading on the electricity bills of the consumers not only to enhance the level of confidence of the consumers but also to create an effective quality check on the Meter Readers. Accordingly, the Petitioner was also directed to implement the said plan not later than 30th April 2015.

8.7.2 The Petitioner in response to the Authority direction vide its letter dated December 11, 2015 that electricity bills with snapshots of meter reading are being printed in 103 subdivisions through mobile phones and will be implemented in other subdivisions soon. During the hearing of the instant petition, the Petitioner submitted that snapshots of meter reading is being implemented in a phased manner on account of following:

- Provision of necessary equipment to the meter reading staff;
- Alignment of billing system remotely through WAN;
- Arrangement of manpower resources & necessary training.

8.7.3 The Authority has noted with concern that the Petitioner has not been able to fully comply with the direction of the Authority in terms of printing of snapshots on the bills even after lapse of about a year from the deadline set by the Authority. It is further noted that there were several complaints from the consumers that the snap shots appearing on the bills are not clear and readable. In view thereof and keeping in view the concerns of the Intervener, the Petitioner is directed to adopt necessary measures to address problems being faced by the consumers, further the Petitioner is directed to keep the record of snap shots for one year and to ensure printing of snapshots on all the bills not later than June 30, 2016.

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8.7.4 In view of the aforementioned direction regarding printing of snap shot of meter reading on the electricity bills, the Authority also considered the proposal of IESCO & MEPCO for allowing the cost of hand held meter reading units and principally decided to allow the cost of the hand held units to the Petitioner and directed it to submit its investment requirements for the implementation of the said plan along with the completion timelines in its next tariff petition.

8.7.5 During the hearing, the Petitioner submitted that snapshots are being printed by using mobile phones instead of HHUs. Particularly in view of the consumers' complaints with respect to poor quality of print, it becomes more important that for snap shots HHUs' are used instead of mobile phones. It was further observed that the Petitioner in its DIIP (submitted for five years) has only requested its investments requirements with respect to mobile phones only and has not requested the procurement of HHUs. The Authority considers that, although the Petitioner has started printing snap shots through mobile phones, yet, the importance of HHU cannot be denied which is the sustainable solution and will eventually replace the mobile phones. The Petitioner is therefore directed to finalize the procurement process of HHUs at the earliest and convert its billing process on HHU basis in order to eliminate inefficiencies.

8.8 To submit a concrete recovery plan of its receivables and submit the required certificate from its Auditor on the authenticity of its debtors, not later than 30th June, 2015.

8.8.1 The Authority had been discussing the issue of excessive billing in the tariff determinations of the Petitioner from the FY 2010-11 to the FY 2013-14. The issue was raised on the acknowledgement of Ex-CEO of the Petitioner in the tariff determination hearing of the FY 2010-11, whereby it was stated that all the consumers were previously issued excessive bills on the basis of 35 days instead of 30 days and this practice was then discontinued; thus resulting in higher losses. The Authority, taking notice of the statement, decided to conduct an Audit of the billing system of the Petitioner. On the basis of the Audit, the findings of the NEPRA team are discussed below;

- Billing is done manually and has high risk of manipulation because of inadequacies in controls and accuracy of readings;
- Incorrect reporting and monitoring of feeder wise losses;
- Time lag between actual meter reading dates and scheduled dates of area wise batches resulting in excessive billing;
- Actual meter readings are ignored for billing purpose which means monthly billing is done on estimations rather than actual;

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- Inadequate supervisory, controls;
- Inadequate field staff;
- CP21C preprinted meter reading list provided to RO offices, which contain previous consumption data, which may lead to fudging;
- Exception report identifying errors of 500 and more units leaves a chance of errors less than 500 units unidentified by the billing system;
- CP-22A report showing billed units more than units received in some feeders; thus showing incorrect position of feeder wise line losses;
- Disconnect between corporate financial accounts and source billing system;

8.8.2 The Authority issued directions to the Petitioner in the tariff determination of the FY 2012-13 keeping in view the aforementioned findings of the Audit and a letter of Chairman, Board of Directors of the Petitioner dated 14th July, 2012 in which he showed grave concern regarding overbilling citing an example of Kasur circle, where Rs. 679 million (from June, 2009 to December, 2011) overbilling was detected. Further, preliminary reports also indicated that in the Okara circle's excessive billing for the period from July, 2011 to March 2012 was in the range of Rs. 240 million. Consequently, the Authority issued following directions in the decision of the Authority in the matter of Lahore Electric Supply Company Limited No. NEPRA/TRF-276/LESCO-2014;

- In view the observations of the Ex-Chairman, at para 8 of his letter dated 14th July, 2012 , which indicated that in an incidence, when overbilling is restored and bills are revised, the amount continue to appear as trade debtor, the Petitioner was directed to get a certificate from its Auditor on the reported debtors no later than 30th June, 2013.
- Petitioner to expand its study of T&D losses to 11 KV and below and submit the completion timelines by 31st March, 2013.
- Para 8 of the referred letter dated 14th July 2012, directed Internal Audit Department of the Petitioner to carry out audits of all the Circles on the same lines as the audit of Kasur. The Authority directed the Petitioner to submit that audit report to the Authority by 31st March, 2013

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8.8.3 The Petitioner failed to comply with any of the direction of the Authority and the same directions were also repeated in the tariff determination for the FY 2013-14. Additionally, the Authority during the hearing initiate proceedings for non-compliance of directions pertaining to the overbilling under the relevant law.

8.8.4 During the tariff hearing proceedings for the FY 2014-15, the Petitioner informed the Authority that its internal audit department is working on the report and will provide it shortly. The Authority again directed the Petitioner to provide Audit certificate on the Authenticity of its trade debts appearing in its books of accounts not later than 30th June, 2015.

8.8.5 Despite the Authority's repeated directions, the Petitioner did not provide any response on the issue. During hearing of the instant petition i.e. FY 2015-16, the Petitioner, upon inquiring from the Authority committed to provide the required certificate within a week's time., however, till date no such certificate has been provided by the Petitioner.

8.8.6 In view of the above and keeping in view the concerns of the Interveners, the Petitioner is again directed to comply with the directions of the Authority by June 30, 2016 otherwise strict action would be taken by the Authority for the non- compliance of the direction under the relevant law.

8.9 To recover the amount of subsidy from the GoP and share communications not later than 30th April, 2015.

8.9.1 Although the Authority determines the Petitioner's tariff on 100 % recovery basis yet considering the ongoing circular debt situation, the Authority decided to analyze the receivables of the Petitioner. The Authority reviewed the huge balances appearing as receivables in the financial statements of the Petitioner, the Authority directed the Petitioner to come up with a concrete plan on the issue of recoveries in the tariff determination for the FY 2013-14. The Authority also suggested to the Petitioner to consider different options including outsourcing collection of these receivable to a debt colleting agency, which would be paid only, if they collect something. But in any case, the Petitioner was required to submit this plan no later than 31st March, 2014. The Authority also taking note of the significant amount appearing as subsidy receivable from GoP, directed the Petitioner to take up the issue with GOP for the recovery of this amount and report back to the Authority before 31st March, 2014.

8.9.2 The Petitioner neither submitted any recovery plan nor indicated any efforts in this regard. Furthermore, no communication with GoP for the recovery of subsidy has been submitted. While analyzing the financial statements of the Petitioner for the FY 2013-

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14, the Authority noted that the receivable balance of the Petitioner increased from Rs.30,679 million as at 30th June, 2013 to Rs.37,574 million as at June 30, 2014. Keeping in view the status of compliance and the aforementioned figures, in the tariff determination for the FY 2014-15 the Petitioner was again directed to submit a comprehensive recovery plan of its receivables along with the required certificate from its Auditor on the authenticity of its debtors, not later than 30th June, 2015.

8.9.3 Similarly with regard to the subsidy receivable from GoP, the authority while analyzing the financial statements of the Petitioner for the FY 2013-14 noted that subsidy receivable from GoP also increased to Rs.55,799 million from Rs.50,332 million. Accordingly the Petitioner was directed to recover the amount of subsidy from the GoP and submit report not later than 30th June, 2015.

8.9.4 Finally, the Petitioner submitted the following recovery plan vide letter dated June 30, 2015;

Recovery Plan

- To ensure accurate and timely billing.
- Mobilization of Recovery Teams at Division/Circle and Company Level.
- Batch wise issuance of-defaulter lists and follow up by Recovery Teams.
- Mobilization of Tehsildar (Recovery).
- Timely creation of Demand.
- Out of Court Settlement of disputed cases.
- Incentive for LESCO employees against long outstanding receivables
- Additional transportation facilities for Recovery Teams

Running Defaulters

- To ensure timely delivery of bills
- To minimize no of running defaulters age above 2 months Dead Defaulters
- to continuously check defaulter premises in order to ensure that no electricity is being consumed in the premises
- Mobilization of tehsildar recovery for creation of demand under Revenue Act
- To give incentives against payment from dead defaulters

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- Deferred Amount
- to pursue to cases pending jurisdiction
- To settle the dispute out side the court

Running Defaulters

- To ensure timely delivery of bills to the consumers.
- To minimize running defaulters age above 2 months.
- Amount slab wise responsibility for all tiers.
  - ✓ LS Upto 25,000/-
  - ✓ SDO 25,001 to one lac
  - ✓ XEN one lac to 5 lac
  - ✓ SE Above 5 lac

Dead Defaulters

- To continuously check defaulter premises to ensure that no electricity is
- being consumed in the premises.
- To mobilize Tehsildar Recovery for creation of demand under Land Revenue Act.
- To give incentives against payment from dead defaulters.
- Establishment of special Recovery Cell.
- Checking of B-1, B-2, B-3, B-4 defaulting premises on priority.

Deferred Amount

- To pursue the cases pending adjudication in Courts. • To settle the disputes out side the court.
- To decide departmental cases pending in CRC /RRC.
- Govt. Amount
- Continuous pursuance / follow up meetings with:
- WASA (for Budget Allocation Rs. 2 Billion)
- Local Bodies (Reconciliation with TMAs and payment of Rs. 2.15 Billion)

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- Disconnection of all other defaulting departments.

Fuel Price Adjustment

- Awareness for payment of FPA in general Public.

Proposal

- FPA for more than Rs. 3 may be recovered in 2 installments

8.9.5 The Authority from the information provided by the Petitioner during hearing has noted that receivables have increased from Rs.36.46 billion as on June 30, 2014 to Rs.45.76 billion as on June 30, 2015, primarily in the category of Private Receivables which increased from Rs.18.06 billion to Rs.27.24 billion including receivables of Permanently Disconnected Defaulters which have also increased by Rs.1.5 billion from Rs, 6 billion to Rs. 7.5 billion.

8.9.6 The Petitioner also provided a break-up of its receivables as on December 2015, whereby its overall receivables have reduced from Rs. 45.76 billion as on June 30, 2015 to Rs.45.10 billion as on December 31, 2015. A careful review of the information provided by the Petitioner reveals that receivables from Permanently Disconnected Defaulters have further increased by Rs.1,522 million to Rs. 9 billion, which is really alarming.

8.9.7 Regarding subsidy receivable from the GoP, the Petitioner during hearing of its instant petition has submitted that subsidy recoverable from GOP has been reduced from Rs. 56 billion (as on 30th June, 2014) to Rs 13.66 billion (as on 30th June, 2015).

8.9.8 Keeping in view the aforementioned figures, the Authority considers that the Petitioner's recovery plan is not effectively implemented as the receivables have further increased from which it can be construed that serious efforts are not being put in by the Petitioner. As a part of Authority's direction, the Petitioner was required to submit a concrete recovery plan highlighting the strategies as how it intends to achieve the set targets, however, nothing has been mentioned in this regard. The Authority feels that the Petitioner needs to adopt some extraordinary measures to improve its recoveries, therefore in view of the foregoing and the Interveners' concerns, the Authority directs the Petitioner to submit a comprehensive recovery plan clearly highlighting the problem areas, targets for their improvements along with intended strategies to achieve the same latest by June 30, 2016. The Petitioner may come up with a plan whereby it can manage its existing receivables in different phases. In the first phase, only those receivables may

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be selected for recovery where maximum results could be achieved with lesser effort and time. In the 2nd and onward phases the remaining receivables requiring more time and involving relatively greater efforts may be dealt with. The objective behind phasing is to resolve the matter on a focused basis instead of taking all the issues together, which may require longer period of time and add complexity to the issues.

8.10 To expedite the independent study of its system including 11 KV and below.

8.10.1 The Petitioner was directed in the tariff determination for the FY 2010-11 to carry out study of its T&D losses by an independent expert and submit the report to the Authority within six months. The Petitioner during its tariff determination for the FY 2011-12 informed that the task has been given to Power Planners International and the study shall be submitted by January 2012.

8.10.2 During the hearing of the tariff petition for the FY 2012-13, the Petitioner informed that the study could not be completed. The Authority in view thereof, in its tariff determination for the FY 2012-13, directed the Petitioner to expand its study of T&D losses to 11 KV and below and submit the completion timelines by 31st March, 2013.

8.10.3 The Petitioner, during hearing of its tariff petition for the FY 2013-14, informed that as per the study of 132 KV, its transmission loss work out as 2.17%. The Petitioner further informed that the report on distribution losses will be submitted as additional information to this petition, for which process for hiring Consultant has already been initiated, who is mandated to evaluate the technical losses of 11 KV and below.

8.10.4 The Authority in view of the Petitioner's failure to comply with the directions of the Authority on the issue of study of T&D losses, issue of over billing, in its decision of the review motion dated June 12, 2014 in the matter of the Petitioner for the purpose of fairness, conducted an in-house study of Petitioners T&D losses based on (a) benchmarking (i) transmission losses (ii) Distribution transformer (iii) LT lines and (b) calculating 11KV feeder losses proportional to the peak demand and revised the Petitioner's losses. Simultaneously, the Authority also directed Petitioner to expedite the independent study of its system including 11 KV and below. The Authority also stated that it may review its decision with respect to the assessment of its T&D losses in the finding of the independent report on prospective basis.

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8.10.5 The Petitioner during its tariff determination pertaining to the FY 2014-15 informed that it has awarded the study of 11 kV and LT distribution system to Power Planner International in October 2014 and according to the agreement the interim study report will be complete at the end of March 2015 and same will be furnished to the Authority and the final report will be submitted in April, 2016. In addition, the Petitioner on 26th February 2015, submitted a technical report for its T&D Losses, based on 147 urban and 13 rural feeders out of a total of 1437 feeders, using Loss Analysis Programs developed by USAID, whereby simulation studies were carried out by the Petitioner.

8.10.6 The Authority observed that although the sample size of the study undertaken by the Petitioner was only 10.5%, which was not a considerable percentage, yet the study included sufficient number of urban and rural feeders, representing the overall consumer mix and loading conditions. The Authority considered that the study and software used by the Petitioner are acceptable however the authenticity of the results would only be possible when all the feeders are included in the study, which is under process and is being conducted by an Independent Consultant. Accordingly, the Petitioner was again directed to expedite the independent study of its system as directed before.

8.10.7 The Petitioner vide its letter dated 11th December, 2015 submitted an initial sample study report of Distribution losses of the Petitioner' network. The same is discussed under the relevant head.

8.11 To submit the PC-1s of the investment plans requested in the Petition and actual investments undertaken last year not later than 30th April, 2015.

8.11.1 The Authority during tariff determination process of the Petitioner for the FY 2014-15, while considering of the Petitioner's submitted information with respect to the investments, was of the view that the Petitioner has failed to provide a comprehensive reconciliation whereby the Petitioner would claim in advance that after carrying out the aforementioned investments, it would achieve a certain efficiency level with respect to T&D losses, customer service or in terms of meeting the Authority's set Performance standards. Accordingly, the Authority directed the Petitioner to submit the PC-1 of the investment plans requested for the FY 2014-15 and the actual investments undertaken last year i.e. FY 2013-14 not later than 30th June, 2015.

8.11.2 In response to the Authority's direction the petitioner vide its letter dated June 30, 2015 submitted that it will provide the PC-1 and IGTDP in near future. However, till date the

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required information pertaining to the FY 2013-14 has not been submitted by the Petitioner.

8.11.3 In view thereof the Authority again directs the Petitioner to provide project wise detail of actual investments made in FY 2013-14 and FY 2014-15 along-with the cost benefit analysis and explain the reasons for variation in numbers reported in the presentation and its financial statements (the reason for the Authority direction). The Authority has also taken a serious notice of non-compliance of its direction by the Petitioner, which is serious violation of licensing terms that may lead to initiation of proceedings against the licensee under the relevant rules.

8.12 The Petitioner was directed to explain the reasons of credit entry identified last year, not later than 30th April, 2015.

8.12.1 The Authority, while deciding the motion for leave for review filed by the Petitioner against its tariff determination pertaining to the FY 2013-14, observed a credit entry of Rs.3,084 million under the head of PPP in the financial statements pertaining to the FY 2013-14. The notes to accounts recorded it as an adjustment entry pertaining to the last year. From the available record, the Authority was unable to construe as on what account this credit note was given to the Petitioner. In view thereof, the Petitioner was directed to explain the reason thereof, otherwise the Authority may adjust the said cost in the next year's determination. The Petitioner failed to respond to the Authority's direction during its tariff determination process for the FY 2014-15, however, considering the impact of the amount, the Authority once again directed the Petitioner in the tariff determination for the FY 2014-15, to explain the reasons of the credit entry identified last year.

8.12.2 The Petitioner in response to the Authority's direction vide its letter dated June 30, 2015 submitted that the main reason for the credit entry is the difference between provisional invoice by CPPA during the FY 2012-13 and final invoice as give below;

Description	Final Invoiced by CPPA FY 2012-13	Already billed FY 2012-13	Difference
UOSC	3,722	3,876	-154
Capacity T.C	38,693	40,302	-1,608
Energy T.C	122,201	123,720	-1,518
Total	**164,616**	**167,898**	**-3,280**

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8.12.3 The Authority having gone through the response/ justification provided by the Petitioner is of the view that, the amount of credit entry pertains to the previous period and has been correctly reflected in the financial statements of the Petitioner. The Authority accordingly has decided to accept the Petitioner's explanation in this regard.

8.13 To get the approval of the Authority on the proposed strength yard stick for additional recruitment justifying additional hiring with proper rationale and comprehensive recruitment plan based on best utility practices and its quantified benefits along with a comparison of existing state of affairs.

8.13.1 The Authority while evaluating Petitioner's request with respect to the additional recruitments for the FY 2014-15 noted that the Petitioner raised similar request for additional recruitments against vacant posts in the tariff petition for the FY 2013-14 on similar grounds. The Authority rejected the same in para 14.2.5 of the tariff determination for the FY 2013-14 and explained that vacant posts does not form the basis for requesting additional recruitments rather the Petitioner must quantify the benefits of additional recruitments in view of improved customer service, losses reduction, improvement in recovery etc. On these grounds, the Petitioner's request for allowing additional hiring on 3,023 vacant posts with total financial impact of approx. Rs.868 million for the FY 2014-15 was rejected and clarified that it never approved any yard stick which was referred to by the Petitioner and consequently, the Petitioner was directed to get the approval of the Authority for its proposed strength yard stick justifying additional hiring with proper rationale and comprehensive recruitment plan based on best utility practices and its quantified benefits along with a comparison of existing state of affairs.

8.13.2 The Petitioner on the issue submitted vide letter dated June 30, 2015 that comprehensive rational recruitment plan based on the best utility practice is attached, however, no such plan was attached with the aforementioned letter. Further, during hearing of the instant petition, the Petitioner has submitted that the Authority vide letter no. NEPRA/R/TRF-100/12654-63 dated Aug 26, 2015 directed to follow the PEPCO SOP regarding bifurcation / creation of subdivisions and associated yardstick. The same has been adopted by it and accordingly same may also be considered during the tariff determination.

8.13.3 The matter has been discussed in detail under the relevant head.

8.14 To provide the replacement hiring certificate before the finalization of the tariff determination pertaining to the FY 2015-16.

8.14.1 The Authority considering the Petitioner's contention that its work force is retiring each year and if their replacements are not made, it would not be able to meet the emerging

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growth and work efficiently and effectively, principally allowed the replacement hiring in the Petitioner's tariff determination pertaining to the FY 2012-13. The Petitioner during its tariff determination process for FY 2014-15 intimated the Authority that as on 30th June, 2012, financial impact of recruitments carried out during the FY 2009-10 and onwards was Rs.599 million. Since the Petitioner's request was without any supported evidence therefore the Authority directed the Petitioner to get the reported figure verified by its Auditor and if it plans to carryout replacement hiring, a certificate from the Auditor of the Petitioner, certifying that the recruitment is done as replacement hiring with no additional/incremental cost impact. Any other recruitment, over and above the aforementioned, would only be allowed if it is substantiated with proper working and justifications, up to the satisfaction of the Authority. The Petitioner failed to submit any such certificate to the Authority.

8.14.2 The Authority keeping in view the quality of the compliance issued an audit frame work on the said direction, which was communicated to the Petitioner vide letter # NEPRA/R/TRF-100-DISCO/7332-41 dated 30th June, 2014. The framework was issued after the NEPRA Professional's several meetings with the representatives of different XWDISCOs and Auditor (M/s Deloitte & co). The revised format of report as per the applicable International Standard on Auditing (ISA) was agreed and consequently directions were given to all the XWDISCOs to submit the required certificate as per the agreed ISA and format of certificate.

8.14.3 The Authority had been deducting this cost in the previous tariff determinations, however, in the tariff determination for FY 2014-15, considering the fact that as per the approved tariff methodology, the Petitioner's reference/base expense would be established for future years under the MYT regime, the Authority considered it unjust on the part of the Petitioner if the said cost was disallowed again. In view thereof, the Authority decided to allow this cost in the FY 2014-15 on provisional basis subject to the condition that if the required certificate was not provided before the finalization of the tariff determination pertaining to the FY 2015-16, the referred cost would be disallowed permanently and no further directions would be given to the Petitioner in this regard.

8.14.4 The Petitioner during the hearing of its instant petition i.e. FY 2015-16 has mentioned that the service of auditor has been hired for this purpose and required data thereof has been provided to the auditor. The assignment is expected to be completed shortly and required certificate will be provided.

8.14.5 Till today the Authority has not received any certificate from the Petitioner. In view thereof, as per the decision of the Authority in its tariff determination for FY 2014-15,

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the replacement hiring cost amounting to Rs.800 million is being disallowed while assessing salaries and wages cost of the Petitioner for FY 2015-16.

8.15 To submit reason for significant increase in repair and maintenance expense in FY 2013-14 from previous year not later than 30th April, 2015.

8.15.1 The Authority while reviewing the Financial Statements of the Petitioner during tariff determination pertaining to FY 2014-15, observed that the actual expense of the Petitioner under the head of repair and maintenance increased by around 48% as compared to the last year i.e. FY 2013-14. The Petitioner did not provide any rational and justification for the increase; therefore, the Authority in its tariff determination for the FY 2014-15, directed the Petitioner to submit reason for this significant increase in repair and maintenance expense in FY 2013-14 from previous year not later than 30th June, 2015.

8.15.2 The Petitioner vide its letter dated June 30, 2015 has submitted that increase of Rs.279 million in R&M expense during FY 2013-14 is mainly due to increase in number of breakdowns as compared to previous years as well as replacement of outlived distribution transformers.

8.15.3 From the aforementioned submission, it appears that the Petitioner may be expensing out some costs which should be capitalized i.e. replacement of transformers. The specific head of repair and maintenance is exclusively for the routine expenses pertaining to repair and maintenance, therefore any expenditure of Capital nature should not be charged to Repair & maintenance.

8.15.4 The issue has however further been discussed under the relevant head.

8.16 Petitioner is directed to send the cost estimates of the entire project of creation of new circles, subdivisions to the Authority along with the completion timelines and quantified benefits not later than 30th April, 2015 and send quarterly report of progress made w.e.f. 30th April, 2015.

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

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8.16.2 The Petitioner vide its letter dated June 30, 2015 has submitted that its BoD has approved creation of 31 sub-divisions based on current yardstick.

8.16.3 The issue has been discussed under the relevant head.

8.17 To send the proposal on the delegation of administrative, financial and technical powers at different layers of hierarchy in writing no later than 30th April, 2015.

8.17.1 In the meeting held on creation of new circles, the Petitioner also requested the Authority to consider its proposal for dissolution of powers to lower hierarchy of employees so that responsibility can be shared and delays in processing can be avoided.

8.17.2 The creation of new circles proposal was made a separate issue in the tariff petition hearings of all XWDISCOs for obtaining comments of the XWDISCOs and other stakeholders.

8.17.3 The Petitioner was accordingly directed to send the proposal on the delegation of administrative, financial and technical powers at different layers of hierarchy in writing no later than 30th June, 2015.

8.17.4 The Petitioner vide its letter dated June 30, 2015 provided a draft copy of delegation of administrative, financial and technical powers regarding different layers of hierarchy.

8.17.5 The Authority after careful review of the provided information, is of the view that the main aim of the direction was to establish / identify any improvements in the existing set of Powers. The Petitioner has simply provided the information with respect to the direction, however has failed to answer the exact query of the Authority which deals with the potential improvement. In view thereof the Authority considers the submitted compliance as partial.

8.18 To give comments on the proposal of life line consumer.

8.18.1 The matter of changing terms and conditions of lifeline and residential consumers was raised by IESCO in the tariff petition for the FY 2012-13 and the Authority took comments of all XWDISCOs on the matter during the tariff determination process for the FY 2013-14. Accordingly, the following modifications to the terms and conditions of lifeline and residential consumers were proposed;

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- The criteria for Lifeline consumers is modified and only those residential consumers having single phase electric connection with a limited sanctioned load upto 1 kW and consumption of less than 50 units will qualify to be the life line consumers.

- A floating average of six months consumption of lifeline consumers should not exceed 50 units.
- In case of detection billing under the category of lifeline consumers, 1 year average floating billing must be less than 50 units.

- All government offices, educational institutes and mosques should be removed from the category of residential consumers.

8.18.2 Although the Authority completed its consultative process but it still felt that before modifying the Terms & Conditions further analysis as to how much consumers will be reduced on monthly basis along with it financial implication from the Petitioner needs to be obtained.

8.18.3 Accordingly, the Petitioner, in its tariff determination pertaining to the FY 2014-15 was directed to give comments on the proposal before the next year's tariff petition for the settlement of this issue and also to share the financial impact of revision of criteria of lifeline consumers on its revenue.

8.18.4 The Petitioner, during earing of its instant petition has submitted that the tariff rate for the residential slab of 1-50 units has been minimized to the extent that it is not even covering its average cost. It is proposed that 3 phase meters should not be treated as life line even if the consumption is within 50 units. Furthermore, part of fixed charges may be increased and variable charges be decreased for lifeline consumers.

8.18.5 The Authority after careful consideration has decided to modify the Terms & Conditions to the extent of the following;

- The criteria for Lifeline consumers is modified to only those residential consumers having single phase electric connection with a sanctioned load up to 1 kW.

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

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8.18.6 The Petitioner on the issue of application of Domestic Tariff for Government Offices, Educational Institutions and Mosques has submitted that the issue pertains to existing definition of domestic tariff defined in 'Terms and Conditions of Tariff' as part of Tariff Determinations issued by NEPRA whereby 'domestic tariff' includes Govt. offices, educational institutions (Private & Public Sector) and mosques. The Petitioner also submitted that as a result of this anomaly in the definition, these institutions are billed under the head of domestic tariff and enjoy facilities available for domestic consumers like lower rate for lifeline consumers & slab-benefits. The matter was raised with the Authority in previous petitions and the Authority decided to address the matter separately by involving all the stakeholders in an independent hearing and decided to seek comments on this matter from all XWDISCOs. The Petitioner in view thereof has requested to resolve the matter at the earliest.

8.18.7 The Authority on the issue has decided to create a New General Services Category by changing terms & conditions of the residential consumers and has decided to restrict residential category as Residences and Places of worship, excluding thereby all government and other offices, educational institution. Thus, the consumer category A3 General services shall include;

- Approved charitable/religious institutions
- Government and semi – Government Offices and institutions
- Government Hospitals and dispensaries
- Educational Institutions
- Water supply schemes including water pumps and tube wells operating on three phase 400 volts other than those meant for the irrigation or reclamation of Agricultural land.

8.19 To complete installations of TOU metering.

8.19.1 During the hearing of tariff petition for the FY 2014-15, the Petitioner presented detailed position of installation of TOU meters whereby 24,604 ToU meters were yet to be installed, however no cut-off date was given by the Petitioner for its completion.

8.19.2 Based on the submitted information during FY 2014-15, the Authority observed that in a period of one year, the Petitioner just installed 10,136 additional meters.

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8.19.3 The Authority considering the non-serious attitude of the Petitioner, decided to initiate proceedings against the Petitioner under relevant law and also directed the Petitioner to complete the installation of ToU Meters.

8.19.4 The Petitioner during hearing of its instant petition has submitted status of its TOU meter installation whereby it has installed 206,098 TOU meters out of 213,364 i.e. 95% progress has been achieved. The Petitioner also submitted that installation of remaining 10,355 meters is under process and will be installed at the earliest.

8.19.5 In view of the above discussion and concerns of the Interveners, the Petitioner is again directed to complete the installation of remaining ToU Meters without further delay i.e. by June 30, 2016.

8.20 Whether the concerns raised by the Interveners are justified?

8.20.1 It may be observed at the very outset that for filing an intervention request, the time period prescribed in terms of rule 6 of the Rules is 7 days from the date of publication of notice of admission. It is also the requirement of said rule that the intervention request should contain the objections, the manner in which such person is likely to be affected by the determination, the contentions of the person, the relief sought and the evidence, if any, in support of the case. On the basis of the pleadings, the issues are to be framed to be considered during the course of hearing. Now once the prescribed time is lapsed and on the basis of available record, issues are framed, then any delayed filing of intervention request may not be maintainable and it is also not possible to share the issues, as per stance taken by the intervener in the present case.

8.20.2 Further that instead of providing grounds and justifications in the intervention request, raising the questions of providing any information is nowhere provided in the Rules. In case the petitioner requires any information, it may either approach the petitioner directly or may file a motion of discovery in terms of rule 10 of the Rules. Anyhow, in order to meet with the ends of natural justice and to provide opportunity of raising the respective concerns by the interveners, the delay in filing the requests was condoned and all the interveners were allowed to participate in the proceedings.

8.20.3 As per the concerns so raised by the interveners and the rejoinder filed by the petitioner, the findings of the Authority are as under:-

8.21 <u>Concerns of Pakistan Steel Melters Association:</u>

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8.21.1 The Authority is aware of the fact that the Intervener is a potential zero loss consumer of the Petitioner and while setting the consumer end tariffs, the Authority ensure that it allows only prudently incurred costs and any in efficiencies on the part of Petitioner are disallowed.

8.21.2 On the issue of audit/inquiry, the Intervener has not elaborated on the scope and rationale of the proposed audit/inquiry, as while determining the consumer end tariff, the Authority evaluates and discuss a range of issues with respect to the Petitioner's operations.

8.22 Concerns of M/s AKLA:

8.22.1 The Authority, on the issue of late submission of the Tariff Petitions, considers that the Tariff Standard & Procedures Rules 1998 (The Rules) do not provide for any time frame for submission of the Tariff Petitions. However, in order to ensure timely determination of consumer end tariff, the Authority has issued the NEPRA guidelines for determination of consumer-end tariff (Methodology & Process) notified vide SRO. 34(I) 2015 dated 16.01.2015, wherein, timelines for the submission of Tariff Petitions have been prescribed. The Intervener has rightly pointed out that the Petitions have been submitted late, however, non-admission of the Petitions by the Authority on the grounds of late submission, would not be in the consumers' interest, keeping in view the declining trend of oil prices in the international market which would ultimately result in reduction of consumers' end tariff.

8.22.2 As far the concern of the Intervener regarding adverse financial impact on consumers due to late admission of the petitions, resulting in late determination of the consumer end tariff is concerned, it is pertinent to mention that any such financial impact is adjusted through monthly FCA and Prior Year Adjustments. Accordingly the consumers as well as DISCOs interest is protected against downward or upward variations in Fuel prices or any other adjustments.

8.22.3 The Intervener is correct, in submitting that IGTDP requires prior approval of the Authority, since as per the Methodology, the submission of IGTDP by XWDISCOs and its approval by the Authority, is required before filing of the tariff petition. The timelines for the submission of IGTDP, as per the Methodology, is September 01 each year. Since the Methodology was notified in January 2015 and separate submission of IGTDP and its subsequent approval by the Authority would have resulted in considerable delay

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bearing financial implications for the Petitioner. In view thereof, the Authority, on the request of the XWDISCOs, allowed to file the IGTDP along with their Consumer-end Tariff Petitions. Here it is pertinent to mention that submission of the IGTDP by XWDISCOs with their tariff petitions, does not mean that the same has been accepted by the Authority as such. The Authority grants approval of the IGTDP after carrying out its required due diligence, keeping in view the prospective benefits in terms of reduction in level of losses and improvement in the overall distribution system.

8.22.4 On the concern of increasing T&D loss target in last year's tariff determination, it appears that the Intervener is not fully aware of the decision of the Authority in this regard, as the T&D loss target was maintained at 9.44% for FY 2014-15, in the matter of Petitioner. The same T&D losses target was assessed for the FY 2013-14. Thus, the impression that the level of T&D losses was increased, is not correct. The Intervener's concern of allowing considerable investment to the Petitioner (around Rs.23 billion was allowed to the Petitioner during last three year's period), whereas the Petitioner has shown minor reduction in its T&D losses, is valid. The Authority is cognizant of the fact and in order to ensure the prudence and effectiveness of the Investments Program, the Authority has already issued the Methodology which prescribes filing of IGTDP which would ensure qualitative results in terms of reduction in level of T&D losses and improvement in the overall distribution system. The Authority provides annual review of the IGTDP, which will address the intervener's concerns with respect to effective monitoring of the investment and corresponding improvement.

8.22.5 On the issue of over recovered amounts on account of FCA, the Authority is of the view that the Governing document for XWDISCOs for maintaining their Financial Accounts is the IFRS /IAS and XWDISCOs maintain their accounts as per the aforementioned standards. However, the Authority ensures that the benefit of extra recovery, if any made by XWDISCOs is passed on to the relevant consumers through adjustment in the tariff.

8.22.6 The rationale/relevance for the requirement of information pertaining to the month wise payable amount on account of electricity purchases from CPPA (G) and the amount paid to CPPA (G), is not provided by the Intervener. Here it is pertinent to mention that the Petitioner has filed its petition in accordance to the Rules and the "Methodology".

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8.22.7 Regarding the issue of LPC, the Authority in the tariff determination for the FY 2014-15, decided that the late payment charge recovered from the consumers on utility bills shall be offset against the late payment invoices raised by CPPA (G) against respective DISCO only .i.e. CPPA (G) cannot book late charge over and above what is calculated as per the relevant clause of the agreement to a respective XWDISCO only. The Petitioner has attached a detail of LPC recovered from the consumers with its petition whereby an amount of Rs.704.55 million, has been recovered from the consumers during FY 2014-15. The matter is also discussed in detail under the relevant issue.

8.22.8 The Authority is cognizant of the overbilling issue and therefore had already issued directions to all the XWDISCOs to print snap shots on bills and also under take the project of Hand Handled Units (HHU).

8.22.9 Regarding the issue of surcharges, the Authority is of the view that surcharges are levied by the Federal Government from time to time under Section 31 (5) of the NEPRA Act 1997. and litigation on the issue is still pending before Honorable Supreme Court of Pakistan..

8.22.10 The Authority on the points raised by the Intervener, regarding payment of capacity charges to the plants not supplying electricity and purchase of high cost electricity from Wind, Solar and other high cost power plants, noted that point of the intervener may be relevant at the time of tariff determinations for those generation companies. In the petition under consideration, the consumer end tariff of LESCO is being considered and the question of fixing capacity payment for generation companies is done through separate proceedings wherein the intervener never raised such objections. Therefore, the Authority is of the view the concerns are not relevant for this petition.

8.22.11 On the issue related to K-Electric, the Petitioner is advised to participate in the tariff setting process of K-Electric and submit its contentions in relevant the proceedings.

8.22.12 The time of seven days for filing of Intervention Request is as per the sub-rule 3 of the Rule 6 of NEPRA (Tariff Standards and Procedures) Rules 1998.

8.22.13 On the point of AKLA regarding late determination of LESCO, the Authority observed that NEPRA Tariff Standards and Procedure Rules 1998 (The Rules) prescribe the time period for determination of consumer end tariff, whereby the time for determination of tariff petition starts from the date of admission of the petition.

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8.22.14 The Authority further noted that all XWDISCOs determinations have been issued within the time period as provided in the Rules. Therefore the contention of the Intervener regarding delay on the part of the Authority is not maintainable.

8.22.15 On the Points of the Intervener regarding notification of the determined tariff against which either a review motion or a reconsideration request is pending, the Authority noted that notification of the Authority's determination is to be issued by the Federal Government in terms of Section 31 (4) of the NEPRA Act 1997 which states that;

"Notification of the Authority's approved tariff, rates, charges, and other terms and conditions for the supply of electric power services by generation, transmission and distribution companies shall be made, in the official Gazette, by the Federal Government upon intimation by the Authority:

Provided that the Federal Government may, as soon as may be, but not later than fifteen days of receipt of the Authority's intimation, require the Authority to reconsider its determination of such tariff, rates, charges and other terms and conditions. Whereupon the Authority shall, within fifteen days, determine these anew after reconsideration and intimate the same to the Federal Government."

8.22.16 The above provision of law is very much clear that Federal Government is to issue the Notification within 15 days from the date of intimation by the Authority. On the point of charging tariff from consumers which is not determined for that period, it is pertinent to mention that LESCO can only charge that tariff which is notified at that time irrespective of the Financial Year.

8.22.17 The Points of the Intervener regarding withholding of NEPRA's decision sent to GoP for notification and change in the effective period pertains to the Government.

8.22.18 On the issue of prior year adjustment, it is hereby clarified that PYA primarily includes impact of delay in notification, variation in Power Purchase Price and consumer mix variance, which are not in control of the utility, therefore are adjusted through PYA. Here it is pertinent to mention that more than 80% of the PPP consists of fuel cost which is passed on to the consumers through monthly FCA and the remaining cost is adjusted in the PYA. However, it does not include any cost due to inefficiencies and is purely worked out based on the notified regulatory targets of the Authority.

8.22.19 The Authority being cognizant of non-compliance of its direction in the matter of installation of ToU meters has already issued a show cause notice to the Petitioner, for

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which proceedings are underway. Further, the issue of installation of ToU meters has also been deliberated under the direction part, wherein the Petitioner has stated that 95% progress in this regard has been achieved and remaining installation will be completed at the earliest. The Authority in view thereof and the agitation of the Intervener, has again directed the Petitioner to complete the installation of remaining ToU Meters without further delay i.e. by June 2016.

8.22.20 On the issue of recoveries, the Authority in view of the non-complaint attitude of the Petitioner and keeping in view the agitation and concerns of the Intervener has directed the Petitioner to comply with the Authority's directions by June 30, 2016. In case of failure, strict legal proceedings will be initiated again the Petitioner On the point of subsidy it is clarified that beside to solve the issue of affordability the purpose of providing subsidy is to have a uniform tariff across the country. Regarding levy of taxes, duties, sales tax the Authority observes that this does not pertain to NEPRA.

8.22.21 The Authority being cognizant of the overbilling issue directed the Petitioner to submit an Internal Audit Certificate in this regard. The Petitioner during the hearing submitted to provide the required certificate within a week's time, however, till date no such certificate has been provided by the Petitioner. The Authority considering the non-serious attitude of the Petitioner and considering the concerns of the Petitioner has again directed it to comply with the directions of the Authority otherwise strict action would be taken by the Authority for the non- compliance of the direction under the relevant law.

8.22.22 The Authority considering the fact that the Petitioner has not been able to fully comply with the direction of the Authority regarding printing of snap shots on the bills and keeping in view the agitation and concerns of the Intervener, has directed the Petitioner to complete the installation of remaining ToU Meters without further delay i.e. by 30 June 2016 and in case of failure of the Petitioner, strict legal proceedings will be initiated against the Petitioner.

8.22.23 On the issue of setting the RFO prices, HSD, Pipeline Gas and RLNG not higher than Rs.35,000/M Ton, Rs.60/Liter, Rs.700/MMBTU and Rs.900/MMBTU respectively, for FY 2015-16, the Authority considers that the Intervener has based its request on the historic data, whereas the Authority while determining the level of RFO prices do consider the past trend of the RFO prices but most importantly it base its projections on the likely future trends of the prices, as the awarded tariff is forward looking. In view

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thereof, the Authority considers that its assessment is reasonable keeping in view the future scenario of the oil prices.

8.22.24 Regarding the losses approved by the Authority any losses study even if in the range of 20% - 30%, the Authority assesses the quality of the study before adjudicating on it. Here it is Pertinent to mention that any result of study not necessarily means that it would be accepted by the Authority, the Petitioner would need to justify the results.

8.22.25 Regarding the plea of the intervener to set the target T&D losses at not more than 9%, the intervener has not provided any basis for the requested target, however the issue of losses is discussed in detail under the relevant head.

8.22.26 Regarding the Intervener request about linking the investment with key indicators e.g. reduction in losses, improvement in performance standards, quality of service etc. and them being clearly mentioned in the determination so that they may be checked at the audit and monitoring stage. The Authority in the past has taken notice of non-mentioning of investment targets and cost benefit analysis in its past determinations, therefore the Authority has issued a Methodology and has created the provision of submission of IGTDP. Further in the recent decisions IGTDP has been separately discussed, whereby it is clearly stated the targets to be achieved by the allowed investment e.g. MVA's to be added, improvement in voltage profile, improvement in HT/LT ratio, reduction in losses etc.

8.22.27 Regarding the Petitioner actual expenditure being more than the allowed expenses, these extra expenditure results in losses which are parked in the balance sheets of the Petitioner in the form of accumulated losses.

8.22.28 The Intervener request regarding providing head wise breakup of other income has been addressed in the instant tariff determination.

8.22.29 Regarding the intervener concern on Meter Rent, the Authority observed the fact that Meter Rents are not charged to those consumer who have paid cost of the Meters, however the said rent is charged to those consumers where the cost of the meter was paid by the DISCO.

8.22.30 The point regarding collecting of charges on the behalf of others dose not pertains to NEPRA.

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8.22.31 Regarding a charge on over recovered amount from the consumers, the Authority apprises that the liquidity risk is with the Distribution Company, therefore this dose not merits consideration.

8.23 <u>Concerns of M/s APTMA's</u>

8.23.1 As discussed above, during the 1st Hearing of the instant petition, when the Intervener pointed out errors, the Authority inquired from the Financial Advisors about their input on the submitted petition. In response, the Financial Advisors totally disowned any figure of the petition. In view thereof, the Authority adjourned the hearing and directed the Petitioner to revise its petition after taking Financial Advisors on board. The Petitioner submitted the revised petition after a delay of three weeks. During the 2nd Hearing, the Financial Advisors endorsed all the revised figures of the petition.

8.23.2 The Intervener again on the revised petition, has pointed out some deviations from the approved Methodology by the Petitioner. The Petitioner was obligated to provide all the information in line with the Methodology, however, the Authority considers that it is a well settled principle of law that the cases should be decided on merits and technicalities are to be avoided. In view thereof, the Authority has decided to proceed with the petition and is of the view that the provided information sufficient enough that the interest of the Intervener is not compromised. i.e. some information, although not provided in the prescribed specific form yet it is available within the petition e.g. actual data for the six months is not provided however the drivers/reasons that would increase the cost for the FY 2015-16 are pleaded by the Petitioner. Similarly, the technical losses are not only indicated in the FORM – 7, the Petitioner has also provided a draft study of its network. etc. In case if an information is totally lacking then the Authority would use its best possible judgment in order to protect the interest of the Intervener and all the consumer categories.

8.23.3 On the issue of setting the RFO prices at Rs. 33,416/M.Ton for FY 2015-16 instead of Rs. 47,892/M ton, the Authority considers that the Intervener has based its request on the historic data, whereas the Authority while determining the level of RFO prices do consider the past trend of the RFO prices but most importantly it base its projections on the likely future trends of the prices, as the awarded tariff is forward looking. In view thereof, the Authority considers that its assessment is reasonable keeping in view the future scenario of the oil prices.

8.23.4 The issue of T&D losses, past recovery of postretirement benefits, export to other DISCOs, additional recruitment and O&M benchmarking are addressed comprehensively under the relevant head.

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8.23.5 On the contention of Investments, the Authority while allowing the investments would also set the level of targets with respect to the allowed investments. On the concerns that the Petitioner would not be able to implement its proposed plan and may take undue advantage of the allowed investments in terms of return, the Authority has already decided to adjust the allowed investments as per the actual next year, in similar cases. As regard the concept of " Used and useful " is concerned, the Authority ensures the same while including the assets in the RAB . However, the Intervener not specifically mentioned any class of assets which should not be made part of the RAB. The Intervener's request of deferring approval of investment plan until Private sector participation is finalized , is not valid as the investments has to be carried out, in order to ensure smooth and reliable supply of electricity to its consumers and the same is irrespective of the nature of the ownership of the Petitioner. The Private party would however, would be allowed to carry out any investment in addition to the approved investment plan.

8.23.6 The issue of PYA is discussed in detail under the relevant head. Here it is pertinent to mention that the notification of the Authority's determined consumer end tariff is to be made by the Federal Government. The Petitioner's cannot charge Authority's determined tariff until the same is notified by GOP irrespective of the financial year for which it was determined. Further, the over recovery was done not only from industrial consumers , rather it was done from other consumer categories as well , hence the PYA mechanism compensates all the relevant consumers categories for over recovery , if any . As regard the request of allowing relief of 18.33% is concerned, the Authority considers that there were incidences in the past whereby the Petitioner was allowed significant PYA due to unrecovered cost and no additional relief with respect to liquidity crunch was allowed to the Petitioner.

8.23.7 The Authority in accordance with Rules, tries to minimize the existing level of cross subsidization while determining the consumer end tariff of any XWDISCO. Although the Petitioner has proposed a level of cross subsidization, yet the Authority while assessing the rate design for any consumer category has to consider the relevant provisions of its Rules and the inherent nature of cross subsidization due to specific consumption pattern of any XWDISCO. The Authority while assessing the tariff design for the industrial consumers (as a whole) has decided the reduce the existing level of cross subsidization.

8.24 Concerns of M/s Nishat Mills Limited :

8.24.1 The concerns of the petitioner do not relate to the tariff determination of LESCO rather the same are in the form of some complaint against LESCO for non-compliance of some directions of the Authority. It is, therefore, observed that those concerns cannot be

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considered in the tariff determination, however, the intervener, may seek the remedy in the form of a complaint u/s 39 of NEPRA Act 1997 which read as under;

"(1) Any interested person, including a Provincial Government, may file a written complaint with the Authority against a licensee for contravention of any provision of this Act or any order, rule, regulation, license or instruction made or issued thereunder.
(2) The Authority shall, on receipt of a complaint, before taking any action thereon, give notice to the licensee or any other person against whom such complaint has been made to show cause and provide such licensee or such other person an opportunity of being heard."

9. **Issue # 2: Whether the Petitioner's projected energy purchases & energy sales for the FY 2015-16 to FY 2019-20, is reasonable?**

9.1 The Petitioner has requested purchases of 20,280 GWh for the FY 2015-16, as baseline, by applying an increase of around 6.7% from the actual units received during the FY 2014-15. The Petitioner has further assumed a constant growth rate of around 6.4% in projected power purchase 2015-16 onward to reach at 25,978 GWh in FY 2019-20. The Petitioner during hearing of its instant petition mentioned that variation in growth would be trued up annually and will be re-fixed for next year, during the tariff control period.

9.2 Regarding projected sales, the Petitioner has mentioned that these are based on the projected losses estimated for tariff control period. The petitioner has projected sales of 17,471 GWh as baseline for FY 2015-16 which reaches to 22,901 GWh by FY 2019-20 worked out on an annual compound rate of 7 00%, after adjusting the proposed T&D losses of each year from the projected purchases

9.3 The Petitioner's forecasted electricity purchase and sale from FY 2015-16 to 2019-20 are as under,

Description	2014	2015	2016	2017	2018	2019	2020
	Actual		Projected				
Sales (GWh)	15,948	16,328	17,471	18,694	20,003	21,403	22,901
Sales Increase (%)	11.60%	2 40%	7.00%	7 00%	7 00%	7 00%	7 00%
Purchases (GWh)	18,425	19,009	20,280	21,573	22,951	24,417	25,978
Purchases Inc (%)	12%	3.20%	6.70%	6.40%	6.40%	6.40%	6.40%

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9.4 The Methodology prescribes the submission of generation plan by NTDC and procurement plan by CPPA (G) and its approval by the Authority prior to the filing of the tariff petition by the XWDISCOs, as also pointed out by one of the Intervener in its Intervention Request. Since both NTDC and CPPA (G) did not submit the generation and the procurement plans, the Authority in order to avoid any delays in the determination of XWDISCOs tariff petitions for FY 2015-16 and onward, decided to consider the power purchases and their corresponding cost as estimated by the XWDISCOs, along with the instant tariff petitions.

9.5 Although, there is an inbuilt mechanism for adjusting actual variation in sales against the estimated sales, yet in order to avoid unnecessary fluctuations in the consumer-end tariff it is appropriate to make realistic assessment of the purchases and sales Moreover, it is also important to have a realistic assessment of the monthly references of fuel cost for making monthly fuel cost adjustment pursuant to Section 31(4) of Regulation of Generation, Transmission and Distribution Act (XL 1997). In view thereof, the Authority has carried out a detailed exercise for estimating station wise generation pertaining to the FY 2015-16. An increase of around 2.05% has been assumed over the actual generation pertaining to the FY 2014-15, as generation growth. Here it is pertinent to mention that the actual generation for the FY 2014-15 was 1.94% more than the actual generation for the FY 2013-14. After incorporating all the expected upcoming additional generation, it is estimated that in the FY 2015-16 the overall system generation will be about 98,989 GWh. After adjusting for the NTDC's permissible transmission losses of 3.0%, about 96,019 GWh are expected to be delivered to the distribution companies; the estimated share for the Petitioner from the pool for the FY 2015-16, is accordingly assessed as 19,220 GWh for the FY 2015-16, as against 20,280 GWh projected by it. After incorporating the T&D losses target for the FY 2015-16 (discussed below) the sales target in the instant case for the same period works out as 16,962 GWh. As regard the assessment for the FY 2016-17 and onwards as per the Methodology, the NTDC would file data for its generation plan before or on 1st September, each year. The Authority after due diligence may consider revising the current projection of purchases and sales (after incorporating assessed T&D losses level).

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10. **Issue # 3: Whether the Petitioner's projected power purchase cost for the FY 2015-16 to FY 2019-20, is justified?**

10.1 The Petitioner has requested for a Power Purchase Price (PPP) of Rs.177,511 million (Rs.8.75/kWh) (unadjusted) for the FY 2015-16.

10.2 The Petitioner has stated that PPP is worked out based on the assessed PPP by the Authority in the matter of FESCO to the extent of energy purchase price and the capacity purchase price and transmission charges on the basis of latest NERPA determination for NTDC. During hearing of the Petition, the Petitioner mentioned that from FY 2016 and onward same figures have been assumed as these are subject to be trued up annually as per the mechanism provided in the Guidelines. The Petitioner has provide the following break-up of its Power Purchase Cost.

Mln. Rs.

Description	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
Energy Transfer Charge	118,089	126,647	136,153	146,368	157,342
Capacity Transfer Charge	53,944	57,099	60,578	64,265	68,171
NTDC Use of System Charge	5,477	6,189	6,499	6,824	7,165
Power Purchase Price	**177,511**	**189,934**	**203,230**	**217,456**	**232,678**
PPP (Rs. /Kwh)	**10.16**	**10.16**	**10.16**	**10.16**	**10.16**

10.3 In order to make fair assessment of the PPP, an in-house evaluation was done. As per the existing mechanism, the power generated from different sources is procured by the Central Power Purchasing Agency (CPPA (G)) on behalf of XWDISCOs as per the rates so determined by the Authority and subsequently reflected in the respective PPA. The overall power purchase cost constitutes a pool price which is transferred to the XWDISCOs according to a mechanism prescribed by the Authority and notified by the Federal Government in the Official Gazette. The Power Purchase Price has been projected, which in turn formulates the reference values for the monthly fuel adjustments & biannual PPP adjustment with respect to T&D losses, Capacity and Transmission Charges. Here it is pertinent to mention that while making biannual adjustments of the PPP, the Authority may rationalize the SoT accordingly.

10.4 From all the available sources of generation of electricity, i.e. Hydel, Thermal-Gas, RFO, Nuclear, Coal, Solar, Wind, Bagasse and Imports, a total of 98,989 GWh power is expected to be generated during the FY 2015-16. The estimated/projected source-wise generation and the estimated cost of electricity is given in the following table:

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Fuel Type	Gen.	Share	Cost	Share	Rate
	MkWh	%	Mln. Rs.	%	Rs./kWh
Hydel	32,563	32.90%	3,124	0.56%	0.10
Coal	102	0%	382	0%	3.74
HSD	1,702	2%	22,168	4%	13.02
F O	30,881	31.2%	332,651	59%	10.77
Gas	26,218	26%	177,129	32%	6.76
Nuclear	4,995	5%	6,609	1%	1.32
Mixed	1,015	1%	10,332	2%	10.18
Import from Iran	443	0%	4,669	1%	10.55
Wind Power	724	1%	975	0%	1.35
Bagasse	319	0%	1,977	0%	6.20
Solar	26	0%	64	0%	2.47
Total	**98,989**	**100%**	**560,080**	**100%**	**5.66**
Energy Charges [Net of NTDC Losses]	**96,019**		**560,080**		**5.83**
Cap. Charge [Rs. /kWh]			239,695		2.50
UOSC [Rs. /kWh]			30,520		0.32
Total Cost [Rs. /kWh]	**96,019**		**830,295**		**8.65**

10.5 Here it is pertinent to mention that the aforementioned energy charge includes variable O&M charges. But as per the tariff methodology, variable O&M charges would not be made part of monthly fuel adjustment and would be adjusted as part of biannual adjustments. From the above table it is clear that 31% of total generation is expected on Residual Fuel oil (RFO) but its share in overall energy cost is expected to be around 59%, which means that variation in generation mix and oil prices will have great impact on the cost of generation and will ultimately affect the consumer-end tariff. The RFO prices over the last year have shown a decreasing trend, whereby the actual average RFO prices during the FY 2014-15 remained at around Rs. 56,121 [excluding Sales Tax and including freight] per metric ton and came to a lower level of Rs. 40,411 per metric ton as against the last year's average projected price of Rs. 65,769 [excluding Sales Tax and including freight] per metric ton. The RFO prices in Pakistan are not only affected by the international market but also by the exchange rate parity. Based on the international market condition, it can be presumed that this lower trend shall continue in the future as well, consequently, for the FY 2015-16, RFO prices have been assumed on an average of Rs. 47,981 per metric ton [excluding Sales Tax and including freight] after incorporating the possible determinants of RFO prices. The HSD prices for the FY 2015-16, are being assumed on an average of Rs. 61.29 per liter [excluding Sales Tax], keeping in view the declining trend of HSD price in FY 2014-15,which remained on average Rs. 76.89 per liter during the FY 2014-15, against the projection of Rs. 93.45/ liter. Keeping in view the recent developments regarding the import of RLNG and the notification by OGRA regarding provisional price of RLNG, it is quite obvious that gas

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based power plants will also be run on RLNG especially in the months where there is gas shortage as has been the case in the past. Accordingly, impact of RLNG has also been considered while projecting the gas prices for the FY 2015-16, which has been assumed at Rs. 900/ MMBTU.

10.6 The generation cost is transferred to the XWDISCOs according to the Transfer Price Mechanism (TPM) as prescribed by the Authority.

10.7 Energy transfer charge shall be calculated on the basis of units delivered after adjusting target transmission losses as per the latest notified tariff determination in the matter of NTDC. NTDC shall, for the purpose of clarity intimate to all XWDISCOs the generation part of the Transfer Charge during a billing period by deducting from the Transfer Charge the Transmission Charge or Use of System Charges.

10.8 According to the above mechanism Rs.48,623 million and Rs.6,206 million is the share of the Petitioner on account of CpGenCap and USCF respectively for the FY 2015-16. The overall fixed charges comprising of CpGenCap and USCF in the instant case works out as Rs.54,829 million, which translate into Rs.1,219 /kW/month or Rs.2.85/kWh.

10.9 The annual PPP for the FY 2015-16 in the instant case works out as Rs.167,000 million. With the projected purchase of 19,220 GWh for the same period the average PPP turns out to be as Rs.8.69/ kWh (Annex – IV). On the basis of 11.75% T&D losses, the PPP per kWh is assessed as Rs.9.85/kWh.

10.10 Regarding the assessment for the FY 2016-17 and onwards is concerned, as per the Methodology, the NTDC would file data for its generation plan before or on 1st September, each year. The Authority after due diligence may consider revising the current projection of PPP. Accordingly, the impact of revised prices on the SOT, would be done by the Authority. Here it is pertinent to mention that the references of power purchases would continue to exist irrespective of the financial year unless the revised references are notified by the GoP.

11. **Issue # 4:Whether the petitioner projected other income for the FY 2015-16 to 2019-20, is reasonable?**

12. **Issue # 5: Whether exclusion of Late Payment Surcharge completely from other income, is justified?**

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13. **Issue # 6: Whether the Petitioner's request to allocate Late Payment Charges levied by CPPA as per actual delay made by DISCO rather than allocating the same based on an arbitrary mechanism merits consideration?**

13.1 The Petitioner has stated the other income includes mark-up on bank deposits, late payment surcharge, amortization of deferred credits and income from other sources, the detail of which has been shown in the table below. The Petitioner has further stated that due to declining KIBOR rates during previous years there is sharp decline in Profit on Bank Deposits. For Late Payment Surcharge and Meter & Service Rental, it has assumed 5% and 10% increase respectively for the FY 2015-16 to FY 2019-20 on the provisional figures for FY 2014-15. The service fee of TV fee has been increased by 10%. Other Income estimated by the Petitioner based on the aforementioned assumptions is as under.

Description	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
	Million Rs.					
	Act. /Prov.	Projected				
Amortization of Deferred Credits	1,096	1,289	1,424	1,577	1,713	1,855
Late Payment Surcharge	2,956	3,045	3,136	3,230	3,327	3,427
Profit on bank deposit	1,375	1,389	1,402	1,417	1,431	1,445
Non-utility operations	643	662	682	703	724	745
Service fee for collection of TV Fee	127	130	133	136	140	143
Meter & Service Rent	150	152	153	155	157	158
Miscellaneous	266	274	282	291	300	309
Total	*6,614*	*6,941*	*7,214*	*7,509*	*7,791*	*8,082*
Less: LPS	*2,956*	*3,045*	*3,136*	*3,230*	*3,327*	*3,427*
Net Other Income	**3,658**	**3,896**	**4,078**	**4,279**	**4,464**	**4,655**

13.2 The petitioner has requested to completely exclude LPS from other income (and therefore the distribution margin) as any delays in recovery from consumers leads to cash constraints, which need to be financed. Thus the penal charge compensates the XWDISCO for the costs associated with the temporary mismatch between payments to be made for purchase of power and bills recovered from the consumer. It is more appropriate that these charges be recovered from individual customers than the customer base as a whole.

13.3 The Petitioner also requested that the charge levied by CPPA (now CPPA-G) via supplementary invoices at year end, is an allocation of the costs charged from it by IPPs rather than compensation for actual payment delays on part of the XWDISCO. The Petitioner has therefore recommended that CPPA be allowed to only charge markup on

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delayed payments for the actual delay made by the Petitioner rather than allocating the total costs between all DISCOs based on arbitrary mechanisms.

13.4 The Petitioner during the hearing stated that the Authority decided to adjust the Late Payment Surcharge recovered from consumers against late payment invoices raised by CPPA against respective DISCO only. However, it is still waiting for invoice of supplementary charges for FY 2014-15 and once the same is received, it will be shared with NEPRA accordingly.

13.5 The Petitioner during the hearing also provided the following detail of the supplemental charges and LPS charged to consumers not off set against supplemental charges from FY 2009-10 to FY 2013-14.

Year	Supplementary Charges	LPS charged to consumers not off set against supplemental charges
2009-10	1,305	1,311
2010-11	2,741	1 433
2011-12	2,806	1,786
2012-13	2,563	1 226
2013-14	2,024	2,424
Total	**13,438**	**8,180**

13.6 The Petitioner requested to allow, as prior year adjustment, the supplementary charges billed by CPPA (now CPPA-G) since the first tariff was notified because the LPS charged to consumers since the notification of first tariff has already been passed on to consumers as part of other income.

13.7 As per the clause 9.3(d) of the Electricity supply agreement dated 29th June, 1998 between XWDISCOs & NTDC, the XWDISCOs are obliged to pay CPPA late payment charge on delay payments of invoice. The clause 9.3 (d) of the agreement deals with Late Payment charge as below:

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

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

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13.9 Here it is clarified that LPC, if any, in FY 2014-15 were invoiced by and due to CPPA under the ESA, however, from July 2015 interest for late payment would be invoiced by CPPA (G) as per the PPAA and the Commercial code.

13.10 The Authority understands that as per the Tariff Methodology, Other Income may be determined in a manner that is consistent with the base year. Other income may be considered to be a negative other cost which may include, but not be limited to, amortization of deferred credit, meter and rental income, late-payment charges, profit on bank deposits, sale of scrap, income from non-utility operations, commission on PTV fees and miscellaneous income. Other income will be monitored to identify trends.

13.11 The Authority has assessed other Income for the petitioner as Rs.3,896 Million for FY 2015-16 *(Amortization of deferred credit: Rs.1289 Million, Profit on Bank Deposits; Rs.1389 Million, Others; Rs.1218 Million)* which will be adjusted annually as per the following mechanism to calculate future Other Income.

OI (Rev) = OI (1) + (OI(1) – OI (0))

OI (Rev) = Revised Other Income for the Current Year

OI (1) = Actual Other Income as per latest Financial Statement.

OI (0) = Actual/Assessed Other Income used in the previous year.

13.12 The Authority, regarding the aforementioned submissions of the Petitioner, does not see any new rationale or ground which was not considered before at the time the initial decision was made hence sees no merit on the grounds submitted by the Petitioner to completely exclude the amount of LPC while calculating other Income. The Authority consistent with its earlier decision, on the issue, has not included the amount of LPC while assessing the other income for FY 2015-16. Here it is pertinent to mention that the LPC 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 LPC recovered from consumers shall be made part of other income and deducted from revenue requirement in the FY 2016-17.

14. Issue # 7:Whether the petitioner's proposed mechanism for calculation of prior year adjustment is justified?

14.1 The Petitioner, in its petition requested an amount of Rs. 14,146 million positive under the head of Prior Period Adjustment. The Petitioner during the hearing stated that the any legitimate cost of the company which is not covered through tariff during the year that will be recovered under prior year adjustment through consumer end tariff. The petitioner in support of its claim has not provided any working and justification.

14.2 The Authority while evaluating the Petitioner's requests has observed that it has not provided any calculations in support of its requested PYA. Hence, the Authority has decided to carry out its own calculations, which are as follows;

		Rs. Million
	Notified reference PPP during the FY 2014-15	185,233
	Assessed Distribution Margin for the FY 2014-15	16,074
	Assessed PYA for the FY 2014-15	(24,150)
Add ;	1st Qrt's PPP adjustment pertaining to the FY 2014-15	8,841
Add;	2nd Qrt's PPP adjustment pertaining to the FY 2014-15	4,651
Add;	3rd Qrt 's PPP adjustment pertaining to the FY 2014-15	2,021
Add;	4th Qrt's PPP adjustment pertaining to the FY 2014-15	7,919
Less;	Regulated PPP recovery on notified rates during the FY 2014-15	209,194
Less;	Regulated DM recovery on notified rates during FY 2014-15	12,992
Less;	Regulated PYA recovery on notified rates during FY 2014-15	1,486
Less;	Net impact of assessed & actual Other Income for the FY 2014-15	3,495
Add;	Impact of Consumer – Mix Variance for the FY 2014-15	(350)
Total Unrecovered/ (Over recovered) Costs for the FY 2014-15		**(26,930)**

14.3 Here it is pertinent to mention, as per the previous practice, the impact of any decrease in (negative) monthly FCA, was not passed on to the Life line and Agriculture Consumers of XWDISCOs. The same relief was adjusted by the Authority in the annual tariff determinations of XWDICOs, through the Prior Year Adjustment mechanism, whereby the impact of such amount is adjusted in the tariff design across all the consumer categories.

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14.4 MOW&P vide its letter No.5-PF/02/2013-Subsidy dated May 21, 2015 issued the policy guidelines under Section 31 (4) of the NEPRA Act, 1997 with regard to the Fuel Charge Adjustments and subsidy rationalization of Ex-WAPDA Distribution Companies.

14.5 MOW&P in its aforementioned policy guidelines, inter alia, mentioned that ECC of the Cabinet has been pleased to approve the issuance of the following Policy Guidelines under Section 31 (4) of the NEPRA Act, 1997 on 21.05.2015 i.e.

"Any negative adjustment on account of monthly FCA will not be passed on to the Domestic consumers who have subsidized electricity tariff."

14.6 The Authority considered the policy guidelines of the GoP with respect to the Fuel Price Adjustment being consistent with the GoP Policy for phasing out the subsidy which are also consistent with the standards and guidelines as per Rule 17 of Tariff Standards and Procedure Rules -1998.

14.7 Accordingly, the Authority decided that any negative monthly FCA shall not be applicable to lifeline consumers, domestic consumers and Agriculture Consumers of all the XWDISCOs being already being subsidized by the Government. The impact of such negative FCA not passed on to the aforementioned consumer categories, in the matter of the Petitioner, for the FY 2014-15, works out to be Rs.6,899 Million.

14.8 The Authority in view of the above referred policy guidelines of GoP regarding rationalization of subsidy in the matter of XWDISCOs, has decided not to adjust the impact of negative FCA across different consumer categories, as it was doing in the past. Thus, the negative FPA impact on lifeline consumers, domestic consumers (consuming upto 300 units) and Agriculture Consumers i.e. Rs.6,899 Million, which is still laying with the Petitioner , must be adjusted by GoP, against the overall Tariff Differential Subsidy claim in the matter of the Petitioner eventually reducing GOP's overall Tariff Differential Subsidy burden. This decision of the Authority is only applicable under a subsidy regime, whereby aforementioned classes of consumers are receiving subsidy directly in their base tariff.

15. Issue # 8:Whether allowance of cost of working capital merits consideration?

15.1 The Petitioner in its tariff petition has submitted that given the strained liquidity conditions of the power sector, routine delays in payments by the government and delays in tariff notification, provision for cost of financing working capital requirements be included in the tariff regime.

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15.2 The Petitioner further proposed that working capital requirement be computed as the difference between 45 days of revenue from sale of electricity and costs for 1 month of power purchase, in line with Petitioner's normal working capital cycle. Alternatively, the working capital requirement may be included in the regulatory asset base (RAB) of the utility on which WACC is applied. The Petitioner during hearing submitted following financial impact in this regard;

Description	Rs. Million
Avg. Revenue of 45 days	27,428
Avg. CPPA Payable of 30 days	14,793
Proposed Working Capital	12,635
Return on Working Capital @ 18.33%	2,316

15.3 The Authority observed that the Petitioner's request to allow for provision for cost of financing working capital requirements due to delay in tariff notification and delay in payment by the Government does not merit consideration as the average sale rate determined for FY 2014-15 was Rs.11.1607/kWh, whereas, Rs.12.9911/kWh and Rs.14.0025/kWh remained effective from July 2014 to September 2014 and October 2014 to May 2015 respectively, meaning thereby the Petitioner has made over recoveries. Consequently, the request of the Petitioner to allow working capital is hereby rejected. It is also clarified that since the Petitioner is now being allowed late payment charge through other income, therefore, need for working capital cost does not exist as such.

15.4 The Authority further, while reviewing the Financial Statements for the FY 2014-15 of the Petitioner has observed that an amount of Rs.17,786 million is receivable from CPPA (G). The Authority fails to understand the Petitioner's plea of allowing difference between 45 days of revenue from sale of electricity and costs for 1 month of power purchase when at the same time it has such a huge receivables outstanding from CPPA-G. Accordingly the request of the Petitioner in this regard is rejected.

16. **Issue # 9: Whether the mark-up in range of KIBOR + 300-350 bps on delayed tariff differential subsidy by GOP or alternatively be allowed to adjust TDS from Power Purchase Cost, merits consideration?**

16.1 The Petitioner submitted that it is facing cash constraints owing to delay in payment of the tariff differential subsidies by the GoP, which adversely affects its ability to manage,

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to ensure reliable and consistent supply of electricity thus further adding to circular debt.

16.2 The Petitioner further stated that it is currently unable to pass-through the cost of financing the cash shortfall through its tariff and thus has to finance it through the internal resources.

16.3 In view of the above, the Petitioner has requested to allow for charging a penal interest in the range of KIBOR plus a spread of 3.0%-3.5%, which will result into effective management of cash flows and help in improving the strained liquidity conditions, the utility is currently facing.

16.4 Alternatively, the Petitioner has proposed that it may be allowed to adjust in advance the TDS from the Power Purchase Cost payments made to CPPA (G), thereby eliminating this cash imbalance, which will encourage the GoP to take full ownership of the TDS and ensure that the distribution companies do not suffer owing to policy matters. As a second alternative, the Petitioner has requested to be allowed to include the TDS receivable in the computation of the Working Capital requirement.

16.5 The Petitioner has also submitted that in the current situation, investments also contribute to cash constraints. It is stated that the Petitioner bears the financing cost by way of interest payments on debt during construction period. According to the Petitioner the regulation only allows for cost reimbursement after the completion of the projects. To reduce cash constraints, especially considering the extensive investments plans, the Petitioner be allowed to charge interest on debt during the construction phase.

16.6 The Authority observes that the claim of the Petitioner for markup on delayed TDS is contradictory as on one hand the Petitioner is requesting for a markup whereas at the same time advance payments of Rs.17,786 million have been made to CPPA (G). However, the Authority considers that the matter of payment of mark-up on delayed tariff differential subsidy, is something which is initially to be agreed by between the Petitioner and the GoP and subsequently, any agreement reached, must be brought to the Authority for its consideration in terms of its legal cover (under legal documents such as PPAA, Commercial code) and its financial implications, if any. In view thereof, the Authority currently declines the Petitioner's request. However, the Petitioner may discuss the proposals with GOP and CPPA (G).

16.7 The Authority has considered the Petitioner request and is of the view that the existing mechanism of calculating return does take into account the cost of debt during construction as the RAB includes the CWIP. In view thereof the Petitioner's request being without any basis is not maintainable; therefore is being denied. Here it is pertinent to mention that future investments are initially made through own sources

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and borrowing. Once the Assets are capitalized, the Capital Expenditure is paid back by way of depreciation.

17. **Issue # 10: Whether the request of the Petitioner for financial charges on loans obtained by GoP through PHPL merits consideration?**

17.1 The Petitioner has submitted that Federal Government borrowed loans through PHPL for onward payment to CPPA to pay off the obligations towards power producers. The share of Petitioner out of total borrowed loan is Rs. 21.4 billion as per credit notes issued by CPPA. Based on the allocated loans, the financial cost of Rs.3.4 billion has been charged to Petitioner up-to 30-06-2015 as per debit notes issued by CPPA.

17.2 The Petitioner further submitted that MoW&P revised the loan amount to Rs. 70.4 billion in Feb-2015 and the amount of markup payable by it against revised allocation is Rs. 16.52 billion. The Petitioner has requested that while issuing multiyear tariff determination necessary relief, as deemed appropriate, may be allowed for the period starting from FY 2015-16 to FY 2019-20.

17.3 The Authority while evaluating the Petitioner request observed that the same issue was raised by the Petitioner during the FY 2012-13, and the Authority while deciding the tariff petition for the FY 2012-13, after a comprehensive discussion, has already adjudicated on the issue, therefore the matter does not require any further adjudication. In view thereof, the Authority maintains its earlier decision in this regard.

18. **Issue # 11:Whether there is any major deviation in the petition from the NEPRA guidelines for determination of consumer-end tariff (Methodology & Process) notified vide SRO. 34(I) 2015 dated 16.01.2015?**

18.1 The Petitioner during the hearing of its instant petition submitted that there are no such deviations from NEPRA guidelines.

18.2 The Authority having gone through the petition has observed that petitioner stance with respect to deviations from NEPRA guidelines is not correct. Several deviations from the filing requirements indicated in the Methodology particularly with respect to CoSS, investments, Generation plan and losses etc. have been noted. In future the Petitioner needs to fulfil all the requirements provided in the Methodology while filing the next tariff petition failing which the Petitioner's petition will not be entertained.

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19. **Issue # 12: What is the financial impact / loss of revenue due to TOU metering for cellular company connections and other similar connections?**

19.1 The Petitioner during the hearing stated that it has 1,559 cellular companies' connections having annual negative financial impact of Rs. 90.51 million. The Petitioner requested that TOU tariff should not be applied to those connections which operate only during off peak hours or have the option of operating during off peak hours due to nature of their working which defeats the very purpose of the applying TOU tariff and therefore such connections, irrespective of tariff category should be charged under normal tariff without TOU rates.

19.2 The Authority observed that IESCO, in its tariff petition for the FY 2012-13, contended that by installing TOU meters on the connections that operate on a 24 hour basis, an undue benefit of lesser off peak rate is enjoyed by these sort of consumers as their demand remains constant throughout the day, irrespective of the differential tariff being offered in different time spectrum. IESCO presented a negative billing impact of Rs. 9 million per month approx. due to the installation of TOU meters on cellular company connections (who according to IESCO ,maintains constant load throughout the day). The same concern was noted and addressed in para 6.5 of the tariff determination for the FY 2012-13 dated 27th March, 2013.

19.3 Consequently, the Authority decided to deal the matter separately and directed all DISCOs for comments on the issue. Subsequently, comments were filed by DISCOs and they supported the stance of IESCO in their tariff petitions for the FY 2013-14. The following arguments were presented by DISCOs;

Risks

- Conversion to a TOU meter is only viable for consumers who are aware of the rules and are able to alter their consumption patterns to maximize plan benefits.
- The main objective of TOU tariff was reduced demand on the power system during peak hours by introducing TOU metering.
- Cellular companies run their business round the clock during peak hours as well thus do not contribute toward the reduction in power demand during the peak hours.

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- A separate tariff may be introduced for cellular companies as they do not deserve TOU tariff due constant load behavior.

- The consumer of cellular companies are enjoying the cross subsidy because they are availing the benefits resulting from application of TOU tariff consequently causing a negative impact on revenue as well as average sale rates.

- GEPCO also submitted a negative billing impact of TOU metering of cellular connections of Rs. 13.88 million affecting the revenues of the company;

Comparison of TOU/ Normal Billing to the Cellular Companies for the Month of June, 2013				
Name of Company	**No. Of Connections**	**TOU Billing**	**Billing under Normal Tariff**	**Difference**
Cellular Companies	1,955	Rs.38.42 million	Rs. 52.30 million	Rs. 13.88 million

- DISCOs suggested discontinuation of TOU metering on all such connections and more specifically on cellular company connections. FESCO also requested for a separate tariff category for these connections.

19.4 Keeping in view the aforementioned arguments / comments submitted by the XW-DISCOs, the Authority decided to hold a separate hearing on the issue by taking stakeholder on board. In this regard a hearing was held on 8th July, 2014. The hearing was attended by representatives of IESCO and legal representatives of Cellular Companies. The representatives of IESCO reiterated their stance and requested the Authority to discontinue the installation of TOU meters on these connections. Whereas, the legal representatives of Cellular companies objected to the proceedings and demanded that evidence of losses being faced by DISCOs should be produced to review by cellular companies in order to provide further justification / evidence. The legal representatives further objected to the suo-moto proceedings and named it as a brain storming session which needs to be followed by examination of evidence by cellular companies and a further hearing opportunity. The legal representatives of IESCO objected to the concerns of cellular companies' representatives and offered to present all the facts to the Authority. The Authority, during the hearing, required both DISCOs and cellular companies to provide their evidences in this regard to the Authority for consideration.

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19.5 As directed by the Authority during the hearing, IESCO submitted data vide letter No. 7617-20/CE/IESCO/CD(S) dated 21stJuly, 2014. In the meantime some initial information was provided by Warid Telecom Company.

19.6 A number of cellular companies instead of providing data, went to the higher court against the suo motto proceedings initiated by the Authority. The Honorable Islamabad High Court, dismissed their petition and the same was challenged by cellular companies before the Supreme Court of Pakistan. The decision of the Honorable Supreme Court is reproduced here as under;

> *"This petition is, therefore, converted into appeal and is allowed. Consequently the impugned judgment dated 22.07.2014 is set aside. This however shall not prevent NEPRA from furnishing the information relevant to the notice issued in the press and to proceed with the hearing after adhering to the National Electric Power Regulatory Authority (Tariff Standards and Procedure) Rule, 1998."*

19.7 The representatives of Cellular companies Telecom, Mobilink and Ufone, M/s Aqlal Advocates later on submitted Motion for leave for review vide letter dated 25th July, 2014 and made the following submissions;

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

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or pleadings of the parties which precludes the Respondents from meaningful participation in the proceedings by presenting their case properly and effectively.

19.8 On the afore stated submissions, the Cellular companies made following pleas;

- A detailed schedule for the orderly disposition of the proceeding, inter alia, for filing of interrogatories, discovery motions, objections and responses to objections and other procedural matters be established before further proceedings;
- After collection of all requisite evidence and giving adequate opportunities to the parties to consider and, if required, object to such evidence, declare close of evidence before the next hearing.

19.9 As per decision of Supreme Court of Pakistan the Authority again started proceedings, the Authority vide letter No. 1085-91 dated 23-01-2015 shared the information provided by IESCO with cellular companies for their comments. In response only M/s Mobilink provided their comments vide letter dated 9th March, 2015.

19.10 Consequently a letter was issued to the concerned stakeholders dated July 06, 2015 for their comments on the data provided by IESCO. However, till date no comments had been received so far.

19.11 In view of aforementioned and as per the statutory requirements, the Authority framed the same issue in the instant petitions and the relevant data was sought from the DISCOs for the onwards comments from the cellular companies.

19.12 The Authority keeping in view the sensitivity of the issue decided to constitute an in house-committee having Technical and financial representation for the review/evaluation of the comments and arguments of the parties. The Authority in light of the findings of the committee may change terms and conditions, if any along with the biannual PPP adjustments.

20. **Issue # 13:What are the concerns of the Petitioner on the application of domestic tariff for Government office, educational institutions and mosques?**

20.1 The Petitioner during the hearing stated that domestic tariff was allowed initially by WAPDA as a concession to Government Dispensaries, Educational institutions and Mosques and the legacy has continued. However, it is about time to revisit this especially regarding Educational Institutions and Dispensaries. The Petitioner further submitted

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that application of TOU or non TOU tariff for Government offices, educational institutions and mosques needs review. The Petitioner requested that TOU tariff should not be applied to these connections which operate only during off peak hours due to nature of their working and should be charged under normal applicable tariff without TOU rates otherwise it will result in loss of revenue without any contribution towards load management.

20.2 Although the Petitioner did not provide any details of loss in revenue in this regard, however, the Authority on the issue has decided to create a New General Services Category by changing terms & conditions of the residential consumers and has decided to restrict residential category as Residences and Places of worship, excluding thereby all government and other offices, educational institution. Thus, the consumer category A3 General services shall include;

- Approved charitable/religious institutions
- Government and semi – Government Offices and institutions
- Government Hospitals and dispensaries
- Educational Institutions
- Water supply schemes including water pumps and tube wells operating on three phase 400 volts other than those meant for the irrigation or reclamation of Agricultural land.

21. Issue # 14: Whether there should be any penalty as a cut on Distribution Margin (D.M) if desired level of performance standards are not achieved by the Petitioner?

21.1 The Petitioner on the issue submitted during the hearing that the Penalty / Fine for not meeting with the performance standards is already provided in the NEPRA Performance Standards (Distribution) Rules 2005, therefore, further penalty as a cut on DM is not justified.

21.2 The Authority understands that the incorporation of the efficiency factor "X" caters for in case the Petitioner does not bring in the desired level of efficiency as the Petitioner would end up bearing the extra costs over the approved tariff. However, in case the Authority observes any major deviation from the performance standards as committed by the Petitioner in its IGTDP, over the tariff control period, the Authority may consider introducing an extra cut on DM in the next tariff control period.

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22. **Issue # 15: Whether there should be any mechanism for sharing of profits/benefits by the Petitioner with the consumers if the petitioner performance exceeds the desired level?**

22.1 The Petitioner has presented that such Incentive may be incorporated in favor of consumers and the Petitioner to accelerate performance.

22.2 The Authority observed that it has already prescribed mechanism for sharing of profits/benefits with the consumers on account of savings in cost of debt's spread. The mechanism has been explained in detail under the respective head/ issue. However, after taking into account all the adjustments and assessments, as discussed in the instant determination, if the Petitioner still earns extra profits the same will be shared with the consumers and the Petitioner equally.

23. **Issue # 16: Whether the petitioner reference O&M cost of for the FY 2015-16, including cost of new hiring, is justified for future adjustments till FY 2019-20?**

24. **Issue # 17: Whether the Petitioner's request to allow the last three years reduction made in the O&M expenses with regard to provision of postretirement benefits after creation of Post Retirement Fund is justified?**

25. **Issue # 18: Whether the Petitioner's request to allow the total amount of its pension obligations of Rs.70 Billion, over a period of five years for transferring the same in the Separate Pension Fund is justified?**

26. **Issue # 19: Whether the Petitioner's request for annual adjustment of non-controllable O&M costs based on actual costs merits consideration?**

27. **Issue # 20: Whether the proposed efficiency factor (X) at Zero (0%) for first three years, and 0.5% for last two years, to be applied to the bench mark O&M cost excluding R&M adjusted by CPI, merits consideration?**

28. **Issue # 21: Whether the requested allowance of Rs. 1,064 million for additional recruitment of 4,545 employees in FY 2015-16 is justified?**

29. **Issue # 22: Whether the petitioner's request to link repair and maintenance cost with its gross fixed assets is justified?**

30. **Issue # 23: Whether the Petitioner's request for adjustment of O&M costs incurred as a result of force majeure or uncontrollable events (Z-Factor) is justified?**

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31. **Issue # 24: Whether the criterion proposed by the petitioner for segregation between controllable and un-controllable costs is justified?**

31.1 The Petitioner delineated that O&M expenses include salary, house acquisition, employees' retirement benefits, travelling expenses, vehicle expenses, repair & maintenance and other operating costs related to the Petitioner supply business. The summary of O&M expenses requested by the Petitioner is as under: -

DESCRIPTION	FY 16	FY 17	FY 18	FY 19	FY 20
	Billion Rs.				
Salaries & Wages	10.19	11.15	12.16	13.25	14.41
Post-Retirement Benefits	9.60	10.56	11.62	12.78	14.06
Repairs & Maintenance	2.18	2.38	2.59	2.83	3.09
Other Operating Expenses	2.58	2.98	3.19	3.42	3.67
CWIP	0.00	0.00	0.00	0.00	0.00
Total	**24.56**	**27.07**	**29.57**	**32.28**	**35.23**

31.2 During hearing of its instant Petition, the Petitioner has presented the following basis to arrive at above stated figures:

Particular	% Inc.	Remarks
Salaries, Wages & Benefits	9%	Increase has been assumed on the basis of Actual audited amounts of FY 2014-15
Post-Retirement Benefits	10%	
Repair & Maintenance	10%	
Vehicle Running Expenses	5%	
Travelling Expenses	10%	
Other Expenses	9%	

31.3 The Petitioner further stated that salary and employee benefits are the major components of O&M expenses. The Petitioner also mentioned that since the Petitioner was incorporated as a company in compliance of the power sector reform policy of the Government of Pakistan (GOP), and WAPDA employees working in the Lahore Area Electricity Board gradually became employees of the Petitioner in terms of the Manpower Transition Plan, therefore the Petitioner had to maintain the GOP pay scales

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and the terms of employment for the employees which were prevalent in WAPDA. The Petitioner in the instant case has assumed increase in basic pay @10% of running basic pay, along with the effect of annual increments of 3% from December onwards for each fiscal year.

31.4 The Petitioner demarcate that with reference to sanctioned strength based on best utility practice has planned to initiate the hiring against the vacant seats in different functional areas. The Petitioner further submitted that, the Authority did not provide any framework, guidelines or specific yardstick and its quantified benefits along with a comparison of existing state of affairs to be followed by the Petitioner for approval by the Authority. The Petitioner explained that based on existing yard stick and sanctioned strength which is approved by WAPDA and after observing the due procedures and keeping in view the all parameters, it got approved a recruitment plan from its Board of Directors. The Petitioner stated that it has planned to hire 4,545 number of employees against vacant posts in different categories of functional areas with financial impact of Rs. 1,064 million approximately. The detail of cadre wise requested employees is given below:

[illegible]	POST	BPS	[illegible]	[illegible]
1	HR Director	20	1	2
2	Legal Director	20	1	2
3	Assistant Manager (Accounts)	17	6	4
4	Assistant Manager (Computer/P&SA)	17	2	1
5	Assistant Manager (Customer Service)	17	2	1
6	Assistant Manager (HR)	17	3	2
7	Assistant Manager (Stores)	17	1	1
8	Junior Engineer	17	105	76
9	Oriental Language Teacher (OLT)	16	2	1
10	Trained Graduate Teacher Science (TGT)	16	4	2
11	Data Coder	15	22	9
12	Data Entry Operator	15	23	9
13	Librarian	15	2	1
14	Line Superintendent Grade-I	15	89	37
15	Sub Station Operator Grade-I	15	15	6
16	Accounts Assistant	14	34	13

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17	Assistant (DCS/BSC)	14	20	8
18	Audit Assistant	14	7	3
19	Cashier	14	8	3
20	Commercial Assistant	14	38	15
21	Line Superintendent Grade-II	14	71	27
22	Stenographer Grade-II	14	32	12
23	Sub Station Operator Grade-II	14	20	8
24	Senior Clerk	9	53	14
25	Junior Clerk	7	349	86
26	LDC (Revenue)	7	54	13
27	Meter Reader	7	128	31
28	Sub Station Attendant	7	20	5
29	Telephonist	7	145	36
30	Driver	6	249	55
31	Security Guard	6	336	74
32	Assistant Sub Station Attendant	5	180	38
33	Bill Distributor	5	334	71
34	Black Smith	5	21	4
35	Helper	5	35	7
36	Assistant Lineman	3	1472	277
37	Lorry Cleaner	3	66	12
38	Chowkidar	1	223	37
39	Naib Qasid	1	181	30
40	Sweeper/Sanitary Worker	1	191	31
	Total	[illegible]	[illegible]	[illegible]

31.5 The Petitioner mentioned that if its workforce keeps retiring each year and replacement hiring if not made, the Petitioner would be incapable of meeting the growth in demand and restrain to work efficiently and effectively. The Petitioner further stated that the Authority has already been allowed the replacement hiring in its earlier decision and the replacement hiring certificate which was required, is under process and will be submitted later on as received from the external auditor of Petitioner.

31.6 The Petitioner stated that it has created new subdivisions in pursuance of Authority's tariff determination for FY 2014-15 and letter No NEPRA/R/TRF-100/12654-63 dated August 26, 2015. The Petitioner further stated that the process of creation of new circles and divisions is planned to be completed soon. The summary of financial impact of new

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hiring and creation of new division/ subdivision as submitted by the Petitioner is as under:

Description	Mln. Rs
Estimated Impact of 18 sub-divisions – Allowed by NEPRA	323
Estimated Impact of 13 additional sub-divisions – Approved by BOD	234
Estimated Financial Impact of Other Recruitments	507
Total (For 10 month of current Financial Year)	**1,064**

31.7 Further, the Petitioner requested to allow in the base year the cost of creation of new circles and division as detailed below:

Description	Recurring [Mln. Rs]	Non. Recurring [Mln. Rs.]
Estimated Financial Impact of 2 Circles	67	27
Estimated Financial Impact of 6 Division	15.60	115.75
Estimated Financial Impact of 31 Sub Divisions	20	124

31.8 The Petitioner stated that the Authority in its determination for the FY 2014-15 had allowed only the amount of actual payments made to the pensioners rather than provisions charged to the Profit and Loss Account. The Petitioner also referred the Authority's decision for transferring adequate funds in the post retirement benefit funds in order to fully fund the plan liabilities and claim the same in the next year's tariff Petition on the basis of documentary evidence. The Petitioner also stated that it fully understands its legal obligation to record and pay these liabilities and since the unbundling of WAPDA, the Petitioner has been making timely payments to all its retired employees. The Petitioner also explained that keeping in view the Petitioner's proposed privatization, funding such massive obligation through a one-time payment will create an undue burden on the Petitioner and place in danger the plan for its privatization The Petitioner stated that as per requirement of IAS-19 and Companies ordinance 1984, it recognized the gross amount of retirement benefits including requisite provisions. Therefore, the Authority direction for creation of Independent Post Retirement Benefit Fund and denial of retirement benefits on the basis of fund establishment are not consistent with the requirements of the IAS-19 and Section 234 of the Companies Ordinance 1984.

31.9 The Petitioner submitted that the head of employee retirement benefits for the FY 2015-16 comes out to be Rs. 9,602 million and year wise comparison of employee retirement benefits is as follows: -

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Billion Rs.

DESCRIPTION	FY 17	FY 16	FY 17	FY 18	FY 19	FY 20
	Prov./Act	Projected				
Pension	5.23	5.81	6.39	7 03	7.73	8.5
Medical	0.92	1.01	1.11	1.22	1.34	1.47
Utility Expenses	2.42	2.48	2.73	3	3.3	3.63
Leave Encashment	0.28	0.31	0.34	0.37	0.41	0.45
Past Service Cost	7.06	-	-	-	-	-
Total	**15.92**	**9.6**	**10.56**	**11.62**	**12.78**	**14.06**
% Change	**174%**	**-40%**	**10%**	**10%**	**10%**	**10%**

31.10 The increase is based on the calculation of Actuary for FY 2014-15. There is massive increase in the provision for FY 2014-15 due to impact of EX-WAPDA employees retired before 1998 LESCO has taken the impact in compliance of NEPRA determination for LESCO for FY 2014-15 dated Mar 20, 2015.

31.11 The Petitioner delineated that its projections for remaining control period of postretirement benefits are based on increase of 10% on the estimated values calculated by Actuary for FY 2015-16. The Petitioner stated that with regards to establishing a separate fund for retirement benefits, the Petitioner currently has pension obligations of about PKR 70 billion. The Petitioner also stated that due to insufficient cash it is unable to transfer this amount in a separate fund, therefore, it has proposed following: -

a. Provisions for retirement benefits may be allowed in advance and an amount equivalent to that will be transferred to a separate fund.

b. A staggered funding strategy may be agreed with the Authority, whereby Petitioner place the funds against the liability in a piecemeal manner every year over a period of 5 years. The same shall need to be incorporated in the tariff determined for Petitioner to enable it to recoup the funds transferred.

Salaries & Wages and Other Benefits Inclusive Post Retirement Benefits

31.12 The Authority has evaluated Petitioner's concerns with respect to the additional recruitments. The Authority has discussed the new hiring cost requested by the

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Petitioner with reasonable clarity in the tariff determinations for the FY 2013-14 and FY 2014-15. The referred relevant extracts of para 14.2.5 of the decision dated 2nd January, 2014 are repeated hereunder;

> *"additional recruitments yet again the request is not substantiated with any comprehensive recruitment plan contrary to the Authority's direction passed in tariff determination pertaining to the FY 2010-11 & FY 2011-12"*

31.13 Thus, the major reason for the decline in the first place was not the approval of yardstick rather it was the required cost benefit analysis which also includes the existing state of affairs. The Authority, insisted that it should not be merely based on sanctioned strength and vacant posts. If, according to the Petitioner, the criteria for additional recruitment should be based on some yardstick, then that yardstick must be approved by the Authority. In addition, the burden of proof is on the Petitioner, not the Authority, as it is the Petitioner who intends to do the additional recruitment.

31.14 The Petitioner rather complying with the direction, again in the instant petition, has referred to the approval granted by its BoD and provided a list of staff. Neither any further details/ justification has been provided by the Petitioner nor any proposed yard stick substantiating the need for additional recruitments has been provided. In view of aforementioned discussion and the fact that the Petitioner has failed to comply with the Authority's direction in this regard; the Authority has decided not to allow the requested additional recruitment of 4,545 personnel having an impact of Rs.1064 million as a part of reference cost for future increases.

.31.15 On the issue of creation of new subdivisions, divisions and circles, the Authority in the tariff determination for the FY 2014-15, keeping in view the commitment of the Petitioner to improve customer service, accepted the proposal principally. However, the Petitioner was directed to send the cost estimates of the entire project to the Authority along with the completion timelines and quantified benefits not later than 30th June, 2015. The letter of the Authority referred by the Petitioner was specifically on the subject of creation of new subdivisions, divisions and circles, however even the referred letter's para 6 specifically qualifies that the prudence of the costs would be justified by the Petitioner. The Authority also brought on record that this project of the Petitioner will be closely monitored to check if it is achieving the claimed advantages. Consequently the Petitioner directed to send the quarterly report of progress made on creation of new circles w.e.f. 30th June, 2015. The Petitioner, submitted to the Authority vide letter No. HRD/LESCO479 dated 08-12-2015 that its BOD in its 161st meeting has approved establishment of total 31 sub-divisions based on the criteria on which the Authority has allowed to creation of 18 new sub divisions.

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31.16 The Authority has evaluated Petitioner's request in the context of transitioning from Single year to Multiyear tariff regime and the anticipated change in management through the ongoing privatization program. The Authority considers that allowing creation of new circles / divisions /sub divisions is decision specific under single year tariff regime, whereby each year its financial and qualitative impact may be evaluated/analyzed. Under multiyear tariff regime, the instant decision becomes irrelevant as the existing state of affairs of the Petitioner is considered as benchmark for future efficiencies. Further, keeping in view the existing management change whose prime objective is to bring efficiency may come up with an idea which would render the whole idea of creating new circle obsolete. The Authority further feels that in the era of technological advancements, every effort needs to be adopted to get the benefit of technology to bring efficiency through reducing reliance on more man power Thus, keeping in view the arguments with respect to management change, multiyear tariff regime and the fact that the Petitioner has failed to comply with the Authority's direction, the Authority has decided, not to allow the additional recruitment in this regard.

31.17 The Authority has also observed a bonus amounting to Rs. 553 million, while evaluating the actual accounts of the Petitioner, and has decided not to include it in the reference cost for future increases.

31.18 The Authority also directed the Petitioner in the tariff determination of FY 2012-13 to submit a certificate from the external auditor in respect of the financial impact of new recruitments during FY 2009-10. The issue has been discussed in detail under the directions part.

31.19 The Authority while assessing the Pay & Allowances and other benefits of the Petitioner for FY 2015-16 (reference cost for future increases), has taken into account the impact of GOP's recent announcement of 7.5% increase as ad-hoc allowance, 5% annual increment, merging ad-hoc relief of 2011 & 2012 in running basic pay and increase in Medical Allowance by 25% as per GOP notification.

31.20 Accordingly, based on the discussion made in the preceding paragraphs and after incorporating the impact of the aforementioned increases, the Authority has assessed Pay & Allowances and other benefits as Rs 7,670 million (excluding post-retirement benefits) for the FY 2015-16. The same shall be considered as the reference/base cost for working out future salaries, wages and other benefits for the reaming control period as per Annex-VI.

Post-Retirement Benefits

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31.21 The Authority considering the overall liquidity position in the power sector and in order to ensure that the Petitioner fulfils its legal liability with respect to the post-retirement benefits, directed the Petitioner and all other XWDISCOs to create a separate fund in this regard before 30th June 2012. Subsequently, this deadline was extended by the Authority. The rationale was that the creation of funds would ensure that the Petitioner records it liability more prudently since the funds would be transferred to a separate legal entity. In addition to that these independent funds would generate their own profits, if kept separate from the company's routine operations and in the longer run reducing the Distribution Margin and eventually consumer-end tariff.

31.22 During the consumer end tariff hearing for the FY 2014-15, the Petitioner informed the Authority that the pension fund has been created but pending with FBR division for final approval. The Petitioner in the current tariff petition submitted that it has created a separate pension fund for retirement benefits.

31.23 Here it is pertinent to mention that the Authority had been allowing the provision for post-retirement benefits to the Petitioner as a part of its O&M cost till FY 2011-12 and the Petitioner has a practice of withholding distribution margin (DM) and transferring the remaining amount to CPPA. It was only for the last three years that the Authority decided to allow the actual amount on account of pension benefits, due to non-compliance of the Authority's directions. Thus, any post retirement liability pre FY 2011-12, is with the Petitioner.

31.24 Considering the expected management change, the dynamics of multiyear tariff regime and the fact that the Petitioner has complied with the direction of the Authority to the extent of creation of the separate Pension Fund, the Authority, has decided to allow the provision for the post-retirement benefits based on last three years average provision as per its financial statements. The provision for FY 2015-16 based on last three years' average is being allowed including the impact of the employees retired before unbundling of WAPDA. Here it is pertinent to mention that since the post-retirement benefits include other liabilities in addition to Pension, hence it directed to create separate accounts or fund (as the case may be) for each head of post retirement liability. It would be mandatory for the Petitioner to deposit the whole amount into separate funds and accounts (as the case may be). If the Petitioner fails to transfer the whole amount of post-retirement benefits, the Authority would adjust the deficit payments in the next year's provision and from thereon, only actual amounts paid and amount transferred into the fund would be allowed. In case of complete failure to transfer any amount into the fund, the Authority would only allow actual payments, rather than

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provision In addition, separate proceedings would also be initiated for the noncompliance of the Authority's directions, under the relevant law. In view thereof, for FY 2015-16, an amount of Rs.9,002 million is hereby allowed to the Petitioner for the postretirement benefits. In case if the Petitioner intends to transfer previous year's liability as well, it can do so, however the Authority would only allow provisions (or actual amount transferred as the case may be) pertaining to future periods only i.e. FY 2015-16 and onwards.

Repair and Maintenance Expenses

31.25 The Petitioner stated that repair and maintenance costs are controllable costs considered outside the scope of the CPI-X mechanism. The Petitioner proposed to link its repair & maintenance expenses with increase in growth in fixed assets. The detail of requested repair & maintenance cost for tariff control period is below: -

Mln. Rs.

Description	2015-16	2016-17	2017-18	2018-19	2019-20
	Projected				
Repair & Maintenance	1,740	1,914	2,105	2,316	2,547

31.26 A review of financial statements of the Petitioner as given below reveals that the expense under this head has increased significantly over a period of five years. The expenses for the FY 2014-15 is Rs 1,797 million which is 58% higher as compared to average (Rs. 1,135 million) from FY 2010-11 to FY 2013-14.

Particular	Mln. Rs.	Inc. (%)
FY 2014-15	1,797	22%
FY 2013-14	1,472	48%
FY 2012-13	996	3%
FY 2011-12	964	-13%
FY 2010-11	1,109	

31.27 Since the Petitioner has not provided any rational and justification for this increase, therefore, the Authority itself conducted a detailed analysis of the last 3 years' repair &

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maintenance expense of the Petitioner. The Authority observed that over a period of three years, on average around 45% of repair and maintenance expenses pertained to the cost of distribution transformers and around 26% related to the meter's replacements cost. The remaining 29% was with respect to the repair and maintenance of other distribution network as mentioned below;

Description	FY 13		FY 14		FY 15		3-Year Avg	
	Mln. Rs.	% of Total	Mln. Rs.	% of Total	Mln. Rs.	% of Total	Mln. Rs	% of Total
R&M Office Building	35	4%	33	2%	28	2%	32	2%
R&M General Plant	24	2%	33	2%	46	3%	34	2%
R&M Other Physical Property	21	2%	19	1%	16	1%	18	1%
132 KV Grid Station	196	20%	227	15%	272	15%	232	16%
11 KV Distribution Lines	49	5%	29	2%	38	2%	38	3%
Distribution Transformers	352	35%	720	49%	861	48%	644	45%
Meters	260	26%	356	24%	488	27%	368	26%
Others Miscel	59	6%	55	4%	49	3%	54	4%
Total	**996**	**100%**	**1,472**	**100%**	**1,797**	**100%**	**1,422**	**100%**

31.28 The available information was further scrutinized and as per the information the number of total transformer damaged during the FY 2014-15 were 4,257 which translates into 654 MVAs. When the claimed cost per damaged transformer was calculated, it worked out around Rs. 202,190 per transformer and around Rs. 1,316,092 per MVA. The same is approximately 57% of the average of newly installed transformer. The Authority also observed that total number of meters' defective and replaced during FY 2014-15 were 2,25,042 and 2,37,187 respectively. The claimed cost of repair of meters per defective meters and newly replaced meter was calculated around PKR 2,169 and PKR. 2,058 respectively, whereas, the approximated cost of new Single-Phase meter is around PKR 2,000. The 88% meters replaced during FY 2014-15 are Single-phase It may be construed that the Petitioner's repair expenses are exaggerated / over stated and needs to be looked into and rationalized. In view of aforementioned, it appears that the Petitioner may be expensing out some costs which should be capitalized The specific head of repair and maintenance is exclusively for the routine expenses pertaining to repair and maintenance. Here it is pertinent to mention that during the hearing process of other XWDISCOs, it was revealed that the fixed assets especially transformers and meters are not tagged, hence there is a strong possibility of expensing out some of the capitalized assets. The Authority is of the view that proper tagging of the assets is of utmost importance in order to enable the Petitioner to properly classify its cost in terms of capital or expense. The Authority therefore directs the Petitioner to maintain a proper record of its assets by way of tagging each asset for its proper tracking.

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PARTICULAR		AVG.	FY 14	FY 15
Distribution Transformers R&M	[PKR]	1,580,273,170	719,549,126	860,724,044
Transformers Damaged	[Nos.]	6798	2541	4257
MVAs Damaged	[MVAs]	1057	403	654
Cost / Transformer	PKR	232,461	283,176	202,190
Cost Per MVAs	PKR	1,494,702	1,784,375	1,316,092
Avg. Cost of New Transformer Per MVA	PKR	2,604,167	2,604,167	2,604,167
R&M to New Transformer Ratio		57%	69%	51%
Meters Defective/Burned	[Nos.]			225,042
Meter Replaced	[Nos.]			237,187
R&M Cost	[PKR]			488,116,488
R&M / Def. Meter	[PKR/Meter]			2,169
R&M / Rep. Meter	[PKR/Meter]			2,058
Avg. Cost of New Meter	[PKR/Meter]			2,000

31.29. The Petitioner requested that repair & maintenance cost should be linked with growth in Fixed Assets. From the analysis of the proposed figures of the Petitioner as given below it has been noted that the increase in R&M cost requested by the Petitioner is not in line with the its proposed growth in fixed assets;

Particular	Requested GFA	Requested NFA	R&M Requested	R&M % of GFA	R&M % of NFA
	Mln. Rs.			%	
FY 16	81,807	55,995	1,740	2.13%	3.11%
FY 17	98,710	69,609	1,914	1.94%	2.75%
FY 18	118,697	85,643	2,105	1.77%	2.46%
FY 19	139,820	102,110	2,316	1.66%	2.27%
FY 20	160,204	117,158	2,547	1.59%	2.17%

31.30 The Authority also conducted a detailed analysis of actual repair & maintenance expense and asset base of the Petitioner, as given below.

Category	GFAs Excluding Land		Avg. R&M of Last 5 Years		R&M % of GFA
	Mln. Rs	%	Mln. Rs.	%	
Distribution Transformers	15,055	21%	644	45%	4.28%
Meters	6,826	10%	368	26%	5.39%

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Others Fixed Assets (G.S, D.L, Others.)	48,498	69%	409	29%	**0.84%**
Total	**70,379**	**100%**	**1,422**	**100%**	**2.02%**

31.31 From the analysis it is revealed that the Petitioner spent around 71% of its average repair and maintenance expenditure of last three years on repair and maintenance of its distribution transformers and meters which are around 31% of its total assets base and rest of 29% expenditure is carried out on the reaming 69% of assets. When the repair and maintenance cost with respect to the distribution transformers and meters is measured, in terms of percentage of GFA, its works out be as @ 4 28% and 5 39% respectively. Whereas the rest of the repair & maintenance cost in terms of percentage of GFA works out as 0.84%. Even if the total average cost (of the three five years) is calculated in term of percentage of GFA, it works out not more than 2 02%. As discussed above, one of the possible reason for high repair and maintenance cost, under the head of distribution transformers and meters, is due to the Petitioner might be expensing out some costs which need to be capitalized.

31.32 No doubt the Private partner is expected to carryout substantial infrastructure expenditure, yet it is also expected to do it with new, expensive and efficient equipment, leading to overall reduction in R&M cost and increasing total GFA base. Thus, the Petitioner idea if adopted would result in undue benefit to the Petitioner in the long run.

31.33 In view of foregoing, the Authority rejects the Petitioner's request of linking the repair and maintenance cost with fixed assets. Nevertheless, the Authority understands that the adherence to service standards and improvement of customer services is only possible through continuous repair and maintenance of distribution network, In view thereof, the Authority has assessed Rs.1,513 million repair and maintenance cost for FY 2015-16 (base/reference cost) which shall be considered as the reference cost for working out future repair and maintenance expenses, in the remaining control period as per Annex-VI. It is also directed to the Petitioner to provide an explanation on the concerns cited by the Authority in terms of tagging and non-capitalization of assets, if any, not later than 30th June, 2016.

<u>Other operating expenses</u>

31.34 The Petitioner's other operating expenses include; rent rates & taxes, utility expenses, communications, office supplies, travelling expenses, professional fees, auditor remunerations, outsourced services, management fees, vehicle running & maintenance, electricity bill collection expenses, directors' fees and other miscellaneous expenses. The

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comparative other operating expenses requested by the Petitioner are tabulated below:

Mln. Rs.

Account Heads	2015-16	2016-17	2017-18	2018-19	2019-20
	Projected				
Rent, Rates and Taxes	49	52	55	58	61
Utility expenses	66	69	73	76	80
Communication	44	47	49	51	54
Office supplies and other exp.	135	149	164	180	198
Travelling Expenses	257	283	311	343	377
Professional fees	81	85	89	94	99
Auditors' remuneration	1	1	1	1	1
Outsourced Services	7	7	8	8	9
Management fees	34	35	37	39	41
Miscellaneous Expenses	418	451	494	545	600
Sub Total	**1093**	**1178**	**1281**	**1394**	**1518**
% Change	**-28.58%**	**7.76%**	**8.77%**	**8.82%**	**8.86%**
Vehicle Running & Maint.	443	465	489	513	539
NEPRA Fee	44	47	49	51	54
Elec. bills Collection exp.	263	289	318	350	385
Director's Fees	2	2	2	2	2
Advertisement	110	121	133	146	161
Total	**1,955**	**2,102**	**2,272**	**2,457**	**2,659**

31.35 As per the approved tariff methodology, all other operating expenses are part of O&M costs which are to be assessed through CPI –X formulae for the whole tariff control period. As regard the assessment pertaining to the FY 2015-16 (reference/ base cost) is concerned, the Authority has decided to accept the actual figures of the FY 2014-15 as such and allowed an inflationary increase on the same. Thus, the assessment in this regard works out to the tune of Rs.1,497million. The aforementioned other expenses have also included cost of Rs.24.16 million as insurance cost.

31.36 The assessment for the FY 2015-16, shall be considered as the reference for working out future Other Operating Expenses for the remaining tariff control period as per Annex-VI.

<u>Segregation between "Controllable" and "Uncontrollable" costs</u>

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31.37 The Petitioner delineated that the segregation of controllable and uncontrollable factors and their treatment in MYT is of vital importance. The Petitioner stated that non-segregation of these costs may force it to absorb some "uncontrollable costs" beyond its control which are not fully recovered from its tariff. The Petitioner stated that the controllable O&M expenses of the company will be adjusted according to the CPI and an efficiency factor X for each year of tariff control period. The Petitioner mentioned the following cost as un-controllable;

- ✓ Salaries & Wages which may be adjusted in light of directions issued by Government from time to time.
- ✓ Management Fee of NEPRA.
- ✓ Annual License Fee of Software.
- ✓ Rental expense, which is driven by annual escalations stated in the Petitioner rental agreements.
- ✓ Collection expenses are driven by the growth in customer base.
- ✓ Repair & Maintenance Cost

31.38 The Petitioner has further proposed the following Adjustment mechanism;

Sr. #	Description	Explanation
Based on Actual Expenses		
1-	Salaries & Wages	Increase in salaries depends on Adhoc Relief allowed by Government, annual increment based on MTS and increase in number of employees.
2-	Other Employee Benefits	Change expected under this head depends on miscellaneous factors e.g: o Worked in Off days o Overtime hours o Bonus allowed o Theft recoveries o Other incentives o Medical and conveyance allowance etc
Based on Actuarial Report		
1-	Post-Retirement Benefits	Increase in Post-Retirement Benefits depends on the following main factors:- o Inflation rate o Employee turnover rate o Life expectancy of employees o Weighted average life of employees etc

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Based on Contractual Approval		
1-	Director's fee	Change depends on:- o Change in number of directors o Number of meeting held o Change in legislature etc
2-	Rent, Rates and Taxes	Increase depends on :- o Change in rent agreements o New property taken on rent etc
3-	Auditors' Remuneration	Increase depends on :- o Inflation o Rotation of auditors etc
4-	Outsourced Services	Variation depends on :- o Changes in services being outsourced o Change in scope of services already hired etc
5-	License fee	Changes depends on :- o Change in legislature o Changes in scope of management services provided by the Authority
6-	Depreciation	Variation depends on :- o Increase / Decrease in fixed assets o Change in class mix of assets.
Based on Actual Fixed Assets		
1-	Repair & Maintenance	R & M expenses depend on :- o Increase / decrease in fixed assets o Extension of distribution equipment to cater for increase in customer base o Increase in age of equipment installed etc
Based on CPI		
1-	Utility expenses	Change is based on CPI
2-	Communication	Change is based on CPI
3-	Office supplies and others	Change is based on CPI
4-	Collection expenses	Change is based on CPI
5-	Travelling Expenses	Change is based on CPI
6-	Miscellaneous Expenses	Change is based on CPI

31.39 As per the approved tariff methodology the Power Purchase Price and Corporate Tax are the only uncontrollable costs which are allowed as pass through items. The other

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remaining costs are to be treated as controllable costs.

31.40 The Authority received a letter from Ministry of Finance, Revenue, Economic Affairs, Statistics & Privatization (Privatization Commission) dated 25th November, 2015, communicating a decision of Cabinet Committee on Privatization (CCOP) regarding approval structure for the privatization of FESCO. Since the Authority's decision on the referred subject would principally affect the Petitioner's consumer end tariff as well, hence the Authority directs the Petitioner to refer to para no. 20.3 to 20.9 of the Authority 's determination in the matter of Petition filed by FESCO's for determination of its Multi Year consumer end tariff pertaining to FY 2015-16 to FY 2019-20, dated December 31, 2015 on the issue.

<u>Adjustment mechanism for O&M costs – Efficiency factor "X"</u>

31.41 The Petitioner stated that "X" represents the efficiency the potential investor is expected to bring in operations by making investments in infrastructure, distribution network and by improving internal governance, reporting and control mechanism. The Petitioner also stated that the "X" factor has been designed as an incentive for cost reductions beyond the annual CPI increase. The Petitioner also delineated that the organization has opportunity to earn extra profits if promising efforts are made to reduce the annual increase in its costs than the CPI-X true up factor.

31.42 The Petitioner requested to keep efficiency factor "X", 0% during the first three years and 0.5% for 4th and 5th year of the tariff control period, in order to allow the potential investor sufficient time to make investment and to bring in efficiencies in the utility's operations as was done in the case of K-Electric. The Petitioner also requested that the efficiency factor "X" may not be applied on Repair & Maintenance Costs.

31.43 The Authority after careful evaluation of the Petitioner's proposal is of the view that it has not provided any rationale or basis for the requested efficiency factor. The Authority strongly believes that there has to be some basis or rationale on which Authority can set a reasonable efficiency factor. In view thereof, in order to have a fair assessment of the efficiency factor, the Authority itself carried out a benchmarking exercise aimed at rationality of the efficiency factor.

31.44 The salient features of the methodology are reproduced as hereunder;

- ✓ Actual O&M cost for FY 2013-14 has been bifurcated into 5 cost categories Salaries & wages, Repair & maintenance, Travel allowance, Vehicle fuel & maintenance and Other expenses (e.g. rent and other office expenses). The weights were assigned keeping in view the controllability factors attached to each cost category which were further divided into sub-categories.

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✓ Cost drivers were selected for all the cost categories/ sub-categories for the O&M cost as under;

Cost Categories	Cost Drivers
Salaries & Wages (Rs.)	No. of Employee No. of Active Consumers.
Other Expenses	No. of Office No. of Active Consumers. No. of Consumers.
Traveling Allowance	No. of Employee
Vehicle Allowance	Area Sq. K.M
R & M	No. of Office Length of H.T & L.T Lines No. of Grid Stations No. of Distribution Transformers No. of Active Consumers.

✓ The cost per cost driver was worked out to select the most efficient company within a sample of efficient companies. Considering, the variability of the results across the XWDISCOs, under a similar cost category, a scoring mechanism was devised, which translated the results of cost drivers in to scores.

✓ A maximum score of 100 was assigned to the best performing XWDISCO on each cost driver. Subsequently, these scores were converted into weighted scores with respect to each cost category / sub-category. The weighted score of each cost category / sub-category was then added to obtain the overall score of the XWDISCO. This exercise was carried out for all the XWDISCOs.

✓ The efficiency factor was set from the highest benchmark of 100 score.

31.45 On the basis of aforementioned benchmarking, the Authority has assessed an efficiency factor of 5.9% per annum calculated over the whole control period of 5 years. However, keeping in view the Petitioner's request of keeping it at zero% for the first two years, the Authority has decided to implement the same from the 3rd year of the control period. Here it is pertinent to mention that the Authority also kept the efficiency level of KESC (Now K-Electric) to zero %, for the first two years of the control period, when it was privatized, keeping in view the fact that the new incoming partner must be given some time to adjust itself in a new environment. In addition, the Authority in order to save the Petitioner from any negative adjustment on account of O&M cost, has decided that

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the efficiency factor X, in any year of the control period, should not be greater than 30% of increase in CPI for the relevant control year. Thus, 5.9% efficiency factor would only apply if 30% of CPI increase in any year is more than 5.9%. If 30% of CPI increase in any year, is less than 5.9%, then the efficiency factor would be 30% of the increase in CPI, in any year, during the control period.

<u>Z factor for force majeure events</u>

31.46 The Petitioner stated that there is no provision for costs incurred as a result of force majeure events such as earthquakes, flooding, acts of terrorism, etc. The Petitioner further stated that in the absence of a provision for such events and adjustments restricted strictly to the CPI-X factor, the Petitioner is unable to recoup the costs required to undertake necessary repairs. Keeping in view the aforementioned the Petitioner submitted that an additional Z factor should be included in the MYT to cover costs for such events. The Petitioner also delineated that such costs shall be computed after the occurrence of such an event at which point the Petitioner estimate the financial impact of such an event and request to the Authority approval for inclusion in the subsequent year's tariff. The Petitioner submitted that if the 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.

31.47 The Authority has allowed insurance cost in the reference cost of other expenses for FY 2015-16 for future increases. The insurance cost covers grids and vehicles. If the Petitioner intends to cover its other assets along-with more insurance coverage, then it has to mitigate its commercial risk through its profits.

32. **<u>Issue # 25: Whether the petitioner Return on Regulatory Asset Base based on rate of return of 18.33% for FY 2015-16 to 2019-20 is justified?</u>**

33. **<u>Issue # 26: Whether the Petitioner's request for annual adjustment of RAB to reflect actual CAPEX merits consideration?</u>**

34. **<u>Issue # 27: Whether the proposed incentive for proportionate increase in return on equity against reduction in transmission and distribution (T&D) losses, merits consideration?</u>**

35. **<u>Issue # 28: Whether the Petitioner's proposal for sharing of efficiency benefits regarding completion of required investment at lower than allowed cost, merits consideration.</u>**

36. **<u>Issue # 29: Whether the requested floor of 19% for return on equity merits consideration?</u>**

36.1 The Petitioner has requested the following returns for FY 2015-16 to 2019-20 based on projected rate of return (WACC) of 18.33%, calculated on 70:30 Debt to Equity Ratio.

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The Petitioner while working out WACC of 18 33% has used 16.56% as Cost of Debt and 22.47% as RoE.

	2015-16	2016-17	2017-18	2018-19	2019-20
Proj. RoRB (Rs. In Million)	4,379	6,315	9,062	11,893	14,537
Proj. RoRB (Rs./ kWh)	0.25	0.34	0.45	0.56	0.63

36.2 The Petitioner while calculating RoE has used the risk free rate of 12.83%, however has not provided any basis / rational for using the aforementioned Risk Free Rate. The Petitioner however has 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. Investors who buy assets have a return in mind that they expect to make over the time horizon for which they will hold the asset. The Petitioner further stated that the actual returns that the investors make over this holding period may be very different from the expected returns, and this is where the risk comes in. Risk in finance is viewed in terms of the variance in actual returns around the expected return. For an investment to be risk free, the actual returns should always be equal to the expected return.

36.3 The Petitioner further stated that typically, the returns on government securities are used as risk-free rates, however, choosing an appropriate government security, depends on the investment horizon under consideration. If the investment horizon is long-term, a long-term treasury bond may be used. On the other hand, if a short-term investment horizon is envisaged, a treasury bill may be more appropriate. In general, regulators tend to use the longer-term rates as the regulated assets are long term in nature. The Petitioner has also requested that due to significant fluctuations in the risk free rate in Pakistan, WACC be adjusted annually for changes in the risk free rate.

36.4 Regarding the market rate of return, the Petitioner, has stated that the expected return on any investment can be written as the sum of the risk-free rate and an extra return to compensate for the risk. This extra return or 'risk premium' is computed as the difference between market rate of return and risk free return. The Petitioner has mentioned that the market risk premium should be stable over time, therefore, has proposed that market rate of return be fixed for the entire multi-year tariff period.

36.5 The Petitioner has used CAPM for calculation of its RoE wherein Market Return has been used as 22.79%, which translates into 9.96% Market Premium by netting market return with the requested risk free rate. However, the Petitioner has not provided any basis for the figure of market return used by it.

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36.6 Regarding Beta the Petitioner has stated that it is the measure of systematic risk, or in other words, the sensitivity of a stock to market variations and measures the risk associated with holding a stock that cannot be eliminated through holding a diversified portfolio. The market capitalization weighted average beta across all investments, in the capital asset pricing model should be equal to one. A beta of 1.0 means that the stock has the same risk as the market whereas a high risk stock has a beta greater than 1.0. The Petitioner for working its RoE has used a beta of 0.97.

36.7 The Petitioner has further stated that the beta for any stock/investment can be estimated by regressing the returns on that stock against returns on an index representing the market portfolio, over a reasonable time period and is easy to calculate for an organization with previous history in the market. But if a company has no appreciable track record in the market, or is not listed, then the determination of beta becomes more subjective in nature.

36.8 The Petitioner has submitted that one of the means of overcoming this difficulty is to consider the beta of comparable companies. If a comparable company is not available in the local market, comparable companies from foreign markets may also be used. In practice, there are few local comparatives as the only distribution company in Pakistan that is listed on stock exchange is K-Electric Limited (KEL).

36.9 Regarding Cost of debt used in the WACC calculations, the Petitioner has mentioned that it is usually the 'prime rate', or the rate at which banks lend to their most valuable customers. It may also be calculated by adding a premium for borrowing over a risk-free rate. The Petitioner further mentioned that cost of debt should represent the actual costs incurred by the Petitioner on debt financing. The Petitioner has submitted that its long term loans portfolio consists of GoP Re-lent loans which need to be paid back to GoP at a rate of 17% of IBRD, & ADB Tranche I and at 15% for Tranche-II, Tranche-III and Tranche IV of GoP ADB Re-lent loan at 15%. The Petitioner has calculated its weighted cost of debt as 16.56% and the same has been used for WACC calculation.

36.10 The Petitioner has further submitted that the current NEPRA practice of further decreasing this cost of debt by tax rate is applicable only if tax is a liability of the Petitioner as in that case the Petitioner gets a tax shield benefit on interest payments and its effective cost of debt is lowered by tax rate. The Petitioner has further stated that according to the NEPRA tariff regime, taxes are a pass through item and are not absorbed by it, therefore, there is no tax shield effect and it is effectively paying the same cost of debt as has been calculated above. Further reducing this would mean a lower WACC for the Petitioner than based on its actual Cost of Debt.

36.11 The Petition further justifying its concern has stated that for IPPs and other companies, NEPRA allows for the pass through of the actual cost of debt and does not reduce it by

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the tax rate, as it realizes that there is no tax shield benefit, therefore, there is no justification for changing this policy for XWDISCOs and thus ensuring a financial loss for them.

36.12 The Petitioner has also requested that its WACC be recalculated on an annual basis in the case of any variations in the cost of debt, with the recalculated WACC being applied from the fiscal year following the variation in the cost of debt.

36.13 Based on the foregoing discussion, the Petitioner has calculated it WACC as 18.33% by using 22.47% cost of equity, 16.56% cost of debt with the share of equity (30%) and debt (70%) as under;

WACC = {22.47% x 0.3} + {16.56% x 0.7}

WACC = 18.33%

36.14 The Petitioner regarding approach used for WACC has stated that it is called "plain-vanilla" WACC and is used by many regulators around the world including OFGEM of UK and utility regulators in Australia among others. The Petitioner during the hearing also stated that since the MYT regime is riskier, being in locked condition for a longer tariff control period, hence demands a better WACC as compared to annual tariff regime. The Petitioner further mentioned that inputs of Financial Advisor have been taken and accordingly incorporated for the proposed working.

36.15 In addition, the Petitioner has also requested a floor on equity of 19%. The Petitioner in justification has stated that its request is similar as allowed in the case of IPPs, so as to ensure that investors are adequately compensated for the risk taken and also to enable GoP to attract credible investors for the proposed private sector participation.

36.16 In view of the foregoing, the Petitioner provided the following calculations of its RAB and RORB for the tariff control period.

Description	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
	Million Rs.					
	Prov. / Est.	Projected				
Fixed Assets (OB)	65,127	70,973	81,807	98,710	118,697	139,820
Addition	5,846	10,834	16,902	19,987	21,123	20,384
Fixed Assets (CB)	70,973	81,807	98,710	118,697	139,820	160,204
Less: Depreciation	23,088	25,813	29,100	33,054	37,710	43,045
Net Fixed Assets	47,885	55,995	69,609	85,643	102,110	117,158
Capital WIP (Closing)	5,112	5,099	7,954	9,406	9,940	9,593

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Total Fixed Assets	52,997	61,093	77,563	95,049	112,050	126,751
Less: Deferred Credits	32,349	33,967	35,801	37,949	39,409	40,805
Regulatory Assets Base	**20,648**	**27,127**	**41,762**	**57,100**	**72,641**	**85,946**
Avg. RAB	21,891	23,887	34,444	49,431	64,870	79,294
WACC	17.31%	18.33%	18.33%	18.33%	18.33%	18.33%
Regulatory Return	**3,789**	**4,379**	**6,315**	**9,062**	**11,893**	**14,537**
RORB/kWh	0.23	0.25	0.34	0.45	0.56	0.63

36.17 The Petitioner has further proposed that any over-achievement in T&D losses beyond the target set by the Authority be compensated by a proportionate increase in the cost of equity for WACC computations. The Petitioner also submitted that losses are inevitable in a distribution company's operations, however, incentives can be provided to reduce losses using targeted investment in the context of the determination of realistic efficiency targets for the distribution company. This shall ensure that the utility receives adequate incentives to bring improvements in the system and improve efficiency of operations. The Petitioner has proposed that benefit of such reduction be shared between the Petitioner and the consumers similar to NEPRA's practices for tariff setting for IPPs.

36.18 The Petitioner has proposed the following formula for incorporating the return on equity to the extent it exceeds the target of T&D losses and be allowed into the tariff;

$$\textit{Return on Equity}=\textit{Return of EquityU}+((X_i-Y_i)/(X(i-1)-X_i))$$

Where,

Return on Equity = Return on equity after addition of T&D incentive

Return on EquityU = Return on equity calculated through CAPM

Xi = Target T&D Loss for i^{th} year

Xi-1 = Target T&D Loss for the $(i-1)^{th}$ year

Yi = Actual T&D Loss for the i^{th} year

36.19 The petitioner has further proposed that its Regulatory Asset Base be adjusted annually to reflect actual capital expenditure.

36.20 In addition, the Petitioner has proposed that where investment has been incurred efficiently for example, the completion of required investments at a lower cost than that included in the allocated regulatory budget, half of the difference in cost between

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budgeted and incurred cost be included in the RAB to fairly share capital efficiency benefits with customers and owners.

36.21 The Authority, after careful evaluation of the Petitioner's submissions is of the view that 5 years PIB Bond's rate as risk free rate is in line with the approved Tariff Methodology as the Methodology prescribes the linking of risk free instrument with the control period of tariff determination. Since the instant petition has been submitted under a MYT regime for a period of five years, therefore, ideally the tenure of the debt instrument used for the purpose of risk free rate should be of five years. The Authority has therefore decided to use the weighted average yield on 05 Years Pakistan Investment Bond (PIB) as of July 16, 2015, being start of the tariff control period, as the risk free rate, which is 8.9652%. The Authority also understands that since PIB Bonds cut off yield rate is determined through bidding process and is traded in Pakistani Rupees, hence it takes into account the country risk and inflation.

36.22 The Petitioner proposed a market risk premium of 9.96%, however, no basis for the requested figure has been provided by the Petitioner. The Authority understands that 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. The Authority in order to have an appropriate measure of the market rate of return, analyzed KSE-100 Index return over a period of 8 years and also considered Analysts' consensus/ research houses estimates in this regard. The rate of return on KSE-100 index during the period from 2008-2015 was around 16.5%, which translates into risk premium of around 7.53% (with risk free rate of 8.9652%).

36.23 Thus, keeping in view the information of Analyst/research house, the Authority considers Market Risk Premium of 7% as reasonable for calculation of cost of equity component.

36.24 The Authority, in order to have an appropriate measure of the Beta, as no working or analysis has been provided by the Petitioner, carried out its own study and detailed analysis, whereby not only the local but International Markets were also explored. The Authority also considered a recent study undertaken by Castalia for the ERC in the Philippines using 111 firms selected from the Damodaran (a professor in Stern Business School at New York University) data set. The average Beta from this sample was 0.997 for the transmission and distribution companies and 1.073 for the whole sample. The average gearing of the sample is 67%. If the same is worked out on 70/30 gearing, the

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beta of 0.997 works out as 1.10. A few examples of Beta used by different Regulators in the world are given as hereunder;

Regulator	Beta	Gearing
Ofgem	0.9-0.95	65/35
AER	0.7	60/40
NZ Com	0.61	60/40
Northern Ireland	0.74	60/40

36.25 A beta of 0.75 at a gearing of 60/40 – which is around the mid-point of the above estimates – equates to a beta of 1.0 at a gearing of 70/30. A beta of 0.8 at 60/40 equates to a beta of 1.07 at 70/30. A beta of 0.95 at a gearing of 65/35 works out as 1.11 at 70/30 gearing.

36.26 Thus, keeping in view the finding of the study undertaken by Castalia for the ERC in the Philippines using 111 firms, range of betas used by international Regulators and findings of the Authority's in house study, it has decided to assess the beta in the instant case as 1.10.

36.27 As regard the cost of debt, the Authority understands that 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. The Authority during its determination in the matter of XWDISCOs pertaining to the FY 2014-15, decided to use the actual rate of debt appearing in the balance sheets of the XWDISCOs (excluding the loans which were disallowed by the Authority) considering the fact that the payment of these loans were due in the FY 2014-15 and onwards. All of these loans were relent loans whose interest ranged between 15%-18%. When this decision was made, the Privatization scenario was not active and the decision was primarily based keeping in view the single year tariff regime and public sector ownership of the XWDISCOs. The cost of relent loans becomes irrelevant in the privatized scenarios being not reflective of the current cost of debt. Considering the future privatization policy of GoP, and the fact that the Authority is awarding MYT for the future 5 year's period, a forward looking approach has been used for estimating cost of debt of these loans for WACC calculation. Here it is pertinent to mention that historically when State Owned Enterprises were privatized e.g. K- Electric, the relent loans on the balance sheet of K-Electric were converted into equity by the GoP. Further, the Authority was also anticipating some additional equity from the GOP in some form, that's the reason why the Authority raised the optimum capital structure

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from 80:20 to 70 30 In view of aforementioned, the Petitioner's request of setting cost of debt at 16 56% is rejected by the Authority.

36.28 The Authority, in order to do a fair evaluation of the cost of debt, considered recent TFCs / Sukkuk launched by K-Electric Limited with a 5 year's term maturity, whereby Rs.1,500 million were raised by K-Electric on a rate of 3 month KIBOR + 2.75% during FY 2013-14. Here it pertinent to mention that the K-Electric also raised Rs. 22 billion on 7 years TFC on a rate of 3 Months KIBOR plus 1% during 2014-15.

36.29 In view of the aforementioned, the Authority has decided to take cost of debt as 3 month's KIBOR + 2.75% spread. Consequently, the cost of debt has been worked out as 9.76% i.e. 3 Months KIBOR of 7.01% as of 2nd July 2015 plus 2.75% spread.

36.30 As per the Methodology, the adjustments in RORB for future periods are based on changes in RAB only, meaning thereby that the cost of debt and equity is locked for a period of 5 years and the Petitioner can maximize its profits in absolute terms through increasing its Asset base. Here it is pertinent to mention that Authority's approved methodology is silent on the variation of KIBOR fluctuations.

36.31 When the Petitioner is requesting to assess the risk free rate annually, it is primarily asking to reassess the cost of equity annually. The Authority understands that adjusting Cost of Equity during the multi-year tariff period is not a global regulatory norm. It appears that by annual review of risk free rate the Petitioner is trying to cover the fiscal risk on future investments. If this is the case, then it may be noted that risk free rate can neither rise in isolation nor is it the only determinant of Cost of Equity. In an environment of rising interest rates, stocks are negatively impacted in general. So any increase in risk free rates would generally entail a decrease in stock market return, thus lowering the market risk premium. Therefore, the contention that any increase in risk free rate would automatically increase Cost of Equity for future investments is not correct. In addition, in a multi-year tariff environment, capital investments are planned for the whole tariff period. The estimated Cost of Equity is already based on assumption of a certain percentage of equity investment in these periodic future investments. This is why a 5 year risk free rate and long term market premium is used in Cost of Equity calculations This methodology ensures that the allowed Cost of Equity is not impacted by short term rate changes. In case an annual adjustment in Cost of Equity is required, then the working would be on the basis of one year risk free rate and market premium. Lastly, short term rates and annual adjustment in Cost of Equity render the whole purpose of multi-year tariff useless as the primary rationale for allowing multi-year tariff to XWDISCOs in Pakistan is that this will reduce the uncertainty to investors regarding their equity returns. Frequent adjustments make investor's return less stable by making

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them more prone to short term market volatility. In view thereof, the Authority has decided to lock the cost of equity for the whole control period. In view of the foregoing, the request of reviewing cost of equity including risk free rate is rejected.

36.32 The Petitioner has requested for a floor of 19% on RoE. In this regard the Petitioner during the hearing and in its petition has submitted that its request is similar to the case of IPPs, however, no justification/ details in this regard have been provided by the Petitioner. Further the same is not substantiated with any particular example.

36.33 The Authority considers that Petitioner's comparison of Authority's return on IPPs with the distribution business is not valid. The return of equity, as per the Tariff Methodology is locked for a period of 5 years, in the matter of the Petitioner. In view of the foregoing the Petitioner's request for floor on equity of 19% is rejected.

36.34 As regard the assessment of cost of debt annually, the Authority considers that since interest payment is an obligatory cash flow liability unlike discretionary dividend payment and considering the fact that any default may result in chocking of the Petitioner, hence the Authority has decided to cover the risk of floating KIBOR, thus, any fluctuation in the reference KIBOR would be adjusted biannually. This addresses the concern of the Petitioner regarding adjustment with respect to variation in cost of debt. In addition, the Authority has also decided to introduce sharing of benefit by introducing a claw back mechanism whereby any savings resulting from cheaper financing by the Petitioner to the extent of 2.75% spread. If the Petitioner manages to negotiate a loan below 2.75% spread, the savings would be shared equally between the consumers and the Petitioner through PYA mechanism annually. In case of more than one loan, the saving with respect to the spread would be worked out by a weighted average cost of debt. The sharing would be only to the extent of savings only i.e. if the spread is greater than 2.75%, the additional cost would be borne by the Petitioner.

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

$$ke = RF + (RM - RF) \times \beta$$
$$= 8.9652\% + (7\% \times 1.1)$$
$$= 16.67\%$$

The cost of debt is taken as; Kd = 9.76%

$$WACC = [Ke \times (E / V)] + [Kd \times (D / V)]$$

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

$$\textbf{WACC} = \{16.67\% \times 30\%\} + \{9.76\% \times 70\%\} = 11.83\%$$

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36.36 The Petitioner's stance that NEPRA's current practice of further decreasing the cost of debt by tax rate is not correct, since as per the approved tariff methodology the Corporate Taxes are allowed as pass through items. The Authority using the aforementioned rate of return of 11.83%, has assessed Rs.3,096 million as return on rate base as per the following calculations:

Description	Rupees in Million	
	FY 2014-15 Audited	FY 2015-16 Projected
Opening fixed assets in operation	65,194	71,041
Assets Additions during the year	5,846	7,543
Closing Fixed Assets in Operation	**71,041**	**78,584**
Less: Accumulated Depreciation	23,155	25,939
Net Fixed Assets in operation	**47,885**	**52,645**
+ Capital Work in Progress (Closing)	7,307	10,590
Total Fixed Assets	55,192	63,234
Less: Deferred Credit	31,999	34,090
Total	**23,193**	**29,144**
Average Regulatory Assets Base		**26,169**
Return on Rate Base @ 11.83%		**3,096**

36.37 The Authority while going through the Financial Statements of the Petitioner for the FY 2014-15 noted that the Petitioner has insufficient cash balance as on 30th June 2015 against its pending liability of receipt against deposit works and consumer security deposits. The insufficient cash balance indicates that the amount received against the aforementioned heads has been utilized somewhere else and the Petitioner failed to provide details in this regard. The Authority considers 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. Similarly, 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. The Petitioner has to provide rational / justification for improper utilization of the money because the consumers have to suffer unnecessary delay on this account.

36.38 In view of the aforementioned reasons the Authority considers that it will be unfair and unjust for the consumers to suffer due to the unlawful act of the Petitioner. Accordingly, the Authority has decided, to include the entire amount of receipts against deposit works as a part of Deferred Credits for the assessment of RAB for FY 2015-16. The Authority directs the Petitioner to ensure that in future consumer's deposits are not utilized for any other purpose. The Petitioner is also being directed to restrain from unlawful

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utilization of receipts against deposit works and security deposits, failing which, the proceedings under the relevant law shall be initiated against the Petitioner. The Petitioner is also directed to give clear disclosures in its Financial Statements with respect to the consumer financed spares and stores, work in progress and cash & bank balance.

36.39 The RoRB of Rs.3,096 Million and the RAB of Rs.26,169 calculated for FY 2015-16 will be the reference RoRB and RAB respectively for future adjustment of RoRB during the tariff control period. The RoRB adjustment will be made in accordance with the following formula, as prescribed in the Methodology;

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

Where:

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

36.40 Considering the fact that RAB for the FY 2015-16 & onwards has been allowed based on estimated level of investments and in case the actual investments carried out turn out to be different from the estimated level i.e. the Petitioner ends up in making higher investments than the allowed, the benefit of the incremental benefit must be passed on to the Petitioner and vice versa. In view thereof, the Authority has decided to true up the benefit of incremental investments and vice versa each year through the Prior Year Adjustment mechanism, which addresses the concerns of the Petitioner for adjustment at the end of every year in RAB for variance between actual and budgeted CAPEX and the one time opener regarding re-assessment of Asset Base after privatization.

Further with regard to the issue raised by the Petitioner regarding inclusion of savings arising due to efficient procurement, in its rate base, the Authority considers that any procurement whether in the public or in the private sector has to be efficient based on competitive rates. The governing rules in the matter of any public procurement are PPRA Rules which ensure efficient / competitive procurement. The Authority believes that the private investor will also ensure its procurement on most competitive basis which obviously will be a reflection of the prevailing market conditions. The Authority therefore fails to understand the rationale behind the Petitioner's claim. Even if any procurement results in savings, the final true up would be based on the actual procurements and any savings would be reinvested by the Petitioner, thus not only ensuring allowed returns but would also end up in terms of efficiency gains e.g. by way

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of reduction in T&D Losses etc., all of which will be retained by the Petitioner. Therefore, the request of the Petitioner to include half of the difference between the budgeted and incurred cost, in the Rate Base does not merit consideration.

36.41 The Petitioner's request regarding added incentive of proportionate increase in return on equity for reducing T&D losses beyond the targets set by the Authority cannot be entertained being not in line with the Methodology whereby RoE has been locked for future periods and the Petitioner can maximize its profits in absolute terms only through increase in its Asset base. The Authority feels that reduction in losses below the target level, if any, would primarily be because of the Petitioner's efforts and in order to encourage the Petitioner to bring in more efficiencies, the benefit should remain with the Petitioner.

37. **Issue # 30: Whether the Petitioner's reference depreciation charge for the FY 2015-16 is justified for future adjustments till FY 2019-20?**

37.1 The Petitioner has submitted that the depreciation for FY 2015-16 to FY 2019-20 is calculated as Rs.2,725 million to Rs.5,335 million with gradual increase on the basis of:

(i) The value of existing assets; plus

(ii) Addition in assets during the financial years.

37.2 The Petitioner has further stated that the assets will be depreciated on a straight-line method as per utility practice i.e. land @ 0%, buildings & civil works @ 2%, plant and machinery @ 3.5%, office equipment @ 10%, mobile plant & equipment @ 10% and other assets @ 10%.

37.3 Based upon these assumptions, the Petitioner has projected the following depreciation cost under the Tariff Control Period;

Rs in Million	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
Depreciation	2,725	3,288	3,953	4,657	5,335

37.4 The Petitioner has submitted that variation in depreciation depends on increase / decrease in fixed assets and change in class mix of assets and has accordingly proposed the following adjustment mechanism with regard to the depreciation charges;

Dep (Rev) = Dep (Ref) / GFA (Ref) x GFA (Rev)
Dep = Depreciation

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GFAIO = Gross Fixed Assets in Operations.

37.5 As per the Methodology, depreciation expense for the test year, which in the instant case is FY 2015-16, 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. The reference expense would be adjusted annually in accordance with the following formula/ mechanism as prescribed in the Methodology;

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

Where:

$DEP_{(Rev)}$ = Revised Depreciation Expense for the Current Year
$DEP_{(Ref)}$ = Reference Depreciation Expense for the Reference Year
$GFAIO_{(Rev)}$ = Revised Gross Fixed Assets in Operation for the Current Year
$GFAIO_{(Ref)}$ = Reference Gross Fixed Assets in Operation for the Reference Year

37.6 In order to make fair assessment of the depreciation expense, the Authority accounts for the investments approved for the year. After taking into account the new investments, the Gross Fixed Assets in Operation for the FY 2015-16 have been worked out as Rs.78,584 million. Accordingly, the depreciation charge for the FY 2015-16 has been assessed as Rs.2,784 million calculated on actual depreciation rates for each category of Assets as per the Company policy.

37.7 After carefully examining the relevant details and information pertaining to the deferred credit and amortization as per the accounts for the FY 2014-15, the Authority has projected amortization of deferred credit to the tune of Rs.1,249 million for the FY 2015-16. Accordingly, the consumers would bear net depreciation of Rs.1,535 million. The reference/base depreciation expense determined for FY 2015-16 shall be adjusted annually in accordance with the aforementioned adjustment formula/ mechanism as prescribed in the Methodology.

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

38. **Issue # 31: Whether the Petitioner's proposed T&D losses, for FY 2015-16 to FY 2019-20, are justified?**

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39. **Issue # 32: Whether the proposed T&D losses reduction in the given time period of MYT is justified?**

39.1 The Petitioner has submitted an Integrated Generation Transmission & Distribution Plan (IGTDP), which includes formation of new grids, up-gradation of existing grids, revamping of secondary transmission (66, 132 KV) lines, augmentation of HT & LT lines, provision of T&P items, induction of low loss transformers and replacement of meters to Advanced Metering Infrastructure (AMI).

39.2 The objective of the plan, as per the Petitioner, to forecast the number of prospective consumers to be connected during next Five Year Program (2015-2016 to 2019-2020) in domestic, commercial, industrial and agricultural sectors and to provide adequate facilities for expansion of distribution network and services in view of the future power requirements. The forecast is based on past experience to extend power facilities to different areas under the Petitioner.

39.3 The plan will cover a total number of 844,133 consumers which will come up during the period 2015-16 to 2019-20 in Urban and Rural areas. The growth of domestic and commercial consumers has been maintained as experienced over the past years. Provision of 692,189 Domestic, 120,711 Commercial, 17,728 Industrial and 13,506 tube well connections has been made in the Five year Program which will yield additional requirement of 1,529 MVA by 2019-20 and to provide consistent and reliable supply of electricity by upgrading 132 kV, 11 kV and 0.4 kV network to reduce system technical losses, resulting from power loses in the distribution conductors and equipment including losses due to additional current flowing in the system on account of poor power factor of customer loads. The reduction in these losses will release additional power to the distribution system. Simultaneously the different rehabilitation measures will contribute in improving the distribution system supply voltage, continuity of supply, system stability reliability and safety, which are the mandatory responsibilities of the power utility.

Primary Objective:

- To achieve adequate capacity to accommodate and facilitate new consumers;
- To achieve sustainability, stability, reliability and efficiency of the system
- To increase revenue by sale of energy lost in the network
- To minimize the technical losses
- To reduce O&M cost

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Secondary Objective:

- Reduction in administrative losses (Theft of Energy)
- Implementation of planning guidelines by introducing sound Planning and Engineering techniques
- Development of necessary databases for Load Forecasting, Analysis, Planning and Engineering
- Improvement in operation and maintenance of the distribution system
- Improvement in customer services facilities

39.4 The Investment Plan discusses scope of work for Expansion & Rehabilitation of 132 kV and 11 kV and below Distribution network, under the Best case and under the Optimally Achievable Case. As per the Petitioner, the scope of work under best case option will remove all bottlenecks of existing 132 kV & 11 kV and below network whereas the optimally achievable case is confined to scope of work by sitting within available limits of execution capacity.

39.5 The Petitioner in its IGTDP has requested a T&D losses target of 13.85% for the FY 2015-16 which gradually reduces to 11.85% by the end of the control period i.e. FY 2019-20. The petitioner submitted that losses will be reduced from present 14.1% in FY 2014-15 to 11.85% at the end of MYT period. Year wise Reduction in Technical Losses as projected by the Petitioner is given below:

Year	Current (FY 2014-15)	2015-16	2016-17	2017-18	2018-19	2019-20
Losses	14.1%	13.85%	13.35%	12.85%	12.35%	11.85%

39.6 The Petitioner has mentioned that its T&D Losses will be reduced to the tune 1.25% with FIRR of 23.19% for STG, DOP and ELR projects; therefore proposed T&D Loss reduction is justified. The further reduction of 1% is envisaged through implementation of AMI project at consumer end. Hence total reduction in five years would be 2.25% as detailed hereunder;

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Year	%age Losses (Proposed)	Transmission Loss Decrease (%)	Distribution Loss Decrease (%)	Total Decrease (%)
2014-15	14.10			
2015-16	13.85	0.05	0.20	0.25
2016-17	13.35	0.05	0.45	0.50
2017-18	12.85	0.05	0.45	0.50
2018-19	12.35	0.05	0.45	0.50
2019-20	11.85	0.05	0.45	0.50
Total Decrease (%)	**2.25**	**0.25**	**2.00**	**2.25**

39.7 The Petitioner further stated that in line with the directions of the Authority, it has already shared with NEPRA the study of 132 kV losses and 11 kV losses and according to the study its transmission losses work out to be 2.17% using the standard software tool Power System Simulator (PSS/E). The distribution losses have been assessed to be 10.02%. Thus total technical losses as per the study carried out by the third party i.e. M/s PPI is 12.20%. The Petitioner has further incorporated administrative losses of 1.65%, thus requesting for total T&D losses of 13.85% for the FY 2015-16. The projected losses are estimated keeping in view the load growth, NTDC generation plan inclusive of integrated system load flow studies carried out by NTDC and the Petitioner jointly. The impact of investment carried out for planned sub-projects identified as a result of integrated studies has been incorporated accordingly.

39.8 The Petitioner has requested that considering these independent studies and the fact that it has some hard areas in Kasur and Okara Circles and the border areas which warrant reasonable allowance of administrative losses, its bench mark of T&D losses may be fixed @ 13.85% after estimated reduction in T&D Losses from actual results of 14.1% for FY 2014-15.

39.9 The Petitioner also submitted historical record of its actual losses as against the target given by NEPRA for last five years as under;

Financial Year	Transmission Losses	Distribution Losses	Total T&D Losses
	MkWh	MkWh	% age

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2009-10	0.07	13.71	**13.8**
2010-11	0.1	13.1	**13.2**
2011-12	0.85	12.66	**13.5**
2012-13	0.6	12.7	**13.2**
2013-14	0.6	12.8	**13.4**
2014-15	1.3	12.8	**14.1**

39.10 The Petitioner has requested a reopener in terms of review of the T&D loss study after reassessment by the potential partner and approved by NEPRA. The Petitioner further proposed that an added incentive for reducing T&D losses beyond the targets set by NEPRA be provided to the Petitioner.

39.11 The Petitioner further mentioned that it obtains electricity from Independent Power Producers (IPPs) directly on its 132 KV distribution system such as Kohinoor Energy, Saba Power, Nishat Power etc. and in this regard, the transmission network of NTDC is not involved in transportation of electricity from IPPs to LESCO's distribution network. However, NTDC, without considering the Article 13 and 14 of the transmission license, is charging UoSC on the energy which is being directly purchased on LESCO distribution system.

39.12 The Petitioner also submitted that NTDC calculates the Use of System Charges (UoSC) on the basis of MDI calculated on non-coincidental basis instead of coincidental basis. Since now NTDC, after installation of the equipment, is enabled to calculate the real time load of the system, it is therefore, need of the time to implement the direction of NEPRA for calculation of Use of System Charges (UoSC) on the basis of MDI calculated on coincidental basis. The Petitioner has accordingly requested to determine the UoSC of NTDC on coincidental basis for overall calculation of Power Purchase Price for accurate calculation of actually load drawn by the DISCOs.

39.13 The Petitioner also stated that NEPRA has devised formula based on DM for UoSC regarding wheeling of electricity, wherein the impact of Power Purchase Price is missing which is financial loss of the company. The Petitioner has therefore suggested that Power Purchase Price may also be incorporated in the formula for calculation of UoSC regarding wheeling of electricity through DISCOs.

39.14 The Authority directed the Petitioner in its previous tariff determinations to carry out study of its T&D losses by an independent expert and submit the report to the Authority, however, status of the compliance by the Petitioner was not that encouraging.

39.15 The Authority in view of the Petitioner's failure to comply with the directions of the Authority on the issue of study of T&D losses and over billing and being aware of an

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operational audit carried out under PDIP (funded by USAID), report of which was issued in April 2011, wherein T&D losses of 6.20% comprising of 5.20% distribution losses and 1.00% transmission losses were indicated, decided to reconsider the already assessed level of T&D losses. The Authority considered that the PDIP study was based on selected feeders and the results may not be representative for the entire system. The Authority further considered that there were fair chances of error in calculation of 6.20% T&D losses. While acknowledging the fact that without detailed study the exact quantum of losses cannot be assessed; the Authority cannot leave the consumers at the mercy of the Petitioner who was not complying with the Authority's directions for carrying out losses study, hence the Authority decided to assess the level of T&D losses of the Petitioner for the FY 2013-14 in light of the aforementioned report. However, the report of PDIP was not the sole basis for assessing the T&D loss target of the Petitioner. The Authority accordingly assessed the T&D losses of the Petitioner for the FY 2013-14 as 9.80% The Authority also mentioned in its determination that it may revise future assessments of the T&D losses in the light of the findings of the study carried out by the Petitioner on its distribution network (11 KV and below).

39.16 The Petitioner against the aforementioned decision of the Authority, file motion for leave for review to revise its T&D losses target on actual basis i.e. 13.20%. The Authority in its decision of the motion for leave for review for the FY 2013-14 dated June 12, 2014, for the purpose of fairness, conducted an in-house study of Petitioners T&D losses based on (a) benchmarking (i) transmission losses (ii) Distribution transformer (iii) LT lines and (b) calculating 11KV feeder losses proportional to the peak demand and revised the Petitioner's losses at a level of 9.01%. Simultaneously, the Authority also directed Petitioner to expedite the independent study of its system including 11 KV and below. The Authority also stated that it may review its decision with respect to the assessment of its T&D losses in the finding of the independent report on prospective basis.

39.17 The Petitioner for the FY 2014-15 requested a T&D losses target 12% and submitted that the losses target has been assumed based on the clear understanding that the same shall be adjusted according to the determination of the Authority after considering the report on T&D losses pertaining to 11kV and below.

39.18 The Petitioner during tariff determination pertaining to the FY 2014-15 informed that it has awarded the study of 11 kV and LT distribution system to Power Planner International in October 2014 and according to the agreement the interim study report will be complete at the end of March 2015 and same will be furnished to the Authority and the final report will be submitted in April, 2016. The Petitioner while referring to the tariff determination of FY 2013-14 stated that the report of operational audit carried out under PDIP funded by USAID, which indicates T&D losses of the Petitioner as 6.20% was rejected by the Authority based on the fact that without detailed study the

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exact quantum of T&D losses could not be assessed. The Petitioner thereafter stated that it is not rational / justified to assess the level of T&D losses in the light of USAID operational audit report.

39.19 In addition, the Petitioner on 26th February 2015, submitted a technical report for its T&D Losses, based on 147 urban and 13 rural feeders out of a total of 1437 feeders, using Loss Analysis Programs developed by USAID, whereby simulation studies were carried out by the Petitioner. It was further stated that the report calculates the loss due to Service Mains and submitted the following results;

- Transmission losses 2.17%
- 11 kV Distribution Feeder including VD' Losses 7.19%
- LT Line Losses 3.09%
- Administrative Losses 1.5%

TOTAL 13.95%

39.20 The Authority observed that although the sample size of the study undertaken by the Petitioner was only 10.5%, which was not a considerable percentage, still the study included sufficient number of urban and rural feeders, representing the overall consumer mix and loading conditions. The Authority considered that the study and software used by the Petitioner were acceptable however the authenticity of the results would only be possible when all the feeders are included in the study, which is under process and is being conducted by an Independent Consultant.

39.21 The Authority considered that the proposed losses level, which also included the impact of theft is prima facie were on the higher side; therefore, could not be accepted as such. The Authority also considered that it would not be fair to allow the impact of theft in the T&D losses. The Authority further felt that the Petitioner did not suggest any improvement in its losses despite the investments already made and proposed to be made. The Authority accordingly decided to adjust T&D losses on account of improved efficiency in the system and decided to assess the level of T&D to the tune of 11.75% for the FY 2014-15 and at the same time directed the Petitioner to expedite the independent study of its system as directed before.

39.22 The Petitioner during hearing of its instant petition i.e. FY 2015-16 informed that Technical losses studies by the third party for 132 KV and 11 KV & below have been completed whereby the technical losses have been assessed as 12.20%.

39.23 The Petitioner, in its submitted IGTDP, highlighted the following constraints in its existing system;

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Description	Unit	Quantity
Overloaded 132 kV Grid Stations	No.	44
132 kV Grid Stations facing Low Voltage Problems	No.	NIL
Overloaded Transmission Lines (66 kV & 132 kV)	No.	93
High Loss 11 kV Feeders	No.	126
Overloaded 11 kV Feeders need Rehabilitation	No.	280
Overloaded Distribution Transformers	No.	4800

39 24 The Petitioner in view of proposed investments expects the following improvements / additions in its existing system to overcome the constraints. The same would also cater for the expected increase in its customer base;

Total MVA Added at 132 kV Grids:	4226 MVA
New Transmission Lines:	360 km
Capacitors Installation (132 kV Fixed):	144 MVAR
Capacitors Installation (11 kV Fixed):	242 MVAR
New HT (11 kV) Lines:	3200 km
New LT (415/230 V) Lines:	4405 km
The existing HT and LT ratio is:	1.80
The HT and LT ratio after 5 Years:	1.55
Average Length of 11 kV Feeders at Present:	18.44 km
Average Length of 11 kV Feeders after 5 Years:	16 km
Total KVA Added at Distribution Level:	1529120 KVA

39.25 The Authority has carefully evaluated Petitioner's arguments for setting the T&D losses target for the FY 2015-16 and onwards. The Authority observed with great concern that even with the instant petition, the Petitioner has failed to comply with the directions of the Authority in terms of completion of study of its T&D losses from a third party. The technical loss study submitted by LESCO is of partial (25% sample) nature and no firm date with regard to the completion of the study has been provided by the Petitioner. In view thereof, the Authority directs the Petitioner to get study of its system completed as soon as possible.

39.26 The Authority has further noted with great concern that actual losses of the Petitioner have increased from 13.4% in FY 2013-14 to 14.1% in FY 2014-15. The transmission losses have increased by more than 100% from 0.6% in FY 2013-14 to 1.3% in FY 2014-

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15. Similarly, the level of distribution losses has also not shown any decrease and have been reported by the Petitioner as 12.8% i.e. same as were in FY 2013-14. The Authority fails to understand the reasons for this increase in the level of losses, which should have been reduced, considering the huge amount of investments allowed to the Petitioner in STG and DOP/ELR components.

39.27 The Authority in view of the foregoing considers that the Petitioner's proposed reduction in T&D losses is not logical keeping in view the level of requested investments (discussed below) and has therefore decided to maintain its earlier assessment of 11.75% as base / starting point for the FY 2015-16.

39.28 The Authority also considers that by allowing a huge investment in STG and DOP/ELR components; the Petitioner is encouraged to achieve better results in the MYT period than the proposed T&D loss targets. Accordingly the reduction of 2.25% as proposed by the Petitioner over the five (05) years period is not acceptable and an overall reduction of 3.75% is required to be achieved by the Petitioner. Therefore, the Authority has decided to allow a T&D losses target of 11.75% to the Petitioner for the FY 2015-16, which will gradually reduce to 8.00% in FY 2019-20, as mentioned hereunder;

Year	%age losses (Proposed)	Overall % age Losses (Allowed)	Breakup of % age Decrease (Allowed)		
			Transmission Loss	Distribution Loss	Total Decrease
2014-15	14.10	11.75			
2015-16	13.85	11.75			
2016-17	13.35	10.88	0.12	0.75	0.87
2017-18	12.85	10.03	0.06	0.79	0.85
2018-19	12.35	9.08	0.08	0.87	0.95
2019-20	11.85	8.00	0.09	0.99	1.08
Total Decrease (%)	2.25	3.75	0.35	3.40	3.75

39.29 On the request of onetime opener, regarding review of the T&D loss study after reassessment by the potential private sector partner, the Authority considers that it may only happen if the Petitioner completes study of its T&D losses and the Authority is convinced with the quality of the study and the said study is accepted by the Authority.

39.30 The request of the Petitioner to allow an added incentive for reducing T&D losses beyond the targets set by NEPRA has already been addressed under the issue of RoRB.

40. **Issue # 33: Whether the Petitioner's proposed Investment plan for the FY 2015-16 to FY 2019-20, is justified, keeping in view the prospective benefits?**

41. **Issue # 34: Whether the Petitioner request for one-time adjustments for the following in the event of any potential private sector participation is merit consideration?**

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a. Revision of T&D loss target

b. Amendments/Revision to the DIIP

c. Review of financing requirements of private sector.

41.1 As per the NEPRA guidelines for the determination of consumer end tariff (Methodology and Process), 2015 (The Methodology) notified vide S.R.O. 34 (I)/2015 dated January 16, 2015, the submission of IGTDP and assessment of T & D losses by XWDISCOs and their approval by the Authority is required before filing of the tariff petition. The timelines for submission of the IGTDP and assessment of T&D losses, as per the Methodology, is September 01 each year. The date specifies the initiation of approval process and on 1st September, each year, the Authority would start the process of review of previous year's actual performance and its subsequent impact on next year's plan. The Petitioner would also present its intended plan for the sixth year, in the same process. (Concept of re-rolling investment plan as specified in the Tariff Methodology).

41.2 Here it is pertinent to mention that the Methodology was notified in January 2015, and the process for the determination of the IGTDP and assessment of T&D losses, should have been started by September 01, 2015. The Petitioner did filed some details with respect to the IGDTP yet due to the quality of information the same were returned. The Authority considering the fact that the process was new to all the XWDISCOs conducted workshops in order to improve the filing capacities of the XWDISCOs. In view of aforementioned, had a separate process in this regard been initiated, it would have resulted in considerable delays in filing of the tariff petitions thus, the Authority considering the time constraints and being the first year of the new tariff regime, (on the request of the XWDISCOs), allowed to file the IGTDP & assessment of T&D loses along-with their Consumer-end Tariff Petitions.

41.3 The Petitioner filed its IGTDP for the next five years under both the scenarios i.e. Optimally Achievable Scenario and the Best case Scenario.

41.4 The Petitioner, under the Optimally Achievable scenario, has requested an amount of Rs.74,306 million and under the Best Case scenario an amount of Rs.85,943 million to execute its development/ investment plan for MYT period from FY 2015-16 to 2019-20. Both the aforementioned proposed amounts are exclusive of the consumer contribution / deposit work which has been projected by the Petitioner as Rs.19,406 million under both the scenarios.

41.5 Summary of capital cost for proposed projects under **Optimally Achievable Scenario** is as under:

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Rs. in Millions

*An amount of Rs.19,406 Million to be recovered from consumers under STG and DOP expansion as

S. #	Description	2015-16	2016-17	2017-18	2018-19	2019-20	Total
A	STG (Expansion & Rehabilitation)	4,573	5,724	6,798	6,349	4,057	27,501
B	Distribution (Expansion & Rehabilitation)	1,341	1,598	1,876	2,190	2,485	9,490
C	Cost of Vehicles	427	158	165	174	182	1,106
D	Cost of T & P	250	263	276	290	304	1,383
E	Cost of Civil Works	565	593	623	654	687	3,122
F	Cost of GIS Mapping Plan	6	22	20	34	36	118
G	HR Improvement Plan	0	0	0	0	0	0
H	TOU/Electronic Metering & HHUs	150	150	150	150	150	750
I	AMR/AMI Plan	0	7,500	7,500	7,500	7,500	30,000
J	Financial Improvement Plan	0	0	0	0	0	0
K	Communication Improvement Plan	0	0	0	0	0	0
L	ERP	173	182	191	200	210	956
M	Total	7,485	16,189	17,599	17,541	15,611	*74,426

submitted by LESCO in its MYT Petition is not included.

Summary of capital cost for proposed projects under **Best Case** is as under:

S. #	Description	2015-16	2016-17	2017-18	2018-19	2019-20	Total
A	STG (Expansion & Rehabilitation)	8113	13460	6423	4862	5522	38380
B	Distribution (Expansion & Rehabilitation)	1448	1712	2009	2354	2725	10248
C	Cost of Vehicles	427	158	165	174	182	1106
D	Cost of T & P	250	263	276	290	304	1383
E	Cost of Civil Works	565	593	623	654	687	3122
F	Cost of ERP system	173	182	191	200	210	956
G	Cost of GIS Mapping Plan	6	22	20	34	36	118
H	HR Improvement Plan	0	0	0	0	0	0
I	TOU/Electronic Metering & HHUs	150	150	150	150	150	750
J	AMR/AMI Plan	0	7500	7500	7500	7500	30000
K	Financial Improvement Plan	0	0	0	0	0	0

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L	Communication Improvement Plan	0	0	0	0	0	0
M	Total	11131	24040	17357	16218	17316	86063

**An amount of Rs.19,406 Million to be recovered from consumers under STG and DOP expansion as submitted by LESCO in its MYT Petition is not included.*

41.6 Funding Plans

41.6.1 The Petitioner has mentioned that it has the following funding plan under the optimally achievable scenario;

Rs. in Millions

Proposed Funding Plan						
Description	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**Total**
Own Resources	5174	5215	6462	10007	8075	34933
Consumer Financing	3341	3592	3861	4151	4462	19407
Loan – ADB	2306	3451	3436	0	0	9193
Other Loans – To be Arranged after DIIP Approval	0	7500	7500	7500	7500	30000
Total	**10821**	**19758**	**21259**	**21658**	**20037**	**93533**

41.7 Existing System of the Petitioner

41.7.1 The Petitioner also provided details of its existing distribution system as mentioned hereunder;

Description	Unit	Quantity
Grid Stations		
132 kV Grid Stations	No.	88
66 kV Grid Stations	No.	07
33 kV Grid Station	No.	00
132 kV Consumer Owned Grid Stations	No.	34
Power Transformers	No.	258
Capacity of Power Transformers	MVA	7344
Transmission Lines (132 kV & 66 kV)		

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Total Length of Transmission Lines	KM	2734
Distribution System		
11 kV Feeders	No.	1443
Total Length of 11 kV Lines	KM	26600
Total Length of LT Lines	KM	14807
Distribution Transformers	No.	96268
Capacity of Distribution Transformers	KVA	7501615
Service Connections		
Domestic	No.	3228511
Commercial	No.	542738
Industrial	No.	77277
Agricultural	No.	58382
Bulk	No.	490
Others	No.	2464
Total LESCO Consumers	**No.**	**3909862**

41.8 <u>Constraints in the Existing System</u>

41.8.1 The Petitioner has highlighted the following constraints in its Existing System;

Description	Unit	Quantity
Overloaded 132 kV Grid Stations	No.	44
132 kV Grid Stations facing Low Voltage Problems	No.	NIL
Overloaded Transmission Lines (66 kV & 132 kV)	No.	93
High Loss 11 kV Feeders	No.	126
Overloaded 11 kV Feeders need Rehabilitation	No.	280
Overloaded Distribution Transformers	No.	4800

41.9 <u>Proposed Additions/ Improvements in the Existing System Post Investment</u>

41.9.1 The Petitioner in view of its aforementioned proposed IGTDP expects the following improvements / additions in its existing system to overcome the constraints and to cater for the expected increase in its customer base;

Total MVA Added at 132 kV Grids:	4226 MVA
New Transmission Lines:	360 km
Capacitors Installation (132 kV Fixed):	144 MVAR
Capacitors Installation (11 kV Fixed):	242 MVAR

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New HT (11 kV) Lines:	3200 km
New LT (415/230 V) Lines:	4405 km
The existing HT and LT ratio is:	1.80
The HT and LT ratio after 5 Years:	1.55
Average Length of 11 kV Feeders at Present:	18.44 km
Average Length of 11 kV Feeders after 5 Years:	16 km
Total KVA Added at Distribution Level:	1529120 KVA

41.9.2 The Petitioner has proposed the following improvements in its Performance Standards as a result of the proposed investment:

Description	2015 (Baseline)	2016	2017	2018	2019	2020
SAIFI (numbers)	52.49	47.24	42.52	38.27	34.44	30.99
SAIDI (hours)	3010.29	2709.26	2438.33	2194.50	1975.05	1777.55
Supply Restoration (hours)	1.15	1.3	1.1	1	1	1
Fatal Accidents	13	0	0	0	0	0
Non-Fatal Accidents	22	0	0	0	0	0
No of meters read manually	n.p	4052107	3241686	2593348	2074679	1659743
Reduction in billing related complaints (No)	90691	80200	70500	60500	50490	48000
T&D Losses (%)	14.1	13.85	13.35	12.85	12.35	11.85
Technical Loss (%)	12.19	11.86	11.61	11.36	11.11	10.86
Non-Technical Losses (%)	1.91	1.99	1.74	1.49	1.24	0.99

41.9.3 Based on the foregoing submissions of the Petitioner and the proposed IGTDP, the Authority framed the following issues for discussion during the hearing.

- *Whether the load demand forecast provided by LESCO is justified? LESCO may submit the basis of load demand forecast.*
- *Whether the base line conditions identified by LESCO in its 5 years' investment plans are truly reflective of its prevailing performance and conditions?*
- *Whether LESCO has arranged the funds required to undertake these projects? If yes, LESCO is required to provide the details of source of funding in respect of each project? In addition, LESCO is also required to provide the details regarding PC – I approval in respect of each project identified under IGTDP.*
- *Whether the indicated Capital Cost of Rs. 74306 Million (excluding Consumer Contribution) for proposed projects for next five years under optimally achievable*

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case is justified? LESCO is required to submit year wise rationale in respect of improvement in HT/LT ratios and average length per 11 kV feeders. Further LESCO may provide component wise details regarding material cost, cost of land (if any) and other costs of each project individually.

- *Whether the indicated Capital Cost of Rs. 85943 Million (Excluding Consumer Contribution) for proposed projects for next five years under best case scenario is justified?*
- *Whether LESCO has arranged the funds required to undertake these projects? If yes, LESCO is required to provide the details of source of funding in respect of each project.*
- *The linkage between investment plans and performance standards is the core component of investment plans therefore LESCO may provide a comprehensive year wise analysis about improvement in SAIFI, SAIDI and other performance standards achieved through its investments.*

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

42. <u>Issue # 35: Whether the load demand forecast provided by LESCO is justified? LESCO may submit the basis of load demand forecast?</u>

42.1 The Petitioner has mentioned that Load Demand Forecast for next five years is based upon PMS Study prepared by it and consolidated at the level of office of the General Manager (Planning) Power NTDC which is important inputs for integrated load flow studies. The PMS based demand forecast is prepared on the following basis:

- FY 2014-15 has been used as base year;
- Actual Energy sold & recorded MDI for the period;
- Physical site visits;
- Collection of data from Field formations at sub-divisions level;
- The data so collected is processed on PMS (Power market survey) Module by LESCO and same is shared with G.M. Planning Power NTDC for validation and consolidation.

42.2 The Petitioner has also mentioned that the above basis has been considered for analysis of the load demand forecast which produces the forecast report on desired format as

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described below. In light of the detailed work above, the load demand forecast is as follows:

Year	Growth Rates (%)	Expected Energy Purchase (GWh)	Demand (MW)
2015-16	7.7	24,916	5407
2016-17	7.5	26,931	5811
2017-18	6.1	28,708	6167
2018-19	5	30,318	6479
2019-20	4	31,707	6739

42.3 The issue has already been discussed under the head of projected sales growth.

43. **Issue # 36: Whether the base line conditions identified by LESCO in its 5 years' investment plans are truly reflective of its prevailing performance and conditions?**

43.1 The Petitioner has submitted its existing base line conditions as follows:

Description	Unit	Quantity
Grid Stations		
132 kV Grid Stations	No.	88
66 kV Grid Stations	No.	07
33 kV Grid Station	No.	00
132 kV Consumer Owned Grid Stations	No.	34
Power Transformers	No.	258
Capacity of Power Transformers	MVA	7344
Transmission Lines (132 kV & 66 kV)		
Total Length of Transmission Lines	KM	2734
Distribution System		
11 kV Feeders	No.	1443
Total Length of 11 kV Lines	KM	26600
Total Length of LT Lines	KM	14807
Distribution Transformers	No.	96268
Capacity of Distribution Transformers	KVA	7501615
Service Connections		
Domestic	No.	3228511
Commercial	No.	542738
Industrial	No.	77277
Agricultural	No.	58382
Bulk	No.	490

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Others	No.	2464
Total LESCO Consumers	**No.**	**3909862**

43.2 The Petitioner has reported the following constraints in its existing system and the performance indices;

Description	Unit	Quantity
Overloaded 132 kV Grid Stations	No.	44
132 kV Grid Stations facing Low Voltage Problems	No.	NIL
Overloaded Transmission Lines (66 kV & 132 kV)	No.	93
High Loss 11 kV Feeders	No.	126
Overloaded 11 kV Feeders need Rehabilitation	No.	280
Overloaded Distribution Transformers	No.	4800

Description	2015 (Baseline)
SAIFI (numbers)	52.49
SAIDI (hours)	3010.29
Supply Restoration (hours)	1.15
Fatal Accidents	13
Non-Fatal Accidents	22
No. of meters read manually	n.p
Reduction in billing related complaints (No.)	90691
T&D Losses (%)	14.1
Technical Loss (%)	12.19
Non-Technical Losses (%)	1.91

43.3 The Authority is of the firm view that its regulatory assessment in terms of T&D losses, recoveries and Performance Standards (PSDR-2005 along with all amendments) are achievable by the Petitioner with its existing infrastructure. The Authority has observed that the Petitioner is consistently failing in achieving its assessed regulatory benchmarks, the Authority feels that in order to ensure reliable, safe and smooth supply of electricity it cannot ignore the importance of investments. Here it is pertinent to mention that the instant IGTDP not only caters for the rehabilitation/augmentation of existing infrastructure but also caters for future expansion needs along with technology developments.

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43.4 In view thereof, the Authority has recorded/noted Petitioner's submitted aforementioned details as a starting point for proposed future investments to be subsequently reviewed in detail to rationalize the same.

44. **Issue # 37: Whether the indicated Capital Cost of Rs.74,306 Million (excluding Consumer Contribution) for proposed projects for next five years under optimally achievable case is justified? LESCO is required to submit year wise rationale in respect of improvement in HT/LT ratios and average length per 11 kV feeders. Further LESCO may provide component wise details regarding material cost, cost of land (if any) and other costs of each project individually.**

44.1 The Petitioner has submitted the following Financial Internal Rate of return and Benefit to cost ratio over 30 year's period:

Detail	Value
Financial Internal Rate of Return (FIRR):	23.19%
Benefit Cost Ratio over the life of the Project (30 Yrs): (Discounted)	1.287

44.2 The Petitioner has also indicated following benefits as a result of proposed investment:

HT/LT Ratio of Existing System	1.80
HT/LT Ratio after DIIP	1.55
Average Length of Existing 11 KV Network/Feeder	18.44 km
Average Length of 11 kV Feeder after DIIP	16.0 Km

44.3 The Petitioner has also mentioned that through investments under optimally achievable case, following improvements in the existing network are foreseen after 5 (five) years:

Total MVA Capacity of Power Transformers:	11570 MVA
Total Length of 132 kV Transmission Lines:	3094 km
Total length of HT (11 kV) Line after Implementation:	29800 km
Total Length of LT (415/230 V) after Implementation:	19212 km
The HT/LT ratio after Implementation:	1.55
Average Length of 11 kV Feeders after Implementation:	16.0 km
Total KVA Capacity of Dist. Transformers after DIIP	9030735 KVA
Power Factor Improvement:	100%

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44.4 It is noted that the HT/LT ratio would become 1.55 (lower by 0.25) after implementation of DIIP, which translates that more length of LT lines i.e. 4405 km would be added in next 05 years as compared to addition of 3200 km of HT lines in the same period. The Authority further observed that year wise benefit to cost ratios has been provided, however, in view of the delayed benefits on some of the projects the yearly ratio may not reflect the true picture.

44.5 The issue is deliberated under the decision part of the IGTDP.

45. **Issue # 38: Whether the indicated Capital Cost of Rs.85,943 Million (Excluding Consumer Contribution) for proposed projects for next five years under best case scenario is justified?**

45.1 The Petitioner has submitted that Investment of Capital Cost worth Rs. 85,943 Million under best case option is justified as the best case option will provide relief to overloaded STG and Distribution Network and will cater for total load demand under zero load shedding scenarios.

45.2 The issue is deliberated under decision part.

46. **Issue # 39: Whether LESCO has arranged the funds required to undertake these projects? If yes, LESCO is required to provide the details of source of funding in respect of each project? In addition, LESCO is also required to provide the details regarding PC – I approval in respect of each project identified under IGTDP.**

46.1 The Petitioner has submitted that to meet its CAPEX requirements funding will be arranged through Loans, internal cash-flows and Capital Contributions to meet most of the CAPEX. The Petitioner provided the following funding plan for the proposed investment under the Optimally Achievable Scenario;

Rs. in millions

Source of Funding	2015	2016	2017	2018	2019	2020
Own Resource	3,659	5,174	5,215	6,462	10,007	8,075
Consumer Financing	3,171	3,341	3,592	3,861	4,151	4,462
Loan - ADB	507	2,306	3,451	3,436	-	-
Other Loans – To be arranged after approval	-	-	7,500	7,500	7,500	7,500
Total	**7,338**	**10,821**	**19,758**	**21,439**	**21,657**	**20,037**

46.2 The Petitioner has indicated that the Distribution Integrated Investment Plan (DIIP) has been submitted to NEPRA for approval in the light of methodology approved by NEPRA including the formats thereof. PC-1 is only required to be approved by Planning

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Commission if the funding sources would be international donors. However, NEPRA approval of the investment plan and associated tariff is sufficient for arranging commercial financing.

46.3 The Petitioner has further mentioned that funds required under own resources and other expenses will be arranged from distribution margin. PC-1 for AMI Project has been submitted to Planning Commission of Pakistan for which it is negotiating the funding from ADB.

46.4 The Authority understands that funding arrangement for the proposed investment and expansion plans will be one of the major challenges for the Petitioner, thus, in order to analyze the funding capacity of the Petitioner, the Authority carried out an analysis of its future RoRB and Depreciation expense based on the allowed investment. It was observed that that the Petitioner can be able to fund the allowed investments from its own resources.

46.5 The Authority has observed that the Petitioner request with respect to review of financing requirements of private sector is only a one liner comments which is not supported by any detail / background, therefore, the Authority cannot to adjudicate on the request

47. **Issue # 40: Linkage between investment plan and performance standards is the core component of investment plan therefore LESCO may provide a comprehensive year wise analysis about improvement in SAIFI, SAIDI and other performance standards achieved through its investment.**

47.1 The Petitioner submitted its response as under;

Description	2015 (Baseline)	2016	2017	2018	2019	2020
SAIFI (numbers)	52.49	47.24	42.52	38.27	34.44	30.99
SAIDI (hours)	3010.29	2709.26	2438.33	2194.50	1975.05	1777.55
Supply Restoration (hours)	1.15	1.3	1.1	1	1	1
Fatal Accidents	13	0	0	0	0	0
Non-Fatal Accidents	22	0	0	0	0	0
No of meters read manually	n.p.	4052107	3241686	2593348	2074679	1659743
Reduction in billing related complaints (No.)	90691	80200	70500	60500	50490	48000
T&D Losses (%)	14.1	13.85	13.35	12.85	12.35	11.85

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Technical Loss (%)	12.19	11.86	11.61	11.36	11.11	10.86
Non-Technical Losses (%)	1.91	1.99	1.74	1.49	1.24	0.99

47.2 The base line performance of the Petitioner is quite un-satisfactory specifically for SAIFI & SAIDI. The parameters for safety areas i.e. fatal and non-fatal accidents have been modified based on information provided by LESCO in its Annual Performance Report.

47.3 The Authority noted that the process of introducing an amendment in the Performance Standards is under way and would be finalized shortly. However, in the meanwhile, not to overstep the legal parameters, the Authority directs that the Petitioner must follow the already laid Performance Standards (PSDR-2005). In case the Performance Standards are amended and are subsequently approved, the Petitioner will comply with the amended Performance Standards.

47.4 The Authority has therefore set the following targets in terms of Performance Standards for the Petitioner:

Description	Baseline	2016	2017	2018	2019	2020
SAIFI (Nos)	52.49	14	11.2	8.96	7.17	5.74
SAIDI (Minutes)	3010.29	13	10.4	8.32	6.65	5.32
Fatal accident	16*	0	0	0	0	0
Non-fatal accident	14*	0	0	0	0	0
Reduction in billing related complaints	90691	80200	70500	60500	50490	48000
Transmission loss (%)	1.30	1.30	1.18	1.12	1.04	0.95
Distribution loss (%)	10.45	10.45	9.70	8.91	8.04	7.05
Total T&D Losses (%)	11.75	11.75	10.88	10.03	9.08	8.00

**Represents the no. of fatal and non-fatal accidents which LESCO submitted in APR 2014-15*

47.5 Time frame for new connection in terms of Overall Standard 3 of PSDR 2005 is as follows:

S. #	Description	Time limit for issuance of demand notice after receipt of application	Time limit for provision of connection after payment of demand notice
1	For supply at voltage level up to 400 V and load up to 15 kW	10 days	20 days
2	For supply at voltage level up to 400 V and load above 15 kW but not exceeding 70 kW	15 days	30 days

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3	For supply at voltage level up to 400 V and load above 70 kW but not exceeding 500 kW	15 days	58 days
4	For supply at voltage level up to 11 or 33 kV and load above 500 kW but not exceeding 5000 kW	30 days	76 days
5	For supply at voltage level 66 kV and above for all loads	45 days	451 days

47.6 Supply Restoration (in minutes) must be complied as per Guaranteed Standard 1 of PSDR 2005.

48. Decision of the Authority (on IGTDP):

48.1 The Authority has observed that the Petitioner, as per requirements of IGTDP, submitted its investment plans for the next five years under both the scenarios i.e. **Optimally Achievable Scenario,** wherein it has proposed a total investment of Rs.74,306 Million (excluding the consumer contribution of Rs.19,406 million) and **Best Case Scenario** wherein it has proposed a total investment of Rs.85,943 million (excluding the consumer contribution of Rs.19,406 million).

48.2 The Authority, in order to properly evaluate the proposed investment by the Petitioner, also considered the actual spending of the Petitioner against the allowed investment over the last three years period, as per the details provided by the Petitioner, which are reproduced as hereunder;

(Rs. in Million)

Year	Investment Allowed	Actual Spending	Spending %
2012-13	7,853	5,006	64%
2013-14	8,247	4,324	52%
2014-15	8,247	6,239	76%

48.3 The above analysis clearly depicts that the Petitioner not even in a single year has been able to spend the amount in full, allowed by the Authority during the last five years. During the FY 2014-15, the Petitioner has spent only Rs.6,239 Million i.e. 76% of the allowed investment of Rs.8,247 Million, which is maximum spending, made by the Petitioner, during the last three years. The Petitioner although has been able to make investment in the range of Rupees 4 to 6 billion during the aforementioned period, however, under the present IGTDP, it has requested for around *Rupees Seventy Four*

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Billion, over a period of five years which translates to an average of around *Rupees Fifteen Billion* per year. The Authority understands that with the conditions remaining the same it would be unlikely that the Petitioner would be able to spend such amounts, however, the Authority in view of the privatization scenario, is of a firm view that the incoming private partner would make all out efforts to make the existing system robust and is expected to carry out extra ordinary investments. Thus, keeping in view the prospective privatization scenario, the Authority has decided to allow the following investments to the Petitioner, over the five year's control period, inclusive of the consumer contribution/ deposit work of Rs.19,406 million.

Million Rs.

Description	Optimal Case (requested)	Best Case (requested)	Investment (Allowed)
STG (Expansion & Rehabilitation)	27501	38380	27501
Distribution (Expansion & Rehabilitation)	9490	10248	9490
Cost of Vehicles	1106	1106	1106
Cost of T & P	1383	1383	1383
Cost of Civil Works	3122	3122	3122
Cost of ERP system	956	956	956
Cost of GIS Mapping Plan	118	118	118
HR Improvement Plan	0	0	0
TOU/Electronic Metering & HHUs	750	750	750
AMR/AMI Plan	30000	30000	30000
Financial Improvement Plan	0	0	0
Communication Improvement Plan	0	0	0
Total	**74426**	**86063**	**74426**
Consumer Contribution	**19406**	**19406**	**19406**
Grand Total	**93832**	**105469**	**93832**

48.4 Year wise breakup of the allowed investment is as under;

Million Rs.

Description	2015-16	2016-17	2017-18	2018-19	2019-20	Total
STG (Expansion & Rehabilitation)	4573	5724	6798	6349	4057	27501

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Distribution (Expansion & Rehabilitation)	1341	1598	1876	2190	2485	9490
Cost of Vehicles	427	158	165	174	182	1106
Cost of T & P	250	263	276	290	304	1383
Cost of Civil Works	565	593	623	654	687	3122
Cost of ERP system	6	22	20	34	36	118
Cost of GIS Mapping Plan	0	0	0	0	0	0
HR Improvement Plan	150	150	150	150	150	750
TOU/Electronic Metering & HHUs	0	7500	7500	7500	7500	30000
AMR/AMI Plan	0	0	0	0	0	0
Financial Improvement Plan	0	0	0	0	0	0
Communication Improvement Plan	173	182	191	200	210	956
Total	**7485**	**16189**	**17599**	**17541**	**15611**	**74426**
Consumer Contribution	**3341**	**3592**	**3860**	**4151**	**4462**	**19406**
Grand Total	**10826**	**19781**	**21459**	**21692**	**20073**	**93832**

48.5 The Authority considers that removal of system constraints for transferring power from NTDC system must be the first priority.

48.6 The Authority in order to ensure prudent and effective spending of the allowed investment has approved the Target Investment Plan for the Petitioner, as given in **ANNEX-VII**, for the period of five years, so that progress on the implementation of these projects can be monitored effectively and in case of any failure regarding proper implementation of the target plans, proceedings will be initiated against the Petitioner under NEPRA Act, Rules and Regulations. Thus, after completing the approved investment plan, the Petitioner would accomplish the following;

Total MVA Capacity of Power Transformers after adding 4,226 MVA at 132 KV Grids	11,570 MVA
Total KVA at Distribution Level after adding 1,529,120 KVA	9,030,735 KVA
Total Length of Transmission Lines after adding 360 km	3094 km
Total length of HT (11 kV) Line after adding 3,200 km lines	29,800 km
Total Length of LT (415/230 V) after adding 4,405 km lines	19,212 km
The HT and LT ratio after Implementation:	1.55
Average Length of 11 kV Feeders at Present:	18.44 km
Average Length of 11 kV Feeders after 5 Years:	16 km

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Capacitors Installation (132 kV Fixed):	144 MVAR
Capacitors Installation (11 kV Fixed):	242 MVAR
Improvement in Power Factor	100 %

48.9 The addition of 4,226 MVA at 132 KV Grids and addition of 1,529,120 KVA at Distribution level would bring overloading at zero level. Thus, all the system constraints highlighted by the Petitioner would be removed after the implementation of five year plan. The Authority considers that the impact of all the investment may get diluted, if the Petitioner carry out village electrification imprudently. The Authority is cognizant of the fact that imprudent village electrification may result in overloading and increasing T&D losses. In the past, the village electrification was restricted to poles, lines and distribution transformers only. Its impact on the existing grid or strengthening of the grid due to the additional load in the form of village electrification was totally ignored. In view thereof, the Authority directs the Petitioner to spend at least 20% of the village electrification funds for improvement / up-gradation of the grid. The Petitioner is further directed not to undertake any village electrification which would result in overloading of its system. The village electrification would only be undertaken without augmentation of the grid, if it already has spare MVAs.

49. One Time Opener for the IGTDP

49.1 The Petitioner has further requested an opener for the revision of the investment plan after the introduction of private sector participation. In this regards the Petitioner has stated that, once the investment program is approved, it would not usually be revised. However, a one-time revision of the investment plan is proposed once it has achieved private sector participation given that the private sector partner may want to change the planned investments as per its view of the capital available and demand forecast. The revision should take place within a year of the determination of the MYT tariff after the Company has conducted a thorough review of its investment needs.

49.2 The Authority after careful consideration of the Petitioner's request, is of the view that the mechanism of annual review of the investment takes care of the concerns of the Petitioner without provision of one time opener. If the private investor wants to add something in the IGTDP, it is free to do that subject to the approval of the Authority as per the prescribed mechanism.

49.3 Here it is pertinent to mention that considering the fact that RAB for the FY 2015-16 & onwards has been calculated based on the allowed level of investments and in case the Petitioner ends up making an investment higher than already allowed, so in order to allow the impact of the incremental investment the Authority has decided to annually true up the RAB, as per actual investments. Thus, any investments carried out by the

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Petitioner beyond the allowed level, during the MYT period, would be catered for under prior year investment mechanism.

50. **Sharing of benefits of Efficient Procurement**

50.1 The Petitioner has proposed that the Petitioner has also requested that to bring cost efficiency from private sector participation and as a result of ongoing-privatization process, it is proposed that where an investment has been incurred efficiently i.e. the completion of required investments is closed at a lower cost compared to what is included in the allocated regulatory budget, half of the difference in cost between budgeted and incurred cost be included in the Rate Base to fairly share capital efficiency benefits with customers and owners.

50.2 The issue has been addressed under the RoRB part of the determination.

51. **Issue # 41: What will be the mechanism of charging Wheeling/Use of System Charges (UOSC) in case of network of XW-DISCOs are used for Wheeling?**

51.1 The Petitioner on the issue of wheeling charges has mentioned that in the formula devised by the Authority based on DM for UoSC regarding wheeling the impact of Power Purchase Price is missing which is financial loss of the company and has therefore suggested that Power Purchase Price may also be incorporated in the formula for calculation of UoSC regarding wheeling of electricity through DISCOs.

51.2 Considering the submission of the Petitioner and the comments of CPPA (G) on the issue of Wheeling (through email dated 21st September, 2015) whereby CPPA (G) has informed that while invoicing to XWDISCOs, it excludes the transmission cost(s) as well as generation capacity cost depending on MDI, the Authority, in view of importance of the matter, has decided to conduct a meeting on the subject matter with all the stakeholders not later than 30th June, 2016 to resolve the issue.

52. **Issue # 42: Whether the Petitioner's stance against the charging of UoSC by NTDC for the energy transmitted to LESCO directly by IPPs on 132KV Distribution System merits consideration?**

53. **Issue # 43: Whether the Petitioner's stance for calculation of UoSC based on coincidental demand instead on non-coincidental demand merits consideration?**

53.1 The Petitioner on the issue of charging of UoSC submitted that it obtains electricity from Independent Power Producers (IPPs) directly on its 132 KV distribution system such as Kohinoor Energy, Saba Power, Nishat Power etc. and in this regard, the transmission

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network of NTDC is not involved in transportation of electricity from IPPs to LESCO's distribution network. However, NTDC, without considering the Article 13 and 14 of the transmission license, is charging UoSC on the energy which is being directly purchased on LESCO distribution system.

53.2 The Petitioner provided the following Financial Impact of MDI of IPPs included in CPPA Invoice FY 2014-15.

Description	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15
MDI (MW) at invoice	3,947	4,165	4,281	3,947	3,323	3,625	2,419	3,393	3,093	3,305	4,419	4,372
Less Direct Energy on 132 Kv												
KOHINOOR Power House	122	123	123	123	122	122	123	108	109	124	124	124
SEPCOL Power House	(0)	(0)	-	-	-	-	-	-	-	-	-	-
SABA Power House	121	119	121	(0)	112	121	-	-	-	-	-	-
JAPAN Power House	(0)	(0)	-	-	-	-	-	-	-	-	-	-
NISHAT Power House	195	196	196	197	196	196	197	196	197	196	196	196
NISHAT CHUNIAN Power House	198	200	203	209	(2)	221	219	218	216	196	203	203
ORIENT Power House	197	197	197	197	195	196	195	197	196	144	196	196
SAPHIRE Power House	198	203	202	210	(1)	218	228	219	217	211	208	203
HALMORE Power House	198	195	196	204	(2)	215	214	214	213	203	185	198
Total	**1,229**	**1,232**	**1,238**	**1,139**	**620**	**1,290**	**1,176**	**1,152**	**1,148**	**1,074**	**1,112**	**1,120**
Net MDI (MW) of NTDC System	2,718	2,934	3,044	2,808	2,703	2,335	1,243	2,241	1,945	2,231	3,307	3,252
UOSC Charges (Mln. Rs.)	278	300	312	288	277	239	127	230	199	229	339	333
UOSC Charged by CPPA (Mln. Rs.)	404	427	439	404	340	371	248	348	317	339	453	448
Financial Impact	**126**	**126**	**127**	**117**	**64**	**132**	**120**	**118**	**118**	**110**	**114**	**115**
												1,386

53.3 The Petitioner on the issue of calculation of UoSC on coincidental basis has submitted that NTDC calculates the Use of System Charges (UoSC) on the basis of MDI calculated on non-coincidental basis instead of coincidental basis. Since now NTDC, after installation of the equipment, is enabled to calculate the real time load of the system, it is therefore, need of the time to implement the direction of NEPRA for calculation of Use of System Charges (UoSC) on the basis of MDI calculated on coincidental basis. The Petitioner has accordingly requested to determine the UoSC of NTDC on coincidental basis for overall calculation of Power Purchase Price for accurate calculation of actually load drawn by the DISCOs.

53.4 In this regard the Petitioner provided following Financial Impact of Variance of Co-Incidental and Non Co-Incidental Demand FY 2014-15;

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Description	14-Jul	14-Aug	14-Sep	14-Oct	14-Nov	14-Dec	15-Jan	15-Feb	15-Mar	15-Apr	15-May	15-Jun	Total
Quantitative Data													
Energy (MkWh)	2,043	2 098	1,708	1,572	1,238	1,297	1,169	1,181	1,298	1,484	1,964	1,999	19.009
MDI (MW) at Non-Co-Incidental Demand	3,947	4 165	4,281	3,947	3,323	3.625	2,419	3,393	3.098	3,365	4,419	4,372	44.290
Rates													
Uosc	102	102	102	102	102	102	102	102	102	102	102	102	
CTR	970	927	1,074	1,092	1,762	1,240	1,283	1,217	1,202	865	1,138	936	
ETR	8	7	7	7	5	7	10	5	6	7	5	5	
Charges Mln. Rs.													
Uosc	404	427	439	404	340	371	248	348	317	339	453	448	4,537
CTC	3,829	3,861	4,598	4,312	5,856	4,494	3,104	4 128	3,718	2,859	5,028	4,092	49,879
ETC	15,804	14,429	11,996	11,579	5,962	8,549	11,196	5,771	8,200	[illegible]	9,910	9,710	122,902
Total	20,037	18,717	17,033	16,295	12,158	13,415	14,547	10,247	12,234	[illegible]	15,390	14,250	177,317
GST	2,641	2,417	1,998	1,921	1,004	1,408	1,670	908	1,297	[illegible]	1,593	1,623	20,171
Total	22,678	21,134	19,031	18,217	13,162	14,822	16,217	11,155	13,531	14,687	16,983	15,873	197,489
MDI (MW) at Co-Incidental Demand	2 915	2,824	2,550	2,404	1,804	1,831	1,716	1,829	1 906	3,407	2,808	2,961	27,955
Revised Charges Mln. Rs													
Uosc (Per NTDC MDI)	299	289	261	246	185	188	176	187	195	247	288	303	2,863
CTC (LESCO MDI)	2,827	2,618	2,739	2,626	3,179	2,270	2,201	2,225	2,291	2,982	3,195	2,772	31,026
ETC	15,804	14,429	11,996	11,579	5,962	8,549	11,196	5,771	8,200	9,786	9,910	9,710	122,902
Total	18,930	17,336	14,996	14,451	9,326	11,007	13,574	8,184	10,686	12,125	13,392	12,785	156,791
GST	2,641	2,417	1,998	1,921	1,004	1,408	1,670	908	1,297	1,688	1,593	1,623	20,171
Total	21,571	19,753	16,994	16,373	10,329	12,414	15,244	9,092	11,983	13,818	14,985	14,407	176,963
Financial Impact	1,107	1,381	2,037	1,844	2,832	2,408	974	2,063	1,548	[illegible]	1,998	1,465	20,526

53.5 The Authority, in view of the importance of the aforementioned issues, has decided to include both these issues in the proposed meeting to be held not later than 30th June, 2016 on the issue of wheeling / UoSC charges, for their resolution.

54. <u>Issue # 43: Whether the proposal for increase in Security deposit rate, merits consideration?</u>

54.1 The Petitioner submitted that in line with the international utility practices and the applicable regulations, it has been requiring its customers to deposit Security at the prescribed rates as a means to cover for the default risk embedded in the credit sales of electricity. Any revision in Security Rates was Applicable to:

a) All New Customers;

b) Existing Customers where the Change of Name/ Load Extension or Reduction was involved.

54.2 The Petitioner further submitted that Last revision in Security Deposit Rates for Electricity Customers of Ex-WAPDA Distribution Companies was determined by NEPRA vide its determination dated 4th November 2010 and these rates were based on the following parameters:

a) The then prevailing tariffs;

b) One month's consumption; and

c) At specific load factors for each tariff category.

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54.3 NEPRA also allowed the large Industrial Customers of B-3 & B-4 categories to either deposit the amount of Security in Cash or through Bank Guarantee valid for three years.

54.4 The Petitioner has submitted that in view of the fact that electricity tariffs have undergone substantial upward revisions since October 2010, it is imperative that Security Deposits are also enhanced in line with the change in Electricity Tariffs over the period. The petitioner has submitted following revision in Security Deposit Rates, based on change in tariffs only while other parameters remaining un-changed.

PROPOSED REVISION IN SECURITY DEPOSITS FOR LESCO ELECTRICITY CONSUMER -ONE MONTH'S CONSUMPTION					
Sr#	Tariff Category	Existing Security Deposits (Rs) (w.e.f. Nov. 2010) 1 month Cosnumption	Av. Inc in Trf Since Nov. 2010	Addition in Security Deposits (Rs)	Proposed Revised Security Deposits at 2.5Month's Billing (Rs)
C1	C2	C3	C4	C5	C6= (C3+C5)
1	Residentail A-1 (Urban) Rs/kW	1220	54.50%	665	1,885.00
2	Residentail A-1 (Rural) Rs/kW	610	54.50%	333	943.00
3	Commercial A-2 (Urban) Rs/kW	1810	56.70%	1026	2,836.00
4	Commercial A-2 Rural Rs/kW	920	56.70%	521	1,441.00
5	Industrial B-1 Rs/kW	1580	72.60%	1146	2,726.00
6	Industrial B-2 Rs/kW	2010	56.80%	1142	3,152.00
7	Industrial B-3 Rs/kW	2890	63.20%	1826	4,716.00
8	Industrial B-4 Rs/kW	3560	69.10%	2460	6,020.00
9	Single Point Supply C-1 ((at 400V) Rs/kW	1670	53.70%	897	2,567.00
10	Single Point Supply C-2 ((at 11 KV) Rs/kW	2080	55.20%	1149	3,229.00
11	Single Point Supply C-3 ((above 11 KV) Rs/kW	2740	58.60%	1605	4,345.00
12	Agri T/Wells including Scarp Rs. (Lum Sum)	15000	61.40%	9216	24,216.00
13	Public Lighting Tariff-G Rs/kW	3240	28.30%	918	4,158.00
14	Tariff -H (Residential Colonies Of Industries) Rs/kW	1560	39.90%	623	2,183.00
15	Railway Traction Tariff-I Rs/kW	610	57.30%	350	960.00
16	Seasonal Tariff -F	Double the security of Regular Industrial Tariff		Double the security of Regular Industrial Tariff	

54.5 The Petitioner has further proposed for reconsideration/ review of consumption period in the determination of Security Deposits as 75 days instead of 30 days as detailed below;

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Description	Units	MDI	General
Consumption 30 days	Days	30	30
Meter reading	Days	1	1
Follow up	Days	0	2
Preparation of reading list sub division	Days	0	2
Submission of reading list to RO by sub division	Days	1	1
Data entry of meter reading by RO	Days	1	2
Verification of exception / error if any	Days	0	2
Submission of reading record to computer center by RO	Days	1	1
Printing of bill	Days	1	2
Delivery of printed bill to RO	Days	1	1
Distribution of bill to customer	Days	1	1
Payment period	Days	15	7
Receipt of bank scroll in RO	Days	3	3
Scrutiny of bank scroll by RO	Days	2	2
Submission of verified scroll to computer center by RO	Days	1	1
Posting of cash by computer center	Days	2	2
Scrutiny of defaulter list computer center	Days	1	1
Printing of notice to defaulters	Days	1	1
Receipt of defaulter notice from computer center to RO	Days	1	1
Scrutiny of defaulter list by RO	Days	1	1
Delivery of printed default notice to customer	Days	1	1
Notice period	Days	10	10
Total	**Days**	**75**	**75**

54.6 The Petitioner has also provided a comparison of increase in tariff from FY 2010 to FY 2015 and keeping in view the huge escalation in the rates, has requested that the security deposit rates may be revised based on the consumption of 75 days and increase in Tariff since November 2010 as per the below given schedule.-

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PROPOSED REVISION IN SECURITY DEPOSITS FOR LESCO ELECTRICITY CONSUMER-2.5 MONTHSS' CONSUMPTION						
Sr#	Tariff Category	Existing Security Deposits (Rs) (w.e.f. Nov. 2010) 1 month Cosnumption	Curresnt Security Deposits at 2.5Month's Billing (Rs)	Av. Inc in Trf Since Nov. 2010	Addition in Security Deposits (Rs)	Proposed Revised Security Deposits at 2.5Month's Billing (Rs)
C1	C2	C3	C4	C5	C6	C7= (c4+c6)
1	Residential A-1 (Urban) Rs/kW	1220	3,050.00	54.50%	1663	4,713.00
2	Residential A-1 (Rural) Rs/kW	610	1525	54.50%	832	2,357.00
3	Commercial A-2 (Urban) Rs/kW	1810	4525	56.70%	2565	7,090.00
4	Commercial A-2 Rural Rs/kW	920	2300	56.70%	1304	3,604.00
5	Industrial B-1 Rs/kW	1580	3950	72.60%	2866	6,816.00
6	Industrial B-2 Rs/kW	2010	5025	56.80%	2856	7,881.00
7	Industrial B-3 Rs/kW	2890	7225	63.20%	4566	11,791.00
8	Industrial B-4 Rs/kW	3560	8900	69.10%	6149	15,049.00
9	Single Point Supply C-1 ((at 400V)	1670	4175	53.70%	2242	6,417.00
10	Single Point Supply C-2 ((at 11 KV)	2080	5200	55.20%	2872	8,072.00
11	Single Point Supply C-3 ((above 11 KV) Rs/kW	2740	6850	58.60%	4012	10,862.00
12	Agri. T/Wells including Scarp Rs. (Lum Sum)	15000	37500	61.40%	23041	60,541.00
13	Public Lighting Tariff-G Rs/kW	3240	8100	28.30%	2296	10,396.00
14	Tariff -H (Residential Colonies Of Industries) Rs/kW	1560	3900	39.90%	1556	5,456.00
15	Railway Traction Tariff-I Rs/kW	610	1525	57.30%	875	2,400.00
16	Seasonal Tariff -F	Double the security of Regular Industrial Tariff			Double the security of Regular Industrial Tariff	

54.7 It has further been proposed that the option given to Industrial Customers of B-3 & B-4 categories to deposit the amount of Security through Bank Guarantee may kindly be withdrawn, as it is difficult to administer and regularly monitor such documents.

54.8 The Authority after careful consideration is of the view that since the matter pertains to all the DISCOs, therefore the Authority cannot adjudicated exclusively in the case of the Petitioner. It is also pertinent to mention here that none of the other DISCOs has raised this issue in their tariff petitions for the FY 2015-16. If the Authority feels that these rates needs to be revised, the Authority may instigate proceedings in the matter.

55. ORDER

55.1 From what has been discussed above, the Authority hereby determines the tariff of the petitioner Company for the Financial Year 2015-16 to 2019-20 under the Multi-Year Tariff Regime as under:-

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

II. The actual variation in fuel cost component of power purchase price against the reference fuel cost component shall be adjusted on monthly basis without taking into account the T&D losses. The monthly fuel price adjustment shall be based on the actual information submitted by CPPA (G), adjustment of remaining components of PPP will be adjusted biannually. Here it is pertinent to mention that while making biannual adjustments of the PPP, the Authority may rationalize the SoT accordingly.

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

i) Where only 132 kV system is involved

$$UOSC = DM(Gross) \times \frac{(1-L)}{(1-0.01)} \times \mathrm{AFI(T)} \quad Paisa/kWh$$

ii) Where only 11 kV distribution systems is involved.

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

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

$$UOSC = DM(Gross) \times \frac{(1-L)}{(1-0.06)} \times \mathrm{AFI(TD)} \quad Paisa/kWh$$

Where:

Gross Distribution Margin for FY 2015-16 is set at Rs.1.51/kWh (without excluding impact of other income)

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

AFI (T) = Adjustment factor for investment at 132 kV level i.e. 35%

AFI (D) = Adjustment factor for investment at 11 kV level i.e. 41%.

AFI (TD) =Adjustment factor for investment at both 132 kV & 11 kV level i.e 76%.

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

V. LESCO is hereby allowed the following T&D losses target over the five years tariff control period.

Year	2015-16	2016-17	2017-18	2018-19	2019-20
T&D losses target	11.75%	10.88%	10.03%	9.08%	8.00%

VI. LESCO is hereby allowed a total investment of Rs.93,832 million including Rs.19,406 million as given hereunder. Detail attached as Annexure-VII;

Million Rs.

Description	2015-16	2016-17	2017-18	2018-19	2019-20	Total
STG (Expansion & Rehabilitation)	4573	5724	6798	6349	4057	27501
Distribution (Expansion & Rehabilitation)	1341	1598	1876	2190	2485	9490
Cost of Vehicles	427	158	165	174	182	1106
Cost of T & P	250	263	276	290	304	1383
Cost of Civil Works	565	593	623	654	687	3122
Cost of ERP system	173	182	191	200	210	956
Cost of GIS Mapping Plan	6	22	20	34	36	118
HR Improvement Plan	0	0	0	0	0	0
TOU/Electronic Metering & HHUs	150	150	150	150	150	750
AMR/AMI Plan	0	7500	7500	7500	7500	30000
Financial Improvement Plan	0	0	0	0	0	0
Communication Improvement Plan	0	0	0	0	0	0
Total	**7485**	**16189**	**17599**	**17541**	**15611**	**74426**
Consumer Contribution	**3341**	**3592**	**3860**	**4151**	**4462**	**19406**
Grand Total	**10826**	**19781**	**21459**	**21692**	**20073**	**93832**

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55.2 The Authority hereby determines and approves the following component wise cost and their adjustments/indexation mechanism in the matter of LESCO's MYT tariff petition for the FY 2015-16 to 2019-20.

TARIFF COMPONENT	Assessed Cost FY 2015-16	Reference Cost For tariff control period	ADJUSTMENTS/ INDEXATION	TIME LINES
POWER PURCHASE PRICE				
Energy Purchase Price				
Fuel Cost	106,280	106,280	Monthly, as per the approved mechanism.	Data to be provided by CPPA (G)by 3rd of close of the month
Variable O&M	5,890	5,890	Biannually, as per the approved mechanism.	Request to be furnished by the Petitioner not later than 10th July and 10th January, as the case may be.
Capacity Charges	48,623	48,623	Biannually, as per the approved mechanism.	Request to be furnished by the Petitioner not later than 10th July and 10th January, as the case may be.
Use of System Charges	6,206	6,206	Biannually, as per the approved mechanism.	Request to be furnished by the Petitioner not later than 10th July and 10th January, as the case may be.
T&D Losses	11.75%	11.75%	Biannually, as per the approved mechanism.	Request to be furnished by the Petitioner not later than 10th July and 10th January, as the case may be.
NET DISTRIBUTION MARGIN	21,665	-		
O&M Cost				
Salaries, wages & other benefits	7,670	7,670	Annually, as per Annex-VI	Request to be submitted by Petitioner by 7th July every year.
Post-Retirement benefits	9,002	-	As per the decision	

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Repair and Maintenance	1,513	1,513	Annually, as per Annex-VI	Request to be submitted by Petitioner by 7th July every year.
Other operating expanses	1,497	1,497	Annually, as per Annex-VI	Request to be submitted by Petitioner by 7th July every year.
Depreciation	2,784	2,784	Annually, as per the Annex-VI	Request to be submitted by Petitioner by 7th July every year.
Return on Rate Base	3,096	3,096	Annually, as per the Annex-VI	
Other Income	(3,896)	(3,896)	Annually, as per the Annex-VI	
Prior Year Adjustment	(26,930)	-	Annually, as per the existing Mechanism	
KIBOR Spread	2.75%	-	Annually, as per the decision	
KIBOR	7.01%		Bi-Annually, as per the decision.	

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

56. **Summary of Direction**

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

- To provide a comparison of the complaints on year on year basis to judge the effectiveness of the measures undertaken by the Petitioner.
- To complete the installation of its remaining AMI/ AMRs as per the deadlines set by the Authority.
- To ensure printing of snapshots on all the bills not later than June 30, 2016.
- To finalize the procurement process of HHUs at the earliest and convert the billing process on HHU basis in order to eliminate the inefficiencies and to adopt necessary measures to address problems being faced by the consumers regarding visibility of snap shots appearing on the bills and to keep the record of snap shots till one year.

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- To submit a comprehensive recovery plan clearly highlighting the problem areas, targets for their improvements along with intended strategies/tools to achieve the same latest by June 30, 2016.

- To provide project wise detail of actual investments made in FY 2013-14 and FY 2014-15 along-with the cost benefit analysis and also explain the reasons for variation in numbers reported in the presentation and its financial statements.

- To complete the installation of remaining ToU Meters without further delay i.e. by June 2016.

- To spend at least 20% of the village electrification funds for improvement / up-gradation of the grid. The Petitioner is further directed to not to undertake any village electrification which would result in overloading of its system. The village electrification would only be undertaken without augmentation of the grid, if it already has spare MVAs.

- To complete study of its Transmission and Distribution losses on 132 KV, 11KV and below.

- To ensure that in future consumer's deposits are not utilized for any other purpose and to restrain from unlawful utilization of receipts against deposit works and security deposits, failing which, the proceedings under the relevant law shall be initiated against the Petitioner.

- The Petitioner is also directed to give clear disclosures in its Financial Statements with respect to the consumer financed spares and stores, work in progress and cash & bank balance.

- To provide rationale/justification for the improper utilization of receipt against deposit works and security deposits.

- To create separate accounts or fund (as the case may be) for each head of post retirement liability and transfer the amount in the post retirement liability in the fund or accounts (as the case may be).

- To maintain a proper record of its assets by way of tagging each asset for its proper tracking and to provide an explanation on the concerns raised by the Authority in terms of its R&M cost not later than 30th June, 2016.

- To share the detail of late payment charges recovered from the consumers and any invoice raised by CPPA / CPPA (G) under the head of mark-up on delayed payments for the FY 2014-15 and FY 2015-16.

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Annex-I

FUEL PRICE ADJUSTMENT MECHANISM

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

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

Where:

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

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

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

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

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Lahore Electric Power Company Limited (LESCO)
Estimated Sales Revenue on the Basis of New Tariff

Description	Sales		Tariff		Revenue		
	GWh	% Mix	Fixed Charge	Variable Charge	Fixed Charge	Variable Charge	Total
			Rs./kW/ M	Rs./ kWh		Mln. Rs.	
Residential							
Up to 50 Units	252	1.49%		4.00	-	1,009	1,009
For peak load requirement less than 5 kW							
01-100 Units	1741	10.26%		7.25	-	12,621	12,621
101-200 Units	927	5.47%		9.85	-	9,136	9,136
201-300 Units	1353	7.98%		10.85	-	14,681	14,681
301-700Units	966	5.69%		12.20	-	11,780	11,780
Above 700 Units	339	2.00%		13.85	-	4,688	4,688
For peak load requirement exceeding 5 kW)							
Time of Use (TOU) - Peak	132	0.78%		13.85	-	1,835	1,835
Time of Use (TOU) - Off-Peak	585	3.45%		7.25	-	4,238	4,238
Temporary Supply	1	0.00%		13.85	-	7	7
Total Residential	6,296	37.12%			-	59,995	59,995
Commercial - A2							
For peak load requirement less than 5 kW	499	2.94%		14.05	-	7,007	7,007
For peak load requirement exceeding 5 kW							
Regular	90	0.53%	400.00	10.05	182	905	1,087
Time of Use (TOU) - Peak	124	0.73%		13.85	-	1,719	1,719
Time of Use (TOU) - Off-Peak	529	3.12%	400.00	7.25	1,324	3,834	5,157
Temporary Supply	42	0.25%		14.05	-	584	584
Total Commercial	1,283	7.57%			1,506	14,049	15,554
General Services-A3	509	3.00%	-	10.85	-	5,521	5,521
Industrial							
B1	88	0.52%		10.05	-	887	887
91 Peak	66	0.39%		13.85	-	918	918
B1 Off Peak	328	1.93%		7.25	-	2,379	2,379
B2	230	1.36%	400.00	9.55	405	2,200	2,605
B2 - TOU (Peak)	230	1.35%		13.85	-	3,181	3,181
B2 - TOU (Off-peak)	1159	6.83%	400.00	7.05	2,918	8,173	11,090
B3 - TOU (Peak)	254	1.50%		13.85	-	3,518	3,516
B3 - TOU (Off-peak)	3824	22.55%	380.00	6.85	4,786	26,196	30,983
B4 - TOU (Peak)	83	0.49%		13.85	-	1,155	1,155
B4 - TOU (Off-peak)	891	5.25%	380.00	6.75	1,001	6,015	7,816
Temporary Supply	0	0.00%		10.05	-	3	3
Total Industrial	7,155	42.18%			9,110	54,624	63,735
Single Point Supply for further distribution							
C1(a) Supply at 400 Volts-less than 5 kW	1	0.00%		10.55	-	5	5
C1(b) Supply at 400 Volts-exceeding 5 kW	27	0.16%	400.00	10.05	28	267	295
Time of Use (TOU) - Peak	4	0.02%		13.85	-	50	50
Time of Use (TOU) - Off-Peak	16	0.10%	400.00	7.25	20	117	138
C2 Supply at 11 kV	199	1.17%	380.00	9.85	168	1,956	2,124
Time of Use (TOU) - Peak	30	0.18%		13.85	-	420	420
Time of Use (TOU) - Off-Peak	145	0.85%	380.00	7.05	206	1,022	1,227
C3 Supply above 11 kV	67	0.39%	360.00	9.75	57	648	705
Time of Use (TOU) - Peak	0	0.00%		13.85	-	-	-
Time of Use (TOU) - Off-Peak	0	0.00%	340.00	6.85	-	-	-
Total Single Point Supply	487	2.87%			479	4,486	4,965
Agricultural Tube-wells - Tariff D							
Scarp	88	0.52%		10.95	-	960	960
Time of Use (TOU) Peak	30	0.18%		13.85	-	412	412
Time of Use (TOU) - Off-Peak	109	0.64%	200.00	6.85	64	748	812
Agricultural Tube-wells	88	0.52%	200.00	11.15	68	985	1,053
Time of use (TOU) - Peak	170	1.00%		13.85	-	2,351	2,351
Time of Use (TOU) - Off-Peak	641	3.78%	200.00	6.85	706	4,394	5,100
Total Agricultural	1,126	6.64%			839	9,850	10,688
Public Lighting - Tariff G	98	0.58%		12.05	-	1,181	1,181
Residential Colonies	8	0.05%		12.85	-	96	96
Railway Traction	0	0.00%		12.05	-	-	-
Sub-Total	106	0.62%			-	1,276	1,276
Special Contract - Tariff-J							
J-1 For Supply at 66 kV & above	-	0.00%	360.00	9.75	-	-	-
Time of Use (TOU) - Peak	-	0.00%		13.85	-	-	-
Time of Use (TOU) - Off-Peak	-	0.00%	360.00	6.85	-	-	-
J-2 (a) For Supply at 11, 33 kV	-	0.00%	360.00	9.85	-	-	-
Time of Use (TOU) - Peak	-	0.00%		13.85	-	-	-
Time of Use (TOU) - Off-Peak	-	0.00%	360.00	7.05	-	-	-
J-2 (b) For Supply at 66 kV & above	-	0.00%	360.00	9.75	-	-	-
Time of Use (TOU) - Peak	-	0.00%		13.85	-	-	-
Time of Use (TOU) - Off-Peak	-	0.00%	360.00	6.85	-	-	-
J-3 (a) For Supply at 11, 33 kV	-	0.00%	360.00	9.85	-	-	-
Time of Use (TOU) - Peak	-	0.00%		13.85	-	-	-
Time of Use (TOU) - Off-Peak	-	0.00%	360.00	7.05	-	-	-
J-3 (b) For Supply at 66 kV & above	-	0.00%	360.00	9.75	-	-	-
Time of Use (TOU) - Peak	-	0.00%		13.85	-	-	-
Time of Use (TOU) - Off-Peak	-	0.00%	360.00	6.85	-	-	-
Total Revenue	16,962	100.00%			11,933	149,801	161,735

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SCHEDULE OF ELECTRICITY TARIFFS
FOR LAHORE ELECTRIC SUPPLY COMPANY (LESCO)

A-1 GENERAL SUPPLY TARIFF - RESIDENTIAL

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	
a)	For Sanctioned load less than 5 kW			
i	Up to 50 Units	-	4.00	
	For Consumption exceeding 50 Units			
ii	001 - 100 Units	-	7.25	
iii	101 - 200 Units	-	9.85	
iv	201 - 300 Units	-	10.85	
v	301 - 700 Units	-	12.20	
vi	Above 700 Units	-	13.85	
b)	For Sanctioned load 5 kW & above			
			Peak	Off-Peak
	Time Of Use	-	13.85	7.25

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

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

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

A-2 GENERAL SUPPLY TARIFF - COMMERCIAL

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	
a)	For Sanctioned load less than 5 kW		14.05	
b)	For Sanctioned load 5 kW & above	400.00	10.05	
			Peak	Off-Peak
c)	Time Of Use	400.00	13.85	7.25

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

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

A-3 GENERAL SERVICES

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh
a)	General Services	-	10.85

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

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

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SCHEDULE OF ELECTRICITY TARIFFS
FOR LAHORE ELECTRIC SUPPLY COMPANY (LESCO)
B INDUSTRIAL SUPPLY TARIFFS

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	
B1	Upto 25 kW (at 400/230 Volts)	-		10.05
B2(a)	exceeding 25-500 kW (at 400 Volts)	400.00		9.55
	Time Of Use		Peak	Off-Peak
B1 (b)	Up to 25 KW	-	13.85	7.25
B2(b)	exceeding 25-500 kW (at 400 Volts)	400.00	13.85	7.05
B3	For All Loads up to 5000 kW (at 11,33 kV)	380.00	13.85	6.85
B4	For All Loads (at 66,132 kV & above)	360.00	13.85	6.75

For B1 consumers there shall be a fixed minimum charge of Rs. 350 per month.
For B2 consumers there shall be a fixed minimum charge of Rs. 2,000 per month.
For B3 consumers there shall be a fixed minimum charge of Rs. 50,000 per month.
For B4 consumers there shall be a fixed minimum charge of Rs. 500,000 per month.

C SINGLE-POINT SUPPLY FOR PURCHASE IN BULK BY A DISTRIBUTION LICENSEE AND MIXED LOAD CONSUMERS NOT FALLING IN ANY OTHER CONSUMER CLASS

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	
C -1	For supply at 400/230 Volts			
a)	Sanctioned load less than 5 kW	-		10.55
b)	Sanctioned load 5 kW & up to 500 kW	400.00		10.05
C -2(a)	For supply at 11,33 kV up to and including 5000 kW	380.00		9.85
C -3(a)	For supply at 66 kV & above and sanctioned load above 5000 kW	360.00		9.75
	Time Of Use		Peak	Off-Peak
C -1(c)	For supply at 400/230 Volts 5 kW & up to 500 kW	400.00	13.85	7.25
C -2(b)	For supply at 11,33 kV up to and including 5000 kW	380.00	13.85	7.05
C -3(b)	For supply at 66 kV & above and sanctioned load above 5000 kW	360.00	13.85	6.85

D AGRICULTURE TARIFF

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	
D-1(a)	SCARP less than 5 kW	-		10.95
D-2 (a)	Agricultural Tube Wells	200.00		11.15
			Peak	Off-Peak
D-1(b)	SCARP 5 kW & above	200.00	13.85	6.85
D-2 (b)	Agricultural 5 kW & above	200.00	13.85	6.85

Under this tariff, there shall be minimum monthly charges Rs.2000/- per consumer per month, even if no energy is consumed.
Note:- The consumers having sanctioned load less than 5 kW can opt for TOU metering.

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SCHEDULE OF ELECTRICITY TARIFFS
FOR LAHORE ELECTRIC SUPPLY COMPANY (LESCO)
E - TEMPORARY SUPPLY TARIFFS

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh
E-1(i)	Residential Supply	-	13.85
E-1(ii)	Commercial Supply	-	14.05
E-2	Industrial Supply	-	10.05

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

F - SEASONAL INDUSTRIAL SUPPLY TARIFF

125% of relevant industrial tariff

Note:

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

G - PUBLIC LIGHTING

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh
	Street Lighting	-	12.05

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

H - RESIDENTIAL COLONIES ATTACHED TO INDUSTRIAL PREMISES

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh
	Residential Colonies attached to industrial premises	-	12.05

I - RAILWAY TRACTION

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh
	Railyway Traction	-	12.05

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

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	
J -1	For supply at 66 kV & above and having sanctioned load of 20MW & above	360.00	9.75	
J-2				
(a)	For supply at 11,33 kV	380.00	9.85	
(b)	For supply at 66 kV & above	360.00	9.75	
J-3				
(a)	For supply at 11,33 kV	380.00	9.85	
(b)	For supply at 66 kV & above	360.00	9.75	
	Time Of Use		Peak	Off-Peak
J -1(b)	For supply at 66 kV & above and having sanctioned load of 20MW & above	360.00	13.85	6.85
J-2 (c)	For supply at 11,33 kV	380.00	13.85	7.05
J-2 (d)	For supply at 66 kV & above	360.00	13.85	6.85
J-3 (c)	For supply at 11,33 kV	380.00	13.85	7.05
J-3 (d)	For supply at 66 kV & above	360.00	13.85	6.85

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Annex-IV

LESCO Power Purchase Price

Name	July	August	September	October	November	December	January	February	March	April	May	June	Total
Units Purchased by DISCOs (GWh)	1,881	1,957	1,692	1,663	1,462	1,391	1,196	1,343	1,377	1,441	1,875	1,942	19,220

kWh

Name	July	August	September	October	November	December	January	February	March	April	May	June	Total
Fuel Cost Component	4.9811	4.7552	5 1217	5.2366	5.0497	5.8619	7.1241	5.7493	6.6429	6.7227	5.2908	4.9927	5.530
Variable O & M	0.2727	0.2678	0.2825	0.2891	0.2916	0.3337	0.3711	0.3234	0.3467	0.3577	0.3050	0.2891	0.306
CpGenCap	2.1106	2.0662	2.5201	2.5975	2.6591	3.1136	2.4859	2.9583	2.8805	2.3790	2.7183	2.2485	2.53
USCF	0.2666	0.2792	0.3459	0.3463	0.3702	0.3854	0 2853	0.3826	0.3295	0.3071	0.3106	0.3016	0.32
Total PPP in Rs. /kWh	7.6310	7.3683	8.2702	8.4695	8.3706	9.6946	10.2665	9.4137	10.1996	9.7668	8.6245	7.8929	8.6887

Rs in Million

Name	July	August	September	October	November	December	January	February	March	April	May	June	Total
Fuel Cost Component	9,371	9,305	8,665	8,710	7,382	8,155	8,519	7,723	9,149	9,684	9,921	9,697	106,280
Variable O & M	513	524	478	481	426	464	444	434	478	515	572	561	5,890
CpGenCap	3,971	4,043	4,263	4,320	3,887	4,332	2,973	3,974	3,967	3,427	5,097	4,369	48,623
USCF	502	546	585	576	541	536	341	514	454	442	582	586	6,206
PPP	14,356	14,419	13,991	14,087	12,236	13,487	12,276	12,645	14,048	14,069	16,172	15,213	167,000

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

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

PART-I

GENERAL DEFINITIONS

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

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

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

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

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

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

GENERAL CONDITIONS

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

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PART-II

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

A-1 RESIDENTIAL

Definition

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

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

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

A-2 COMMERCIAL

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

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A-3 GENERAL SERVICES

1. This tariff is applicable to;

   i. Approved religious and charitable institutions
   ii. Government and Semi-Government offices and Institutions
   iii. Government Hospitals and dispensaries
   iv. Educational institutions
   v. Water Supply schemes including water pumps and tube wells operating on three phase 400 volts other than those meant for the irrigation or reclamation of Agriculture land.

1. Consumers under General Services (A-3) shall be billed on single-part kWh rate i.e. A-3(a) tariff.

B INDUSTRIAL SUPPLY

Definitions

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

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

Conditions

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

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

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

B-2 SUPPLY AT 400 VOLTS

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

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

B-3 SUPPLY AT 11 kV AND 33 kV

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

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

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

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C BULK SUPPLY

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

General Conditions

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

C-I SUPPLY AT 400/230 VOLTS

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

C-2 SUPPLY AT 11 kV AND 33 kV

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

C-3 SUPPLY AT 66 kV AND ABOVE

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

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D AGRICULTURAL SUPPLY

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

Special Conditions of Supply

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

D-1

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

D-2

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

E -1 TEMPORARY RESIDENTIAL/COMMERCIAL SUPPLY

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

Special Conditions of Supply

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

E -2 TEMPORARY INDUSTRIAL SUPPLY

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

SPECIAL CONDITIONS OF SUPPLY

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

F SEASONAL INDUSTRIAL SUPPLY

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

Definitions

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

Special Conditions of Supply

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

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seasonal industries, which are connected to the Company's Supply System for the first time during the course of a season.

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

G PUBLIC LIGHTING SUPPLY

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

Definitions

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

Special Conditions of Supply

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

H RESIDENTIAL COLONIES ATTACHED TO INDUSTRIES

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

Definitions

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

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

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

Special Conditions of Supply

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

I. TRACTION

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

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

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

i. To a licensee procuring power from LESCO for the purpose of further supply within its respective service territory and jurisdiction.

ii. To an O&M operator under the O&M Agreement within the meaning of NEPRA (Supply of Power) Regulations 2015 duly approved by the Authority for the purpose of further supply within the service territory and jurisdiction of the LESCO

iii. To an Authorized agent within the meaning of NEPRA (Supply of Power) Regulations 2015, procuring power from the LESCO for further supply within the service territory and jurisdiction of the LESCO

J-1 SUPPLY TO LICENSEE

1. This tariff is applicable to a Licensee having sanctioned load of 20 MW and above receiving supply at 66 kV and above.

2. Existing consumers governed by this tariff shall be provided with T.O.U metering arrangement and converted to J-1(b).

3. All new consumers shall be provided TOU metering arrangement and shall be billed on the basis of tariff J-1(b) as set out in the Schedule of Tariff.

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SUPPLY UNDER O&M AGREEMENT

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

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

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

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

SUPPLY TO AUTHORIZED AGENT

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

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

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

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

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O&M EXPENSE

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

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

Where:

$O\&M_{(Rev)}$	=	Revised O&M Expense for the Current Year
$O\&M_{(Ref)}$	=	Reference O&M Expense for the Reference Year
ΔCPI	=	Change in Consumer Price Index published by Pakistan Bureau of Statistics latest available on 1st July against the CPI as on 1st July of the Reference Year in terms of percentage.
X	=	Efficiency factor

RORB

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

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

Where:

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

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DEPRECIATION EXPENSE

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

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

Where:

$DEP_{(Rev)}$	=	Revised Depreciation Expense for the Current Year
$DEP_{(Ref)}$	=	Reference Depreciation Expense for the Reference Year
$GFAIO_{(Rev)}$	=	Revised Gross Fixed Assets in Operation for the Current Year
$GFAIO_{(Ref)}$	=	Reference Gross Fixed Assets in Operation for the Reference Year

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OTHER INCOME

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

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

Where:

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

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ANNEX-VII

A. **Target Projects in Next 5 Years:**

A-1 Number of sub-projects under STG is as follows:

A-1.1 Grid Station Projects to Overcome Overloading at 132 kV Level:

S. #	Description	Total Nos.	Total MVA	2015-16	2016-17	2017-18	2018-19	2019-20
1	**New**							
a)	132 kV	25	1356	9	4	3	4	5
2	**Conversion**							
a)	66 to 132 kV	7	364	1	1	2	2	1
3	**Augmentation**							
a)	132 kV	57	1212	18	10	17	12	0
b)	66 kV	0	0	0	0	0	0	0
4	**Extension (T/Bay)**							
a)	132 kV	44	1294	4	15	19	6	0
5	**Extension (L/Bay)**							
a)	132 kV	39	0	9	10	9	6	5
6	**Sub-Total**	**172**	**4226**	**41**	**40**	**50**	**30**	**11**

A-1.2 New Transmission Line Projects to Overcome Power Evacuation Constraints:

S. #	Description	Length KM	2015-16	2016-17	2017-18	2018-19	2019-20
1	132 kV D/C	360.4	39.13	64.32	81.75	95.7	79.5
2	132 kV SDT	0	0.00	0	0	0	0
3	**Sub-Total**	**360.4**	**39.13**	**64.32**	**81.75**	**95.7**	**79.5**

A-1.3 Up-gradation of Existing Transmission Lines:

S. #	Description	Length KM	2015-16	2016-17	2017-18	2018-19	2019-20
1	132 kV D/C	17.7	0	7.08	10.62	0	0
2	**Sub-Total**	**17.7**	**0**	**7.08**	**10.62**	**0**	**0**

A-1.4 Re-Conductoring/Re-Routing of Existing Transmission Lines:

S. #	Description	Length KM	2015-16	2016-17	2017-18	2018-19	2019-20
1	132 kV D/C	378.06	71.2	81.48	72.08	87.8	65.5
2	**Sub-Total**	**378.06**	**71.2**	**81.48**	**72.08**	**87.8**	**65.5**

A-1.5 Capacitor Installation Projects to Improve Power Factor:

S. #	Description	MVAR	2015-16	2016-17	2017-18	2018-19	2019-20
1	11 kV Switched Capacitors	242.44	0.00	75.36	71.28	36	59.8
2	132 kV Switched Capacitors	144.00	0	0	0	72	72
	Sub-Total	**386.44**	**0.00**	**75.36**	**71.28**	**108.00**	**131.80**

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A-2 Names of New 132 kV Grid Stations and Transmission Lines under STG in Next 5 Years:

Year	New 132 kV Grid Stations	New 132 kV Transmission Lines
2015-16	Punjab University Town LDA Avenue – 1 Saggian Askari – 10 Sheranwala Gate DHA Rehber Jubilee Town Central Park Press Club	Feed for 132kV LDA Avenue-1 (In & Out from PU Town- Jubilee Town) Feed for 132kV EMCO (In & Out from Green Town- Attabad) 132kV Sarfaraz Nagar- Manga Mandi Feed for 132kV Sheranwala (In & Out from Ravi- Fort T/Line) Feed for 132kV (Askari-10) 132kV F/F Punjab University Town (In & Out from Wapda Town- Sukh Chayen) 132kV Pattoki- Depalpur (In & Out at 132kV G/S Habibabad) 220kV Ghazi- 132kV Ghazi Feed for DHA Rahbar (In & Out from Japan Power- Wapda Town) Feed for Jubliee Town (In & Out from Wapda Town- LDA Avenue) Feed for Central Park (In & Out from Raiwind- Kasur) Feed for Press Club (In & Out from Fatahghar – Shalamar 1)
2016-17	Valencia Mandi Ahmed Abad Barki DHA No. 3 DHA Phase 6	132kV Lulliyan- Kahna Feed for Valencia (In & Out from Wapda Town- DHA Rahbar) Feed for Kanganpur (In & Out from Ellahabad- Mandi Ahmedabad) 132kV Bhaipheru- Orient Upgradation of 66kV Attabad- EMCO to 132kV level Upgradation of 66kV EMCO-UIS- Rustam to 132kV level 132Kv Orient- Bucheki Feed for 132kV Mandi Ahmed. (Double circuit from Ahmedabad) Feed for Barki (DHA-Phase 6-3) (In & Out from Ghazi Road- DHA-5) Feed for Chahal DHA- 7 (In & Out from DHA 5- Barki)
2017-18	Punjab University Jandiala Sher Khan Fruit Mandi	Feed for 132kV Jandiala Sher Khan (In & Out from SKP Ind- Sapphire P/H) Feed for Fruit Mandi (In & Out from Wapda Town- Kahna Nau) Feed for Malikpur (D/C from Bucheki) 132kV Manga Mandi- Wapda Town Depalpur- Hujra Sarfraz Nagar- Bhaipheru 132kV F/F Punjab University (In & Out from Garden Town- Model Town)
2018-19	Audit & Account Kakezai Town Park View DHA Phase 7	Feed for kakezai Town (In & Out from DHA Rahbar- Japan Power) Feed for Audit & Account (In & Out from Wapda Town- Kahna Nau) OKLP- Defence- DHA 5- Eden-Park View (Re-Conductoring/ Re-Routing) Feed for Baseerpur (D/C from Deepalpur) Ferozwattwan- Nankana Feed for Mohlan (In & Out from Ferozwattwan- Nankana) Attabad- KSK Feed for DHA-7 D/C from Ghazi Road Green View- KSK

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2019-20	Paragon Eden Chanar Bagh Kasur – II Jamber	Feed for Jamber (In & Out from Bhaipheru- Pattoki) Feed for Kasur-2 (In & Out from Sarfaraz Nagar- Kasur) Feed for Ali Judge (D/C from Bucheki) Feed for Eden (In & Out from DHA 5 – Park View) Feed for Paragon (In & Out from 220kV Ghazi- 132kV Ghazi) Feed for Chinar Bagh Single Circuit from Japan Power Wapda Town- Township T-off single circuit In/Out for LEFO Sheikhupura- Nankana Farooqabad- Jandiala Sher Khan

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A-3 Number of sub-projects under DOP Expansion and Rehabilitation are as follows:

A-3.1 DOP Expansion Projects to Cater Future Demand:

S. No.	Description	Unit	Quantities					
			2015-16	2016-17	2017-18	2018-19	2019-20	Total
Scope of Work for 11 kV and Below Expansion								
1	**New HT Lines**							
	Length of new HT line	Km	447	465	483	503	523	2421
	HT line Reconductoring	Km	0	0	0	0	0	0
2	**New Transformers**							
	a. 50 KVA	Nos.	395	411	427	444	462	2139
	b. 100 KVA	Nos.	931	969	1007	1048	1090	5045
	c. 200 KVA	Nos.	381	396	412	429	446	2064
	d. others KVA	Nos.	4042	4202	4370	4544	4725	21883
	Sub Total	Nos.	5749	5978	6216	6465	6723	31131
Scope of Work for LT Expansion								
3	**New LT Lines**							
	Length of new LT line	Km	278	289	300	312	325	1504
Scope of New Meter Service Connections								
4	a. Single Phase	Nos.	120205	125013	130013	135214	140622	651067
	b. Three Phase	Nos.	35557	36980	38458	39998	41597	192590
	c. MDI (Maximum Demand Indicator)	Nos.	88	91	95	99	103	476
	Sub Total	Nos.	155850	162084	168566	175311	182322	844133

A-3.2 DOP Rehabilitation Projects to Reduce Overloading at 11 kV Level:

S. No.	Description	Unit	Quantities					
			2015-16	2016-17	2017-18	2018-19	2019-20	Total
Scope of Work for 11 kV and Below Rehabilitation								
1	**Rehabilitation of HT Lines**							
	a. Number of proposals	Nos.	45	50	55	60	60	270
	b. Bifurcation	Km	40	45	50	55	55	245
	c. Reconductoring	Km	5	5	5	5	5	25
	d. New HT Line	Km	130	144	159	173	173	779
	e. HT Line Reconductoring	Km	144	163	177	163	163	810

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2	**Replacement of Overloaded Transformers**							
	a. 50 KVA	Nos.	140	150	160	180	190	820
	b. 100 KVA	Nos.	210	225	240	270	285	1230
	c 200 KVA	Nos.	350	375	400	450	475	2050
	h. others KVA	Nos.	0	0	0	0	0	0
	Sub Total	Nos.	700	750	800	900	950	4100
3	**Replacement of Damaged / Burnt Transformers**							
	a. 50 KVA	Nos.	3	5	5	7	15	35
	b. 100 KVA	Nos.	15	20	25	30	35	125
	c. 200 KVA	Nos.	80	100	120	130	130	560
	d. others KVA	Nos.	0	0	0	0	0	0
	Sub Total	Nos.	98	125	150	167	180	720
4	11 kV Panels	Nos.	40	45	50	55	55	245
	11 kV Capacitors	Nos.	90	100	110	120	120	540
	11KV Cable	Meters	5860	6512	7163	7814	7814	35163

Scope of Work for LT Rehabilitation								
1	**LT Lines Rehabilitation**							
	Number of proposals	Nos.	700	750	800	900	950	4100
	New HT lines against LT Proposals	Km	38	41	43	49	52	223
	Reconductoring of LT Line	Km	53.06	57	61	68	72	311.06
	New LT Line	Km	75	80	85	96	101	437
	PVC Cables	Meter	303	325	346	390	411	1775

A-4 Number of sub-projects under GIS Program is as follows:

A-4.1 GIS Mapping at Sub-Divisional & Circle Level:

S. No.	Description	Unit	Quantity					
			2015-16	2016-17	2017-18	2018-19	2019-20	Total
1	**HT Mapping**							
	Number of 11 kV Feeders	Nos.	1443	50	55	50	54	1652
	Length of HT Lines mapped	Km	26918	325	358	325	351	28277
2	**LT Mapping**							
	Length of LT Lines	Nos.	0	800	1500	3000	4500	9800
	Length of LT Lines mapped	Km	0	15	23.3	31	39	108
3	**Tools Required**							
	GIS Mapping Software Licenses	Nos.	0	11	0	0	0	11
	Hardware including plotters, computers, GPS devices etc.	Nos.	0	121	42	42	42	247
	Sub Total		**28361**	**1322**	**1978**	**3448**	**4986**	**40095**

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S. No.	Description	Unit	Quantity					
			2015-16	2016-17	2017-18	2018-19	2019-20	Total
Study Based Planning using GIS Maps with Modern Planning Tools - Transition Plan								
1	HT							
	HT Proposals	Nos.	10	15	25	35	40	125
2	LT							
	LT Proposals	Nos.	0	100	150	185	200	635
3	Tools Required							
	Simulation Software Licenses	Nos.	0	18	28	28	22	96
	Hardware including plotters, computers etc	Nos.	0	52	56	56	44	208
Sub Total			**10**	**185**	**259**	**304**	**306**	**1064**

A-5 Sub-projects under Commercial Improvement Plan are as follows:

A-5.1 Projects to Reduce Metering Complaints/Errors:

Mln.Rs.

S. #	Description	2015-16	2016-17	2017-18	2018-19	2019-20	Total
A	AMR Metering	0	7500	7500	7500	7500	**30000**
B	Electronic Metering/ TOU Metering	100	100	100	100	100	**500**
C	New CIS system	0	0	0	0	0	**0**
D	HHUs for meter reading (Mobile Unit for Meter Reading)	50	50	50	50	50	**250**
E	Consumer Census	0	0	0	0	0	**0**
F	Anti-theft efforts	0	0	0	0	0	**0**
G	IT infrastructure to support new initiatives	0	0	0	0	0	**0**
H	Others	0	0	0	0	0	**0**
	Total	**150**	**7650**	**7650**	**7650**	**7650**	**30750**

A-5.2 Detail of AMI/AMR Metering Plan:

S. #	Description	Nos.
A	AMR Meters installed at Domestic & Commercial Consumers	1151393
B	AMR Meters installed at Substations, 11 kV Feeders and Distribution transformers	26665
C	AMR Meters installed at Bulk Consumers	24654
Total		**1202712**

A-6. Sub-projects under the head of Vehicle, Mechanical Tolls and Plants are as follows:

A-6.1 Vehicles Required for STG, DOP and ELR Operations:

S. #	Description	2015-16	2016-17	2017-18	2018-19	2019-20	Total
1	Toyota Pickup	200	0	44	39	32	315
2	Bucket Crane	3	5	5	5	6	24
3	Mini Bus	1	1	1	1	1	5
4	Motorcycle	10	10	0	0	0	20

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NEPRA AUTHORITY

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5	Toyota Hiace	0	5	0	1	3	9
6	Mini Truck	0	20	0	0	0	20
7	Crane / Auger Crane	0	3	5	4	1	13
8	Fork Lifter	0	0	0	6	0	6
9	Cars	0	0	0	0	30	30
	Sub Total	214	44	55	56	73	442

A-6.2 Mechanical Tools & Plants

Rs. in Millions

S. #	Description	2015-16	2016-17	2017-18	2018-19	2019-20	Total
1	Tools & Plants (T&P)	250	263	276	290	304	1383
	Sub Total	**250**	**263**	**276**	**290**	**304**	**1383**

A-7. Sub-projects under **Civil Works** are as follows:

Enhancement in the number of sub-divisions, divisions, revenue offices and operation circles is essential to provide prompt/effective services to the prospective new consumers in next 5 years. The restraining instructions are that LESCO will not claim additional amount on recruitment of new employees. The number of employees may vary but the allowance in salaries etc. will remain the same. There is no need for construction circles, construction division and construction sub-division as the job of construction would be out sourced and for the purpose of supervision, the existing strength of supervisory staff is ample. The following amount under the Civil Works is hereby allowed:

A-7.1 New Offices and Buildings:

Rs. in Millions

S. #	Description	2015-16	2016-17	2017-18	2018-19	2019-20	Total
1	New Offices and Buildings	467	490	515	541	568	**2581**
2	Furniture and office equipment	98	103	108	113	119	**541**
	Sub Total	565	593	623	654	687	3122

A-8. Sub-projects under **Enterprise Resource Planning** are as follows:

Rs. in Millions

S. #	Description	2015-16	2016-17	2017-18	2018-19	2019-20	Total
1	ERP System	173	182	191	200	210	**956**
	Sub Total	173	182	191	200	210	**956**

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NEPRA AUTHORITY

Annex - VIII

List of Interested / Affected Parties to send the Notices of Admission /Hearing Regarding Petition filed by Lahore Electric Supply Co. Ltd. (LESCO) in respect of Consumer-end Tariff Determination

Pertaining to the FY 2015-16 to 2019-20

*****

A. Secretaries of various Ministries

1. Secretary
   Cabinet Division
   Cabinet Secretariat
   Islamabad

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

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

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

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

6. Secretary
   Privatization Commission
   EAC Building
   Islamabad

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

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

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

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

B. **Chambers of Commerce & Industry, Telecom Companies, Interveners & General Public**

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

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

3. President
Lahore Chamber of Commerce & Industry
11, Shahrah-e-Awan-e-Tijarat
Lahore

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

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

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

Karachi

7. Secretary
All Pakistan Textile Mills Association (APTMA)
97-A, Aziz Avenue,
Canal Bank Off Gulberg Road,
Lahore

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

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

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

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

12. All Pakistan CNG Association
Suite No. 6, 2nd Floor
Al-Mustafa Centre
Near Chandni Chowk,
Rawalpindi

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

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

15. Chief Executive Officer
Mobilink
Mobilink House 1-A

Kohistan Road, F-8 Markaz
Islamabad

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

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

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

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

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

21. M/s Mohammad & Ahmed
Constitutional, Corporate & Tax Counsel
Ground Floor, Almas Tower, Begum Tassaduq Road
26-The Mall
Lahore

22. M/s Ittehad Chemicals Pvt Limited
39, Empress Road
Lahore

23. M/s Flying Board & Paper Products Limited
26 km, Lahore Sheikhupura Road
Sheikhupura

24. M/s Flying Paper Industries Limited
103 Fazal Road
St. John Park
Lahore Cant-54600

25. M/s Zaman Paper & Board Mills (Pvt) Limited
13-km, Sheikhupura Faisalabad Road
Sheikhupura

26. M/s Flying Cement Limited
103 Fazal Road
St. John Park
Lahore Cant-54600

27. M/s Pakistan Steel Melters Association, Lahore
30-S, Gulberg Centre
84-D/1
Main Boulevard, Gulberg-III
Lahore

28. M/s North Star Textile Mills
32-A, Garden Block
New Garden Town
Lahore

29. Pakistan hosiery manufacturers & Exporter Association
P-64/H, raja Road, Gulistan colony No. 1
Faisalabad

30. M/s Anwar Kamal Law Associates
1-Turner Road
Lahore - 54000

C. **Heads of Various Organizations**

1. Managing Director
Pakistan Electric Power Company (PEPCO)
721-WAPDA House
Shahrah-e-Quaid-e-Azam
Lahore

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

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

Islamabad

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

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

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

D. <u>Member Power WAPDA</u>

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

E. <u>Petitioner</u>

1. Chief Executive Officer,
Lahore Electric Supply Company (LESCO)
22-A, Queens Road,
Lahore

Note: In addition to above list letters may be sent to all Energy Secretaries and Chief Secretaries of all provinces.

" The News" 28-11-15.

Annex - IX

National Electric Power Regulatory Authority (NEPRA)

NOTICE OF ADMISSION - HEARING

FY 2014-15 AS BASE YEAR

[illegible]

2015-16 to 2019-20 [illegible] FY 2014-15 as base year.

[illegible]

Date: [illegible] December, 2015
Time: [illegible] a.m.
Venue: NEPRA TOWER [illegible] ISLAMABAD

All communications should be addressed to:

[illegible]

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"Express" 28-11-15.

نیشنل الیکٹرک پاور ریگولیٹری اتھارٹی (نیپرا)

[illegible]

179

"Express" 10-12-15.

نیشنل الیکٹرک پاور
ریگولیٹری اتھارٹی (نیپرا)

[illegible]

[illegible]

تمام متعلقہ ... 28 نومبر 2015 کو شائع ہونے ...
... 15 دسمبر 2015 کو نیپرا ٹاور اسلام آباد میں ہونا تھی۔
... تبدیلی کی گئی ہے۔

تاریخ: 18 دسمبر 2015 (جمعہ)

وقت: دن 11:00 بجے

مقام: آواری ہوٹل لاہور

... www.nepra.org.pk سے ڈاؤن لوڈ کر سکتے ہیں۔

[illegible]

"The News" 10-12-15.

National Electric Power Regulatory Authority (NEPRA)

[illegible]

RE-SCHEDULING AND CHANGE IN VENUE OF HEARING IN THE MATTER OF PETITION FILED BY LAHORE ELECTRIC SUPPLY COMPANY LIMITED (LESCO) FOR THE DETERMINATION OF ITS MULTI-YEAR CONSUMER-END TARIFF PERTAINING TO THE FY 2015-16 TO 2019-20 BASED ON THE ACTUAL [illegible] RESULTS OF THE FY 2014-15 AS BASE YEAR

It is notified to all the stakeholders and the general public that the hearing on the subject matter scheduled for December 15, 2015 at NEPRA Tower Islamabad, as published in daily newspapers on November 28, 2015, has been rescheduled as below.

Date: December 18, 2015 (Friday)
Time: 11:00 a.m.
Venue: Avari Hotel, Lahore

All other information will remain the same. A copy of petition and issues framed for the hearing can be obtained from NEPRA office or downloaded from website: www.nepra.org.pk

All other information/conditions remain the same

PID(I) 2043/15

Registrar NEPRA
NEPRA Tower, G-5/1, Islamabad.
Phone: 051-9206500 Fax: 051-921 0215,
E-mail: office@nepra.org.pk

"B/Recorder" 03-02-16.

National Electric Power Regulatory Authority (NEPRA)

NOTICE OF HEARING

Continue on next Page

04-02-16 "جنگ"

نیشنل الیکٹرک پاور
ریگولیٹری اتھارٹی (نیپرا)

[illegible]

[illegible] LESCO [illegible] 2014-15 base year [illegible] 2015-16 سے 2019-20 [illegible] (consumer-end) [illegible] MYT regime [illegible]

[illegible]

1. The petitioner has prayed for the determination of its multi-year consumer-end tariff pertaining to the Financial Year 2015-16 to 2019-20, for the approval of following components.

Sr.	Description	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
1	Distribution Margin (Rs./kWh)	1.59	1.74	1.91	2.07	2.30
2	Investment (Mln. Rs.)	16,621	19,758	21,409	21,887	20,037
3	Line Losses (%)	13.85	13.34	12.84	12.34	11.84
4	Average Tariff (Rs./kWh)	12.58	12.80	12.78	12.85	12.98

2. Based on above tariff components the petitioner has requested following category-wise tariff.-

Description	NEPRA Determined Tariff for the FY 2014-15		Requested Tariff for the FY 2015-16	
	Fixed Charges Rs./kW/M	Var. Charges Rs./kWh	Fixed Charges Rs./kW/M	Var. Charges Rs./kWh
Residential -A1				
For Peak Load Requirement less than 5 kW				
Up to 50 Units		4.00		4.00
1-100 Units		9.25		10.67
101-200 Units		11.09		12.42
201-300 Units		11.09		12.42
301-700 Units		13.33		14.75
Above 700 Units		15.00		16.42
For Peak Load Requirement 5 kW & above				
Time of Day (TOU) - Peak		15.00		16.42
Time of Day (TOU) - Off Peak		9.50		10.82
Total Domestic				
Commercial A2				
For peak load requirement less than 5 kW		16.00		17.42
For Peak load requirement [illegible]				
Regular	400	12.00	400	13.42
Time of Day (TOU) - Peak		15.00		16.42
Time of Day (TOU) - Off Peak	400	9.50	400	10.82
Total Commercial				
Industrial				
B1 up to 25 kW [illegible]		12.00		13.42
B1(b) up to 25 kW (Peak)		16.00		16.42
B1(b) up to 25 kW (Off-Peak)		9.50		10.82
B2(a) exceeding 25-500 kW [illegible]	400	11.50	400	12.68
B2(b) - TOU (Peak) [illegible]		15.00		16.42
B2(b) - TOU (Off-Peak) [illegible]	400	9.30	400	10.72
B3 - TOU (Peak) [illegible]		15.00		16.42
B3 - TOU (Off-Peak) [illegible]	380	9.10	380	10.42
B4 - TOU (Peak) [illegible]		15.00		16.42
B4 - TOU (Off-Peak) [illegible]	380	9.00	380	10.42
Total Industrial				
Single Point Supply (Bulk)				
C1 (a) Supply at 400/230 Volts [illegible]		12.50		13.92
C1(b) Supply at 400/230 Volts [illegible]	400	12.00	400	13.42
Time of use (TOU) Peak		15.00		16.42
Time of use (TOU) Off Peak	400	9.50	400	10.92
C2 Supply at 11 kV [illegible]	380	11.80	380	13.22
Time of use (TOU) Peak		15.00		16.42
Time of use (TOU) Off Peak	380	9.30	380	10.72
C3 Supply at 66 kV & above	380	11.70	380	13.12
Time of use (TOU) Peak		15.00		16.42
Time of use (TOU) Off Peak	380	9.10	380	10.52
Total Bulk Supply				
Agricultural Tube-wells - Tariff D				
[illegible]		12.00		13.42
[illegible] Agricultural [illegible]	[illegible]	11.50	[illegible]	12.92
Scarp and Agriculture 5 kW and above Time of use (TOU) Peak		15.00		16.42
Scarp and Agriculture 5 kW and above Time of use (TOU) Off Peak	200	9.10	200	10.52
Total Agricultural Tube-well Tariff-D				
Public Lighting Tariff -G		14.00		15.42
Housing Colonies H		14.00		15.42

continue on next page

3. [illegible] 1998 [illegible] 6 [illegible] 7 [illegible]

4. [illegible] 7 [illegible]

5. [illegible]

تاریخ: 18 فروری 2016 (جمعرات)
وقت: صبح 11:00 بجے
مقام: [illegible] G-5/1 [illegible]

[illegible]

[illegible]