



Registrar

National Electric Power Regulatory Authority

Islamic Republic of Pakistan

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No. NEPRA/TRF-337/LESCO-2015/15594-15596

September 18, 2017

Subject: Re-determination of the Authority in the matter of Request for Reconsideration pertaining to the Tariff Determination dated March 8, 2016 and Review Decision dated May 19, 2016 with respect to Lahore Electric Supply Company Ltd. (LESCO) for the FY 2015-16 to 2019-20 under Section 31(4) of NERPA Act 1997 [Case # NEPRA/TRF-337/LESCO-2015]

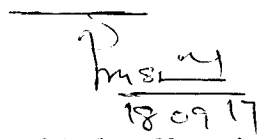
Dear Sir,

Enclosed please find herewith the subject Re-determination of the Authority along with Annex-I, II, III, IV, V, VI, VII (total 63 pages including Additional Note of Mr. Himayat Ullah Khan, Member NEPRA at page 38) in Case No. NEPRA/TRF-337/LESCO-2015.

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

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

Enclosure: As above


(Syed Safeer Hussain)

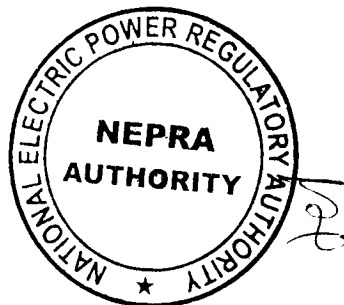
Secretary
Ministry of Energy
'A' Block, Pak Secretariat
Islamabad

CC:

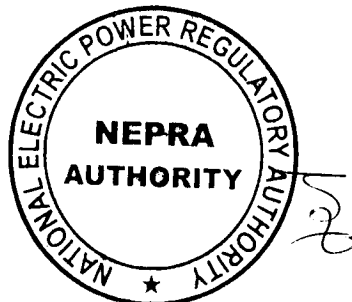
1. Secretary, Cabinet Division, Cabinet Secretariat, Islamabad
2. Secretary, Ministry of Finance, 'Q' Block, Pak Secretariat, Islamabad.

RE-DETERMINATION OF THE AUTHORITY IN THE MATTER OF REQUEST FOR RECONSIDERATION PERTAINING TO THE TARIFF DETERMINATION DATED MARCH 08, 2016 AND REVIEW DECISION DATED MAY 19, 2016 WITH RESPECT TO LESCO FOR THE FY 2015-16 TO FY 2019-20 UNDER SECTION 31(4) OF NEPRA ACT 1997

1. As per Section 31 (4) of the NEPRA Act, notification of the Authority's approved tariff, rates, charges and other terms & conditions for the supply of electric power services by the generation, transmission and distribution companies is to be made in the official gazette by the Federal Government.
2. Lahore Electric Supply Company Limited (LESCO)'s tariff was determined in accordance with the procedure provided under NEPRA Tariff (Standards & Procedure) Rules, 1998 vide tariff determination # NEPRA/TRF-337/LESCO-2015/3069-3071 dated March 08, 2016. The same was intimated to the Federal Government under Section 31(4) of the NEPRA Act, for notification in the official gazette.
3. LESCO, being aggrieved from the aforesaid determination, filed a Motion for Leave for Review (MLR) which was accordingly disposed-of vide decision # NEPRA/TRF-337/LESCO-2015/6997-6999 dated May 19, 2016. The MLR decision was also intimated to the Federal Government under Section 31(4) of the NEPRA Act for notification in the official gazette.
4. Under the first proviso to the Section 31(4) of NEPRA Act, 1997, when a tariff is intimated by NEPRA to the Federal Government for notification in the official gazette, the same is to be notified within 15 days or alternatively a re-consideration request could be filed by the Federal Government within 15 days of receipt of such determination or decision, whereupon the Authority has to determine the same anew within 15 days.
5. In the instant case, the tariff determination for LESCO was intimated by the Authority on March 08, 2016 and the reconsideration request, if any, should have been filed within 15 days from the date of such intimation. A reconsideration request was, however, filed by the Federal Government on June 06, 2016, which was barred by time. The Authority, however, in the interest of justice, condoned the delay and the request was admitted on June 07, 2016. The request was filed for reconsideration of the tariff determination on the following issues:-
 - a. The deduction and quantum of Prior Period Adjustment
 - b. The target for distribution losses be set forth as per the third party technical study and its gradual reduction be as proposed in the petition of MYT linked with execution of investments and its implementation, including arrangement of finances and
 - c. The assumption of 100% recovery be re-fixed as per the sound business practices, ground realities prevalent in Pakistan and including the aspects with respect to area specific situation leading to non-collection by Distribution Companies.



6. Although, there is no specific requirement in section 31(4) of the NEPRA Act, 1997 to conduct any hearing for the consideration of re-consideration request, yet it was decided to conduct a hearing on 14th of June, 2016. In order to consider the request of the Federal Government, hearings were scheduled but was not attended by the parties. In the meanwhile, order dated 23.06.2016 passed by Lahore High Court Multan Bench in Writ Petition No. 6565/2016 was received whereby it was directed by the Court that NEPRA should decide the request filed by the Federal Government within 7 working days. Accordingly, the reconsideration request filed by the Federal Government was declined by the Authority vide its decision dated 1.7.16.
7. Thereafter, LESCO filed a Writ Petition No.2771/2016 in the Honorable Islamabad High Court (IHC), Islamabad whereby the decisions of the Authority for determination of tariff dated March 08, 2016 and the decision given upon motion for leave for review dated May 19, 2016 were assailed.
8. The Honorable High Court decided the said WP No.2771/2016 vide its judgment, announced on June 22, 2017, received in the office of Registrar NEPRA on July 13, 2017. The crux of the decision of the Honorable High Court is as under;
 - The Writ Petition is allowed, consequently the redetermination order passed by NEPRA is set aside.
 - NEPRA to provide an opportunity of hearing to the Federal Government as well as the DISCOs, while adjudicating/deciding redetermination petition filed by the Federal Government.
 - DISCOs / Federal Government shall not obtain adjournments /postponements and shall facilitate NEPRA to decide the matter within time frame provided in proviso to sub-section (4) of Section 31 of the Act.
 - NEPRA while deciding the redetermination petition, shall keep in view the observations made in the judgment.
9. It may be observed that the decision of NEPRA given upon re-consideration request (which has been set aside by the Honorable Islamabad High Court) was never challenged by the Federal Government and the findings of Honorable Islamabad High Court may be considered to be beyond the pleadings and NEPRA reserves its right to challenge the decision before Honorable Supreme Court of Pakistan. Without prejudice to the given situation, the re-consideration request of the Federal Government is being re-considered accordingly as per directions of Honorable Islamabad High Court.



10. Pursuant of the directions of Honorable Islamabad High Court, hearing of the parties to the re-consideration request was scheduled for which notices were sent to the Federal Government and all the parties which participated at the time of determination of tariff dated April 01, 2016 and thereafter, a hearing was conducted on July 24, 2017 at NEPRA Tower Islamabad. In response to the notice of hearing; comments were filed on behalf of All Pakistan Textile Mills Association (APTMA) who was a party to the proceedings in the impugned tariff determination. A brief of the comments submitted by APTMA is as under;
- Time period for deciding the reconsideration request under section 31(4) of the Act has already elapsed.
 - PYA request is not supported with any alternate working and no new grounds have been provided by the GoP.
 - Despite making huge investment on rehabilitation of transmission and distribution system, the result is zero rather losses have increased. APTMA recommended to reduce the losses to 9.5% instead of allowed for the FY 2015-16.
 - 100% recovery is in line with Global practices. LESCOs recovery from private sector is 100%, while it is less from Government sector due to inefficiency of the Petitioner to collect bills.

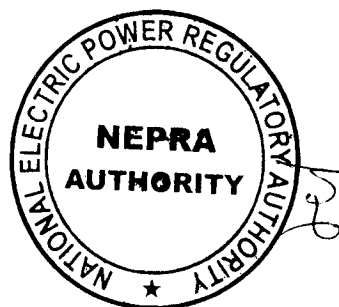
10.1 The concerns/ points raised by APTMA have been discussed under the relevant issue.

11. Hearing

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

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

- Through the IHC Judgment it has been held that when the petition for redetermination of tariff is made, the matter has to be decided anew, as if no previous decision on the same has been rendered.
- With respect to the rules and regulations framed by NEPRA, it has been held in the judgment that the same are subservient to the parent statute i.e., Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (the "NEPRA Act"), and thus imposition of restriction on the right of any party to seek review is



violation of the NEPRA Act and NEPRA has been directed to amend the relevant rules and regulations so as to bring the same in harmony with the NEPRA Act.

- In respect of the policies framed by Council of Common Interest (CCI) vis-a-vis the subject of electricity; the same have a binding effect on NEPRA.
- The Guidelines issued by the Federal Government from time to time cannot be ignored by NEPRA and, in so far as the same are not explicitly inconsistent with the NEPRA Act, the same are to be applied and followed in order to balance the interests of the consumers and the power sector companies.
- The Petitions filed by Ex-WAPDA Distribution Companies have been allowed as prayed for and the Tariff Petitions filed by DISCOs have been directed to be decided anew after providing opportunity of hearing to all concerned.

11.3 In the backdrop of the above mentioned decision of the IHC, the Federal Government made a reference to the Power Policy, 2013, duly approved by CCI dated 31-07-2013, which prescribes policy methodology to alleviate, inter alia, market inefficiencies and financial burdens from the national power sector by:

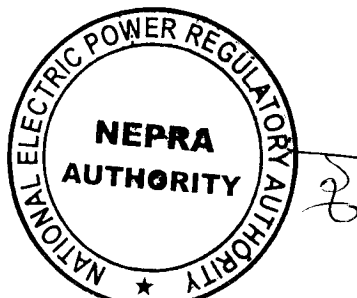
- (i) *Promoting world class efficiency power generation;*
- (ii) *Creating a cutting-edge transmission network;*
- (iii) *Minimizing inefficiencies of the distribution system; and*
- (iv) *Minimizing financial losses across system."*

11.4 The Federal Government stated that the Power Policy 2013 prescribes thresholds for standards of efficiencies to be attained and observed within the Power Sector of Pakistan, which, inter alia, includes;

- i. *The distribution market would be deemed efficient, affordable and financially viable, if, Transmission and Distribution losses incurred by DISCOs decreased from 23-25% in 2013-2014 to 16% by 2017;*
- ii. *The distribution market would be deemed efficient, affordable and financially viable, if, recovery/collection by DISCOs was increased from 85 in 2013-2014 to 95% by 2017.*

11.5 The Federal Government also mentioned that in furtherance whereof the Federal Government has formulated National Power Tariff and Subsidy Policy Guidelines duly approved by ECC dated 28-01-2014 and the Policy Guidelines to Rationalize T&D Losses 2013-2014 duly approved by ECC dated 28-05-2014.

11.6 The Federal Government further submitted that NEPRA, while determining the Consumer-End Tariff for DISCOs since 2013-2014, did not adhere to such targets/benchmarks set out in the Power Policy, 2013 duly approved by CCI and instead, proceeded to determine the Tariffs on assumptions of 100% recovery and assumed lesser targets for Transmission and Distribution Losses, purportedly on the pretext of prudence in terms of Rule 17 of the Tariff



Rules, whereas, the more circumspect, judicious and cautious way forward is enshrined in the targets set by CCI, which NEPRA is obligated to implement.

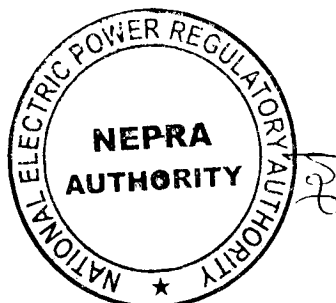
- 11.7 The Federal Government also submitted that while determining the Prior Year Adjustment component of Revenue Requirement of a DISCO, in a subsequent Tariff determination, NEPRA does not take into account the component of subsidy provided by the Federal Government and by doing so, NEPRA, in essence, puts additional financial burden on the Federal Government as the subsidy component is again passed on to the consumers leading to double burden, which is resulting in lesser cost recovery and consequent damage to the Power Sector.
- 11.8 The Federal Government further mentioned that while deciding the instant Tariff Petitions, NEPRA is required to determine the adjustments on account of:
- Capacity and Transmission charges as per the notified Transfer Pricing Mechanism;
 - Impact of T&D losses on the components of PPP as per the 2014-2015 Tariff determination;
 - Variable O&M as per actuals as per the notified Transfer Pricing Mechanism; and
 - Impact of Extra or Lesser Purchase of Units.
- 11.9 The Federal Government pleaded that these adjustments are of crucial significance so as to pass through the prudent cost already determined by NEPRA, therefore a mechanism for future quarterly adjustments be developed in line with the mechanism for Fuel Price Adjustment by way of billing adjustment, subject only to the modification that such decision shall be notified by the Federal Government.
- 11.10 In view of the above, the Federal Government submitted that:
- NEPRA may determine the Tariff for each of the DISCO "anew" in light of the directions contained in IHC Judgment and submissions made herein;
 - While determining the Tariff anew, NEPRA is bound to follow the policies framed by CCI as well as the Guidelines framed by the Federal Government, and in pursuance thereof adopt the benchmarks provided therein for making the distribution market efficient, affordable and financially viable;
 - While determining the revenue requirement of each DISCO, NEPRA may duly take into account the amount of subsidy provided by the Federal Government in relation to the "Prior Year Adjustment" component of such "revenue requirement" of each DISCO;
 - In the Tariff Determination to be made in pursuance of the IHC Judgment, NEPRA is to ensure recovery of costs incurred, which were/have not been allowed to be recovered on account of pendency of the Petitions;



- e. Individual issues of each of the DISCO as well as CPPA-G may also be considered and determined in the Tariff Determination.
- 11.11 Having considered the available record, submissions made by the Federal Government in its original reconsideration request, during hearing held on July 24, 2017 & letter dated July 24, 2017, the Authority observed that the Federal Government's request for reconsideration of LESCO's tariff determination is on the following grounds:-
- a. NEPRA in pursuance of CCI guidelines should adopt the benchmarks provided therein for making the distribution market efficient, affordable and financially viable;
- b. The deduction and quantum of Prior Period Adjustment should also take into account the amount of subsidy provided by the Federal Government, while determining the revenue requirement of each DISCO in relation to the "Prior Year Adjustment" component of such "revenue requirement";
- c. The target for distribution losses be set forth as per the third party technical study and its gradual reduction be as proposed in the tariff petition linked with execution of investments and its implementation, including arrangement of finances;
- d. The assumption of 100% recovery be re-fixed as per the sound business practices, ground realities prevalent in Pakistan and including the aspects with respect to area specific situation leading to non-collection by Distribution Companies;
- e. To ensure recovery of the costs which have been incurred but were/have not been allowed to be recovered on account of pendency of the Petitions and a mechanism for future quarterly adjustments be developed in line with the mechanism for Fuel Price Adjustment by way of billing adjustment, subject only to the modification that such decision shall be notified by the Federal Government;
- f. Individual issues of each of the DISCOs as well as CPPA may be considered and determined in the decision of reconsideration request;
- g. NEPRA may determine the Tariff for each of the DISCO "anew" in light of the directions contained in IHC Judgment and submissions made herein.

12. **Applicability of Power Policy 2013 (Without Prejudice)**

- 12.1 It has been pleaded by the GoP/ XWDISCOs that Constitution of Pakistan confers the power /authority to the Council of Common Interests to regulate and formulate policies for the Federation in relation to a number of subjects including electricity and regulatory bodies. The decision of the Council of Common Interests has a binding/obligatory effect unless the same is modified by the Parliament as provided in Article 154(7) of the Constitution, hence any policy viz-a-viz the electricity and NEPRA formulated by the Council of Common Interests, has a binding effect on NEPRA.



12.2 It is believed that no policy can override the statutory provisions of law, however, without going into the controversy; the policy being referred has been gone through. That policy set out the following goals:-

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

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

TARGETS

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

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

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

Affordability: Goal iii pertains to this target

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

Efficiency: Goals iv to vii pertain to this target

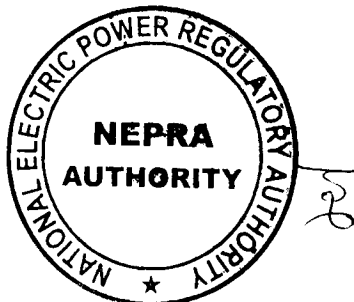
- Target: Decrease transmission and distribution losses from ~23-25% to ~16% by 2017

Financial Viability and Collections: Goal viii pertains to this target

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

Governance: Goal ix pertains to this target

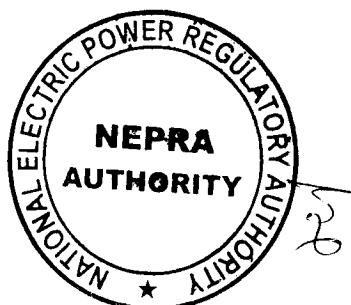
- Target: Decrease decision making processing time at the Ministry, related departments and regulators from long to short durations



- 12.4 A bare reading of the aforementioned goals and targets set out in the policy, it reveals that although the Power Policy 2013 prescribes the thresholds for standards of efficiencies, whereby certain targets in terms of T&D losses and Recovery have been fixed, however, a thorough reading of the Policy clearly depicts that the mentioned targets are not meant to be incorporated in the tariff by NEPRA rather the same have been fixed for the DISCOs to minimize the inefficiencies in the distribution system and financial losses across the system. It is, nowhere provided in the policy that if the concerned quarters failed to achieve the goals and targets set out in the policy, then the burden of inefficiency and mismanagement should be passed on to the consumers; as claimed by the petitioner. Therefore, there is no force in the argument advanced by the petitioner for fixing the tariff as per claimed targets. It is, however, to be emphasized that the petitioner, being the 100% owner of the Distribution Companies, including LESCO should ensure fulfillment of policy objectives through improving efficiencies and ensuring recoveries from the defaulting consumers. The petitioner could not shift the burden of its own inefficiencies to the consumers who are paying their bills regularly.
- 12.5 If the petitioner's contention with respect to burdening the law abiding consumers, who pay their bills, for the unrecovered amount and pilferage, it will be against the principle of equity, fairness and justice. This has to be seen in the context of responsibility and accountability. In the instant case, whether it is the responsibility of paying consumers to ensure recovery from non-paying consumers or to prevent theft/pilferages or it is the responsibility of the Petitioner itself. Even if the Petitioner's contention is accepted it would be counterproductive and will encourage the culture of non-payment and pilferage; thus will further aggravate the circular debt issue.

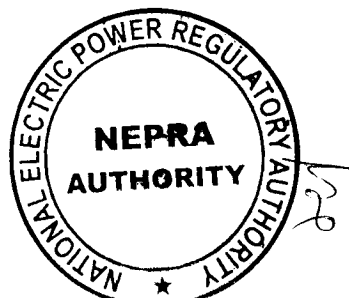
13. **Prior Period Adjustment (PYA)**

- 13.1 The Federal Government, in its reconsideration request dated May 26, 2016 stated that the Authority while determining PYA did not apply the target of distribution losses assessed by the Authority for the FY 2014-15, causing serious financial hardship to the sector.
- 13.2 The Federal Government argued that LESCO requested for a positive PYA, whereas, the Authority based on its own calculations determined a negative PYA of Rs.14,146 million, whereas, the Authority based on its own calculations determined a negative PYA of Rs.26,930 million, which consequently was deducted from the assessed cost for FY 2015-16.
- 13.3 It was further stated that paragraph No. 14.2 of the determination dated March 08, 2016, shows that quarterly adjustment is on account of the difference between the notified reference PPP during FY 2014-15 quantified as Rs.185,233 million, less regulated PPP recovery on notified rates during the FY 2014-15 quantified as Rs.209,194 million. Thus, the



quantum of regulated PPP recovery on notified rates during the FY 2014-15 fails to adjust / deduct the amount of FPA, which is contrary to the tariff setting mechanism and is tantamount to double deduction leading to shortfall in legitimate cost of the distribution company and is contrary to the Act and the Tariff Standard Rules as well as the policy guidelines. It was also stated that quantum of notified reference PPP adopted for the purpose of calculating PYA is contrary to the assessment of PPP for the FY 2014-15. In view thereof, the Federal Government requested the Authority to reconsider the upfront deduction of PYA from the assessed adjusted PPP being contrary to the law and fact.

- 13.4 In the original reconsideration request and in the instant submissions dated July 24, 2017, the Federal Government stated that while determining the Prior Year Adjustment component of Revenue Requirement of a DISCO, in a subsequent Tariff determination, NEPRA does not take into account the component of subsidy provided by the Federal Government. By doing so, NEPRA, in essence, puts additional financial burden on the Federal Government as the subsidy component is again passed on to the consumers leading to double burden, which is resulting in lesser cost recovery and consequent damage to the Power Sector.
- 13.5 The Authority while reviewing the Federal Government's contentions regarding the amount of PYA, observes that it has failed to provide any alternative workings which would substantiate its claim and at the same time would refute the Authority's assessment in this regard.
- 13.6 The argument of the Federal Government to apply assessed target of T&D losses while working out the PYA for respective year is not logical, since the assessed regulatory targets do not become binding on the utility unless it is notified with an exception to the assessed Distribution Margin and prior year adjustment as both represent the fixed cost pertaining to the specific Financial Year. The Authority considers that if PYA is calculated on the assessed regulatory targets instead of notified regulatory targets for a period, it would be unfair and unjust for the XWDISCOs without giving reasonable time for achieving the assessed targets.
- 13.7 There has been instances in the past where the assessed regulatory targets of DISCOs were more challenging vis a vis the notified targets, on which the PYA was calculated yet the same methodology was adopted by the Authority. In addition, the Federal Government has itself argued that if the tariff is notified late it is not left with required time to achieve the targets set by the Authority. In view thereof, the Authority considers it just, fair and equitable to calculate PYA in the matter of XWDISCOs on the notified regulatory targets.
- 13.8 On the point of the Federal Government that the regulated PPP recovery on notified rates fails to adjust / deduct the amount of FCA and tantamount to double deduction leading to shortfall in legitimate cost of the distribution company, the Authority observed that the



reference notified PPP of LESCO for the FY 2014-15 was Rs.185,232 million. By including therein Rs.23,431 million, on account of variation between actual vis a vis reference PPP pertaining to Capacity, UoSC, Var. O&M and impact of FCA on units lost (*as per the allowed level of T&D losses*), the PPP of LESCO works out as Rs.208,663 million. However, LESCO passed on an amount of Rs.29,303 million on account of monthly FCA to its consumers during the FY 2014-15, thus the actual PPP to be recovered by LESCO for the FY 2014-15 works out as Rs.179,360 million.

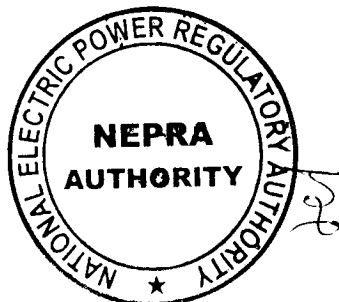
- 13.9 Against the aforementioned actual PPP to be recovered, LESCO recovered Rs.209,194 million based on the rates which remained notified during the FY 2014-15. However, as LESCO already passed on an amount of Rs.29,303 million on account of monthly FCA to its consumers during the FY 2014-15, thus, net recovery made by LESCO is Rs.179,891 million. Accordingly, Rs.43 million is to be returned to the consumers through PYA, being difference between the actual PPP cost of Rs.179,360 million and the net amount of Rs.179,891 million recovered by LESCO during the FY 2014-15. Detailed working in this regard is as under;

	Rs. in Million
Notified Reference PPP for FY 2014-15	185,232
PPP Adjustments	23,431
Monthly FCA already passed on to consumers	(29,303)
Actual PPP to be recovered for the FY 2014-15	179,360

PPP recovered by LESCO	209,194
Monthly FCA already passed on to consumers	(29,303)
Net PPP recovered during the FY 2014-15	179,891

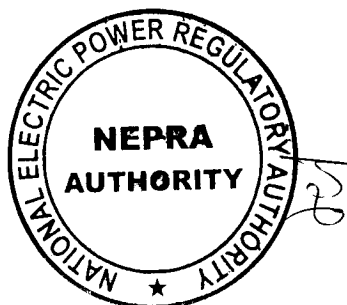
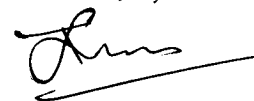
(Over Recovery) / Under Recovery (531)

- 13.10 From the aforementioned workings, it is evident that impact of monthly FCA has been adjusted from both the actual PPP to be recovered as well as from the PPP recovered by LESCO, thus nullifying its impact, meaning thereby that there is no double deduction on account of FCA. In addition, the Authority observed that the Federal Government has not substantiated its claim of double deduction with any working, calculation or reconciliation.
- 13.11 On the point of the Federal Government that use of notified reference PPP, for the purpose of calculation of PYA, is contrary to the assessment of PPP for the FY 2014-15, the Authority observed that during the FY 2014-15, three different tariff determinations remained notified. Accordingly, the amount of notified reference PPP used in the calculation of PYA, has been worked out from three different tariffs, and thus do not match with the assessed PPP for the FY 2014-15. The amount of notified reference PPP i.e. Rs.185,232 million has been worked out as under;



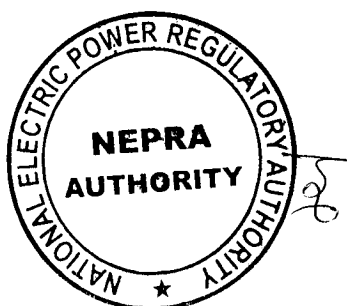

FY 2014-15	Notified Tariffs	Reference PPP (Rs. Million)
July 2014 to September 2014	Determined for FY 2012-13	45,924
October 2014 to May 2015	Determined for FY 2013-14	121,875
June 2015	Determined for FY 2014-15	17,433
Total Notified Reference PPP for the FY 2014-15		185,232

- 13.12 The Authority is also of the view that full recovery of PPP, being a pass through item, is only ensured if it is calculated as difference between notified reference cost and the actual cost. If assessed PPP is used, instead of notified, it would lead to either over or under recovery of the PPP, thus making PPP as non-pass through item. Considering the same analogy, the Authority while working out the monthly Fuel Charges Adjustment (FCA), also uses the notified reference Fuel Cost Components (FCCs) instead of assessed reference FCCs.
- 13.13 The contention of the Federal Government that the subsidy amount which is made available by the Federal Government and not charged from the consumers cannot be made part and parcel of the PYA, is not logical as PYA is conceptually the over or under recovery of the assessed revenue requirement of DISCO pertaining to a specific period and is independent of the mode that how the assessed revenue requirement is recovered. The revenue requirement and the consequent calculation of PYA would not change whether the DISCO recovers its entire revenue requirement either through subsidy or from consumers or through a mix of both. The Authority determines/ assesses revenue requirement of a DISCO and design the consumer end tariff for the Utility. Currently, the Authority's assessed consumer-end tariff is recovered by the Utility, partly through subsidy and partly from consumers.
- 13.14 In view of aforementioned discussion, the Authority considers that the exiting mechanism of PYA ensures fairness between the consumers and the DISCOs. It prevents DISCO from getting undue benefit from the consumers in the shape of overcharging and vice versa. Moreover, a reduction in the assessed revenue requirement by way of PYA will result in lower consumer end tariff thus eventually decreasing the future subsidy to be provided by the Federal Government.
- 13.15 Here it is pertinent to mention that owing to the delayed filing of the tariff petition by LESCO and delayed reconsideration request filed by the Federal Government, the Authority vide its decision dated July 04, 2016 in the matter of Biannual Adjustment regarding Power Purchase Price (PPP) and Annual adjustment on account of PYA pertaining to FY 2015-16, decided to allow the impact of PPP and PYA pertaining to the period from July 2015 till May

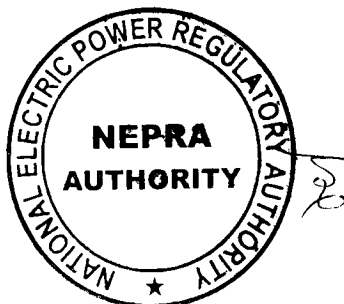
2016, ensuring timely recovery of the same i.e. during the FY 2016-17, thus, making the consumer end tariff more predictable for the consumer's and utility as provided under rule 17(3) of the Tariff Standards and Procedure, Rules 1998. Consequent thereupon, the Schedule of Tariff of LESCO was revised after incorporating therein the impact of above mentioned adjustments.

- 13.16 However, the tariff of LESCO determined for the FY 2015-16 and the subsequent biannual adjustment dated July 04, 2016 were not notified by the Federal Government. Now pursuant to the judgment of the honorable Islamabad High Court, the tariff is being re-determined as per the reconsideration request of the Federal Government. It is also a matter of fact that the period for which the tariff was earlier determined has elapsed, therefore, the Authority has decided to include the impact of any over/under recovery on account of PPP, assessed Distribution Margin & previously allowed prior year adjustment along-with other relevant adjustments pertaining to the whole FY 2015-16 in the instant decision. Since the Audited Financial Statements of LESCO for the FY 2015-16 have not been made available to the Authority, therefore, impact of any variation in the assessed Salaries & Wages and Other Income including LPC will be adjusted subsequently.
- 13.17 As explained at para 14.3 to 14.8 of the consumer end Tariff determination of LESCO dated December 31, 2015 (*in accordance with Federal Government's policy guidelines dated May 21, 2015 with regard to fuel charges adjustment and subsidy rationalization of XWDISCOs*), the Authority decided not to adjust the impact of negative FCA of Rs.6,899 Million, for the FY 2014-15, pertaining to the lifeline consumers, domestic consumers (consuming up-to 300 units) and Agriculture Consumers, across different consumer categories while determining the consumer end tariff for the FY 2015-16, as it was doing in the past. The Authority in line with the objective of guideline, mentioned at para 5 of the letter No. 5-PF/02/2013-Subsidy dated 21st May 2015, decided that negative FCA impact of Rs.6,899 Million, lying with the LESCO, is to be adjusted by Federal Government, against the Tariff Differential Subsidy claim in the matter of LESCO pertaining to the FY 2014-15. Thus, eventually reducing Federal Government's overall Tariff Differential Subsidy burden for the FY 2014-15.
- 13.18 The Authority in accordance with the aforementioned decision, calculated the impact of FPA for the FY 2015-16 pertaining to lifeline consumers, domestic consumers (consuming up-to 300 units) and Agriculture Consumers. The Authority also considered the relevant clauses of the S.R.O. 189 (I)/2015 dated March 05, 2015 issued by Federal Government. In addition, the Authority also considered the amount of subsidy claims filed by the LESCO for the FY 2015-16.



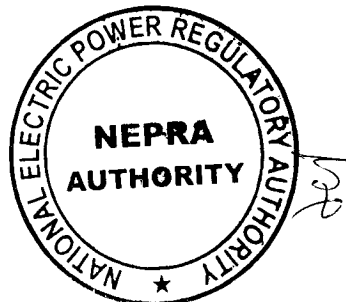
- 13.19 After considering all the aforementioned factors, the Authority observed that LESCO has retained an amount of Rs.19,198 Million on account of FCA for the period from July, 2015 to June, 2016 pertaining to the lifeline consumers, domestic consumers (consuming up-to 300 units) and Agriculture Consumers, which is still lying with the LESCO. The Authority further observed that as per the Tariff Differential Subsidy claims of LESCO pertaining to the FY 2015-16, LESCO has recovered net surcharges during the FY 2015-16. Thus, the concern of the Federal Government that subsidy amount which is made available by the Federal Government and not charged from the consumers, cannot be made part and parcel of the PYA is not relevant in the instant case as LESCO has recovered net surcharges during the FY 2015-16. Consequently, the entire amount of Rs.19,198 million retained by LESCO on account of FCA for the period from July, 2015 to June, 2016 pertaining to the lifeline consumers, domestic consumers (consuming up-to 300 units) and Agriculture Consumers, which is still lying with LESCO has been adjusted in the PYA. Here it is pertinent to mention that the above figures have been worked on the basis of information provided by LESCO.
- 13.20 The Authority, accordingly, after careful consideration of the arguments put forth by the Federal Government in the Reconsideration Request, LESCO's working of PYA, available actual data and after carrying out its own due diligence hereby re-determines the following PYA for the FY 2015-16;

Description		LESCO
		Mln. Rs.
A: Bi-Annual Adjustment		
	Notified reference PPP during the FY 2015-16	188,764
Add;	1st Bi-Annual PPP adjustment pertaining to the FY 2015-16 (Jul-Dec)	3,066
Add;	2nd Bi-Annual PPP adjustment pertaining to the FY 2015-16 (Jan-Jun)	11,949
Less;	Regulated PPP recovery on notified rates during the FY 2015-16	207,301
Unrecovered / Over Recovered Cost For FY 2015-16		(3,522)
B: Other Components Adjustment		
	Assessed Distribution Margin for the FY 2015-16	22,463
	Assessed PYA for the FY 2015-16	(26,930)
Less;	Regulated DM recovery on notified rates during FY 2015-16	17,549
Less;	Regulated PYA recovery on notified rates during FY 2015-16	(26,367)
Unrecovered / Over Recovered Cost For FY 2015-16		4,351
A+B = Total Unrecovered/ (Over recovered)		829
Add;	Net impact of assessed & actual Other Income for the FY 2015-16	-
Add;	Impact of Consumer – Mix Variance for the FY 2015-16	2,074
Add;	Impact of Negative FPA (300 Units+ Agriculture+ Life Line)	(19,198)
C: Sub-Total		(17,124)
A+B+C = Net PYA Unrecovered / (Over Recovered)		(16,294)

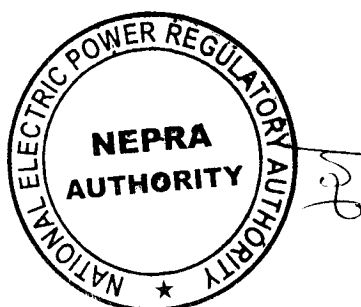



14. **Assumption of 100% Recovery**

- 14.1 The Federal Government in its reconsideration request mentioned that in order to ensure safe and reliable provision of electric power in the Country, it is of paramount significance that the distribution companies are allowed to recover their revenue requirements (total cost of service), through fair assessment of revenue requirements. The Federal Government, further stated that if a distribution company fails to recover its revenue requirement, it will not be able to pay its liabilities with respect to power producers which will result in circular debt and non-production of electricity in certain cases.
- 14.2 The Federal Government also submitted that the tariff setting mechanism is based on 100% recovery from the consumers of the determined revenue requirement, whereas, presently the sector recoveries are in the range of 85-89% per annum. Resultantly, shortfall always accrues on account of less payment to the power producers leading to circular debt situation, therefore the assumption of 100% recovery be reconsidered by the Authority, keeping in view the sound business practices as well as situation prevalent in Pakistan, including the aspects with respect to area specific situation leading to non-collection by distribution companies. It was also stated that it is contrary to the Act, rules and regulations as well as the policy guidelines.
- 14.3 Accordingly, the Federal Government requested to reconsider the Tariff Determination dated March 08, 2016 and Review Decision dated May 19, 2016 of LESCO for the FY 2015-16 to FY 2019-20 and to re-issue the schedule of tariff of LESCO, by way of reconsidering the assumption of 100% recovery as per the sound business practices, ground realities prevalent in Pakistan and including the aspects with respect to area specific situation leading to non-collection by distribution companies.
- 14.4 A Policy of CCI dated 31-07-2013 was also referred by the petitioner with the contentions that said policy provides methodology to alleviate, inter alia, market inefficiencies and financial burdens from the national power sector by:
- i. *Promoting world class efficiency power generation;*
 - ii. *Creating a cutting-edge transmission network;*
 - iii. *Minimizing inefficiencies of the distribution system; and*
 - iv. *Minimizing financial losses across system.*
- 14.5 It also stated that the Power Policy 2013, prescribes thresholds for standards of efficiencies to be attained and observed within the Power Sector of Pakistan, which, inter alia, includes;



- i. *The distribution market would be deemed efficient, affordable and financially viable, if, Transmission and Distribution losses incurred by DISCOs decreased from 23-25% in 2013-2014 to 16% by 2017;*
 - ii. *The distribution market would be deemed efficient, affordable and financially viable, if, recovery/collection by DISCOs was increased from 85 in 2013-2014 to 95% by 2017.*
- 14.6 It has been further pleaded that in respect of the policies framed by Council of Common Interest (CCI) vis-a-vis the subject of electricity; the same have a binding effect on NEPRA, as mentioned in the IHC judgment.
- 14.7 The Federal Government also provided a working showing financial impact of non-implementation of CCI targets in respect of billing vis a vis collection whereby the financial impact has been worked out as Rs.98 billion, Rs.104 Billion and Rs.53 billion for the FY 2013-14, FY 2014-15 and FY 2015-16 respectively.
- 14.8 The Authority after careful review of the Federal Government contentions on the issue of recovery is of the view that it has not specifically discussed LESCO's recovery issue in its reconsideration request rather has pleaded it as a general power sector issue, whereby a national range of recovery level is submitted as evident from the fact that LESCO's actual recovery for the FY 2015-16, as per the available information, remained at around 99%.
- 14.9 Thus, the argument of Federal Government that presently the sector recoveries are in the range of 85-89% per annum, resulting in the shortfall on account of less payment to the power producers leading to circular debt situation, is not relevant in the instant case.
- 14.10 Here it is pertinent to mention that the recovery figure mentioned includes both i.e. recoveries from private and government consumers. The Authority never disallowed the actual write offs against the private defaulters given that the due process of law has been followed while writing off the receivables. However, the write off against receivables of any Government cannot be allowed considering the fact the Government is a "going concern". The Authority considers that if the provision for doubtful debts is considered at national level it would provide no incentive to the efficient companies, whose recoveries are already near 100%. As regard the companies which operate in so called hard areas, the Authority has already taken cognizance of the fact and allowed a margin of law & order in their T&D losses. Thus, effectively encouraging them to report their actual level of recoveries.

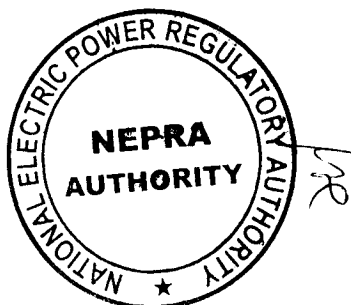


- 14.11 The decision of the Authority for setting 100% recovery is based on the documents required for new connection/extension and reduction of load or change of name in terms of Chapter 2.3 (b) & (h) of the Consumer Service Manual (CSM) and in view of the fact that the risk of credit sales transfers to the third party i.e. Owner of the premises or purchaser of the property as mentioned in Chapter 8 (8.1) of the CSM, reproduced hereunder;

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

- 14.12 Currently DISCOs are functioning in a monopolized environment and in case of default, the connection of the premises, if disconnected, cannot be restored till the outstanding dues are paid and as per the referred Chapter of Consumer Service Manual thus transferring the risk to third party which is occupant of the premises. Further the distribution company always has the option to recover the outstanding amount through sale of the property after following the due process of law. In addition to this, at the time of connection, DISCOs also collect one month's billing from the consumers in the shape of security deposits, which also serves as deterrence for a consumer to default.
- 14.13 The Authority in Human Rights case No. 7734-G/2009 & 1003-G/2010 regarding Alleged Corruption in Rental Power Plants and case No.56712/2010 regarding fraud in payment of rental power plants submitted before the Honorable Supreme Court of Pakistan that the Tariff determined by the Authority is free of any inefficiencies and mismanagement on the part of DISCOs and the impact thereof is not passed on to the consumers through tariff.
- 14.14 The Court under para 84 (ii) and (viii) of its aforementioned decision dated 30-03-2012 decided that;

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



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

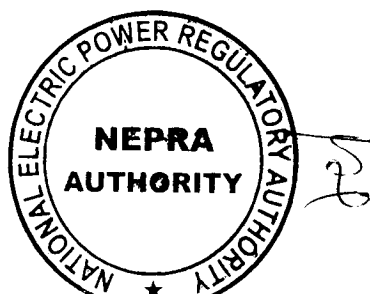
14.15 The Honorable Court through its aforementioned order has clarified that it is the Federal Government which needs to improve its affairs rather than asking NEPRA to built-in the inefficiencies of the system in the tariff. The Court in fact adjudged NEPRA's failure to protect the interest of the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

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

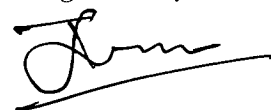
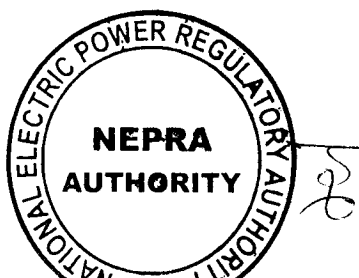
36 (ii). “The competent authority shall take steps to control all kind of losses after supply of the generation like line losses, theft, etc, by using modern devices like introducing smart meters and supplying electricity only to the consumers, if need be, in advance or without any default after submission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

14.17 It is evident from the aforementioned decision, that supply of electricity to the paying consumers has been encouraged, meaning thereby that burden of non- paying consumers may not be passed on to the paying consumers rather the unauthorized consumers be discouraged. Therefore, the request of Federal Government to allow any margin for non-recoveries in the tariff does not merit consideration and if allowed will be in violation of the orders of Honorable Supreme Court of Pakistan as referred above.

14.18 The Authority on the point of efficiency thresholds prescribed in the Power Policy, observed that although the Policy prescribes thresholds for standards of efficiencies, whereby certain targets in terms of T&D losses and Recovery have been fixed, however, a thorough reading of the Policy clearly depicts that the mentioned targets are not meant to be incorporated in the tariff by NEPRA rather the same have been fixed for the DISCOs to minimize the inefficiencies in the distribution system and financial losses across the system.



- 14.19 The Power Policy 2013 clearly stipulates improvement in recovery/ collections by XWDISCOs through minimizing inefficiencies, creating independence and through privatization. It also highlights punishing private defaulters and proposes disconnecting the electric connections of defaulters after 60 days of non-payment and only reconnecting them to the grid with pre-paid meters. It also emphasizes focusing of load shedding in high theft and low collections areas. Similarly, the Tariff and Subsidy Policy Guidelines 2014 also referred by the Federal Government/ XWDISCOs encourages disallowing of inefficiencies to be passed on to the consumers and requires the Distribution companies to meet the cost parameters in the NEPRA tariffs and make every effort to comply with NEPRA directives concerning technical and commercial losses. Thus, both the Power policy as well as the Guidelines obligate XWDISCOs to reduce their inefficiencies rather than passing on the same to the consumers.
- 14.20 Here it is pertinent to mention that as of June 2016, the private receivables of XWDISCOs were over Rs.318 billion, including running defaulters of Rs.250 billion for more than three years, thus, the Federal Government being owner of the distribution companies is itself not complying with the Policy approved by the CCI and taking actions required therein.
- 14.21 In view of the aforementioned discussion, while re-determining the tariff, the Authority reiterates its earlier decision on the issue of 100% recovery target and restrict its assessment to the extent of write offs only.
- 14.22 LESCO, however, vide letter dated August 23, 2017 submitted that it has initiated the process of writing off for receivables relating to private permanently disconnected consumers which is likely to be completed prior to next tariff determination and accordingly requested that an amount of Rs.5,291 million pertaining to private permanently disconnected defaulters of over three years may be incorporated in its Revenue Requirement on provisional basis, subject to adjustment at the time of next year determination based on the record to be submitted after completion of the process.
- 14.23 The Authority considers that it is for the very first time that LESCO has initiated the process of write offs against private defaulters, which is in line with the Authority's principle decision in this regard. However, neither the Federal Government nor any XWDISCO have ever requested to allow such write offs on "provisional basis subject to the adjustment if the criteria set by the Authority is not met". In the instant case, although the amount requested by LESCO has not actually been written off as yet, however as claimed by LESCO, the process for writing off the receivables has already been initiated. Considering the very fact that the



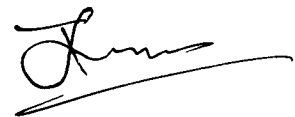
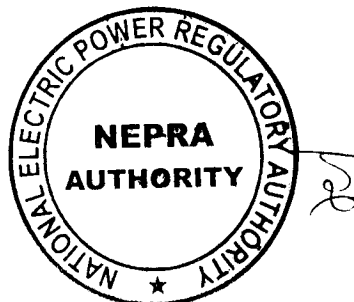
requested amount pertains to the private receivables, disconnected permanently for more than three years having little chance of recovery, and the submissions of LESCO that process for writing offs has been initiated, the Authority has decided to allow an amount of Rs.2,848 million as write offs, instead of the requested amount of Rs.5,291 million, strictly on provisional basis, after adjusting for the impact of GST and other Government charges from the requested amount, subject to fulfillment of the laid down criteria. The amount of Rs.2,848 million has been worked out based on PEPCO's DISCOs Performance Statistics Report for the FY 2015-16, wherein LESCO's permanent private defaulters of over 3 years age have been reported as Rs.3,304 million, however, the impact of GST and other Government charges has been excluded from the said amount while working out the provisional write offs. The Authority would observe the following criteria with respect to write offs.

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

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

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

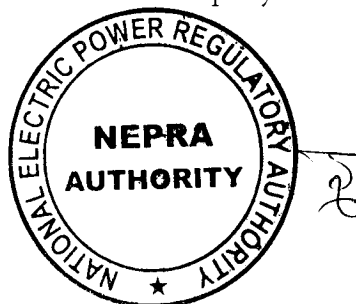
15.1 On the issue of T&D losses targets, the Federal Government pleaded that historically, DISCOs in their petitions propose losses, based on previous year data and the Authority based on such information had envisaged investments for energy loss reduction, sets out the target of distribution losses. The Federal Government further pointed out that the Authority's determined T&D losses are always lower as compared to the average power sector losses and



- that the losses target setting is always for the period which has already lapsed, thus there is no co-relation with the envisaged investments for energy loss reduction during the base period.
- 15.2 It was also stated in the reconsideration request that the Authority while maintaining the lesser target of losses, directed the XWDISCOs to conduct the T&D losses study of their 132KV, 11KV and below network based on reasonable sampling by the independent experts and maintained its assessed level of losses subject to adjustment as per the study.
- 15.3 The Federal Government further submitted that, the Authority in view of the non-completion of the study within the requisite time frame and while acknowledging the limitations of an operational audit carried out by PDIP (on a very limited sample) and treating the same as the starting point assessed a target of 9.08% of LESCO for FY 2013-14, subject to revision in light of findings of the study carried out by third party, which in the review motion was further reassessed to 9.01% on the basis of an in-house study. This drastically reduced the distribution losses as mentioned hereunder, resulting in additional shortfall of Rs.45 billion less recovery of adjusted PPP for all the XWDISCOs:

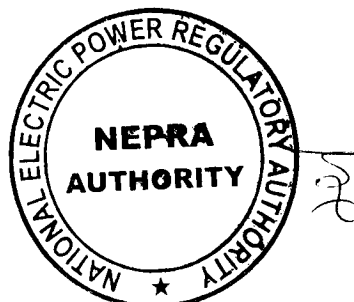
Year	Losses Target by Authority	Actual Losses
2012-13	16.00	18.76
2013-14	13.02	18.60

- 15.4 The Federal Government further mentioned that the matter was considered by ECC, leading to policy guideline by the Federal Government to the Authority that the losses of DISCOs be reflective of the system losses however, the Authority recommended to conduct the third party technical studies for ascertainment of distribution losses. The Federal Government delineated that in the subsequent determination for the FY 2014-15, based on the information shared and technical report based on 147 urban and 13 rural feeders, using Loss Analysis Programs provided by LESCO, the distribution losses was assessed by the Authority at 11.75%.
- 15.5 The Federal Government also stated in the reconsideration request that for the Multi Year Tariff (MYT) petition for the FY 2015-16 to 2019-20, LESCO submitted the technical study carried out by the independent third party, approved by the Authority, for 132 KV and 11 KV and below whereby the technical losses have been assessed as 12.20%. The Federal Government submitted that keeping in view the previous determinations as well as the policy guideline and the position of the Authority with respect to third party report of technical losses, it was only logical that the third party technical study should have been adopted for

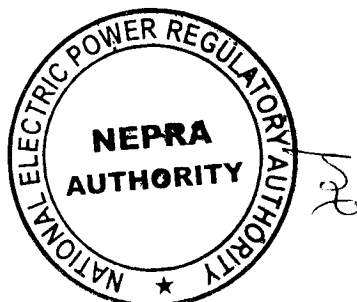


the purposes of assessment of the technical losses and also the same should have been adopted for the adjustments in the previous years, as previously decided by the Authority. However, the Authority disregarded the study being incomplete i.e. not 100%. The Federal Government further stated that the technical study on sample basis ranging from 25% and above (e.g., in case of FESCO it is more than 47% of 11KV) by third party independent expert, was submitted by the distribution companies therefore, this aspect needs reconsideration, as it is not only contrary to previous position of the Authority but is also contrary to the established position for such kind of studies and also contrary to the policy guideline of the Federal Government.

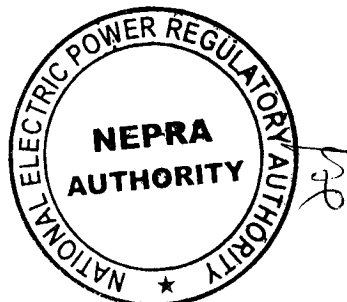
- 15.6 It was further stated in the reconsideration request that being a MYT Petition, it was proposed that the target for losses, keeping in view the IGTDP, be gradually reduced in five years, however, the Authority declined the proposed plan and instead determined an overall reduction of quantum of losses commencing from FY2016-17, which is not technically possible to be achieved and is contrary to all the established practices.
- 15.7 In view thereof, the Federal Government requested for reconsideration of the above assessments keeping in view the fact that period has already lapsed and the investment which has been made basis for reduction plan may or may not materialize. The Federal Government also highlighted the adverse financial implication of the target set by the Authority for the previous years and to the extent of LESCO amounting to Rs.3.51 Billion for the FY 2015-16 and in aggregate Rs.23.911 Billion for FY 2015-16.
- 15.8 In its written submissions dated July 24, 2017, the petitioner while referring to the Power Policy 2013, approved by CCI dated 31-07-2013, stated that the said Policy provides methodology to alleviate, inter alia, market inefficiencies and financial burdens from the national power sector by:
- i. *Promoting world class efficiency power generation;*
 - ii. *Creating a cutting-edge transmission network;*
 - iii. *Minimizing inefficiencies of the distribution system; and*
 - iv. *Minimizing financial losses across system."*
- 15.9 It was also pleaded that the Policy 2013, prescribes thresholds for standards of efficiencies to be attained and observed within the Power Sector of Pakistan, which, inter alia, includes;



- i. *The distribution market would be deemed efficient, affordable and financially viable, if, Transmission and Distribution losses incurred by DISCOs decreased from 23-25% in 2013-2014 to 16% by 2017;*
 - ii. *The distribution market would be deemed efficient, affordable and financially viable, if, recovery/collection by DISCOs was increased from 85 in 2013-2014 to 95% by 2017.*
- 15.10 LESCO in its presentation submitted that its base line losses of 11.75%, determined by the Authority for the FY 2015-16, is very aggressive and unrealistic as compared to actual T&D losses of 13.94% for FY 2015-16 (*Technical 11.834% and Admin. loss 2.106%*). LESCO also submitted that target of further reduction of 3.75% (11.75% to 8%) in the tariff control period is not achievable and would require further huge investments. The targets set by NEPRA represents the ideal situation which may exist only in highly developed countries but not a company as big as LESCO. LESCO further mentioned that the reduction of 2.25% proposed by LESCO during the tariff control period was based on the cumulative effect of Integrated Generation, Transmission and Distribution Plan (IGTDP), approved by NEPRA, thus, the reduction of 3.75% is not justified. LESCO also stated that its technical losses as per third-party study, are to 11.834% on load of FY 2013-14.
- 15.11 LESCO further highlighted that the Authority, in Para 31.16 of the MYT determination, acknowledged recognizing existing state of affairs of utility for benchmark consideration but doesn't consider this in LESCO's case. LESCO also mentioned that this situation is worsened with the availability of cheaper RLNG as low loss Industrial Customers have shifted to self-generation (around 400 MW reduction), whereas, on the other hand the consumption of higher loss Domestic consumers have increased. LESCO also stated that existence of hard areas in LESCO's service territory has not been appreciated, which are the real cause of administrative losses.
- 15.12 In addition, LESCO stated that as the targets for FY 2015-16 and FY 2016-17 have passed without notification of the MYTD, therefore, FY 2017-18 should now be considered as the base after alignment with actual T&D losses of 13.76% for future target setting.
- 15.13 LESCO submitted that investments already allowed by NEPRA in the previous years for STG, DOP/ELR, barely permitted LESCO to keep up with the load growth and increase in number of consumers has nullified the impact of such investment hence it will be unjustified to say that the past investment should have reduced the losses to the extent of 11.75%.



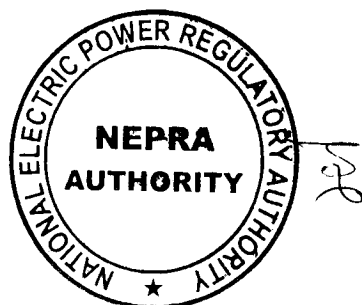
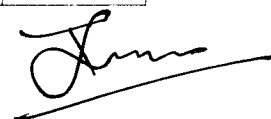
- 15.14 It has also been stated by LESCO that NEPRA has fixed technical loss at base level and assumed to reduce from that point onward whereas reality is that with load growth technical losses will also grow as 4,800MW load is expected to be established during year 2018 as per Power Market Survey. The Peak load of 4,765MW has already been recorded on 06-06-2017, which is expected to increase further in the light of improved load management.
- 15.15 In view thereof, LESCO has requested to review the target of T&D Losses and re-fix the same as 13.76% for FY 2016-17 and 13.00%, 12.40%, and 11.50% for the tariff remaining control period.
- 15.16 The Authority, on the contention of assessing lower target of T&D losses in the matter of distribution companies as compared to its actual level of T&D losses, is of the firm view that the actual reported level of T&D losses of XWDISCOs include the impact of inefficiencies, poor governess and theft etc. and the Authority's assessment has always been based on the principle of prudence, which ensures that consumers are not burdened with the costs that arise due to XWDISCOs inefficiencies and poor management. That is the reason why the assessed level of T&D losses has always been lower than the actual reported level of T&D losses in the matter of DISCOs.
- 15.17 The Federal Government's contention regarding non-correlation of investment allowed and target assessed in terms of reduction of T&D losses, owing to the fact that the relevant period always stand lapsed, is not maintainable as the Authority's determination only becomes effective for the period after its notification. That is the reason why PYA is always calculated on notified targets of T&D losses and allowed investments.
- 15.18 Here it is pertinent to clarify that the Authority's referred decision by Federal Government with respect to the review of assessed T&D losses, the review if any would be done on prospective basis and not on retrospective basis.
- 15.19 The Authority, keeping in view the increasing gap between the assessed and the actual level of T&D losses, the issue of overbilling & theft, directed all the XWDISCOs to conduct study of its distribution network of 132KV, 11KV and below by an independent expert.
- 15.20 LESCO submitted a study of its 132 KV and 11 KV network along with its MYT petition for the FY 2015-16 to FY 2019-20. The Authority observed that the sample size of the 11 KV network study undertaken by LESCO was only 10.5%, which was not a considerable percentage to establish a baseline for the assessment of T&D losses of LESCO.



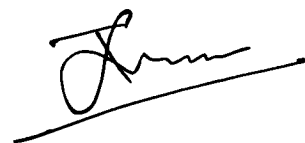
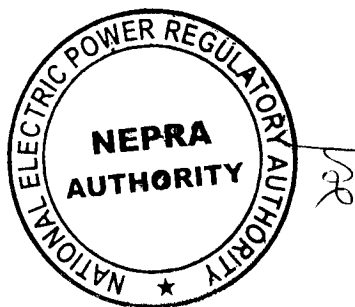
15.21 The Authority further in order to evaluate the quality of studies conducted by the LESCO consultants, held meetings with the representatives of the consultants wherein it was observed and also agreed by the consultants that losses in an electricity distribution company can be accurately measured only through metering equipment at different voltage levels from high voltage (132 kV) to the consumer-end and the results of the studies depend on the set of approximations which can exactly replicate the actual operational conditions over different periods. It was also observed that the results of the studies depend on the suitability of the software being used for the studies, size of the database and comparing results of the study with actual in-field monitoring and data collection. The consultants used PSSE software for analyzing 132 kV losses. PSSE software a standard software for simulation studies however it was noted that system operational conditions under different periods were not modeled adequately. For 11 kV feeder level studies, Synergy software was being used which is a refined version of FDRANA which was used by the XWDISCOs earlier, for evaluating loading position of individual feeders for making improvements and/or induction of new feeders. It is observed that although the software may allow accurate modeling of a feeder it cannot be considered as ideal software for calculating the losses of all feeders collectively. The XWDISCOs did not appear to have clear criteria for selecting sample feeders for the studies as only general guiding instructions were provided to the consultants by the XWDISCOs. For the low voltage analysis also, it was noted that the XWDISCOs and the consultants did not develop a clear criteria and guidelines for selecting the samples. Most importantly the consultants failed to corroborate its results by putting up metering equipment and measuring actual losses over selected circuits at high voltage and low voltage levels. It was also noted that modeling of loads at different voltages is also very important in addition to the accuracy of data. No clear statements were available that the XWDISCOs carried out detailed scrutiny of the data and modeling of loads. The Authority in view thereof directed the LESCO in the MLR decision dated May 19, 2016 to submit complete study after addressing the observations raised by the Authority.

15.22 XWDISCOs, in view of the instant reconsideration request of the Federal Government, have submitted their final losses studies. The following table shows details in terms of sample size, Transmission and distribution losses as per the third party study carried out by LESCO;

S. #	Study	Study Status / % Sample	Conducted by	Date of submission	Losses as per Study
1	Transmission	Completed	M/s PPI	29.09.2012	2.10%
2	Distribution	100%	M/s PPI	27.09.2016	9.66%

- 15.23 On the issue of software, LESCO pleaded that although Synergy is not the ideal software, however, LESCO's professionals and the third party Consultants were fully trained on it. It was also argued that by using some other software might have diluted the quality of work owing to lack of exposure of both LESCO and the Consultants to such software. Lastly, it was submitted that even the Authority's approved TORs did not specify any particular software which must be used for the study. The Authority having considered the LESCO's arguments feels that LESCO's contentions in this regard merit consideration; therefore has decided to accept the same.
- 15.24 On the issue of criteria for the selection of sample, the Authority observed that LESCO's initially submitted study was only 10.5% complete, which now has been completed to 100%. Initially the reported T&D losses were 13.95% which now after 100% sample size are 11.76%. Owing to the accepted principles of statistical analysis, whereby an outcome of sample size of 80% - 90% represents significant confidence level, the Authority is of the view that results, based on the studies having sample size of more than 90%, are fairly representative of the true distribution losses of DISCOs. However other concerns noted by the Authority would require further and detailed scrutiny of the report.
- 15.25 In view thereof, for the purpose of instant reconsideration request, the Authority has decided to provisionally accept the distribution losses of LESCO as per the third party studies, till scrutiny of the report is completed.
- 15.26 On the transmission losses study, the Authority observed that LESCO submitted its transmission loss study conducted by third party consultant in 2012 and mentioned its transmission losses as 2.10%. The Authority, while provisionally accepting the transmission loss study, sets a target of 2.10% transmission loss for LESCO.
- 15.27 Having considered the respective contentions of the Federal Government contained in the reconsideration request and during the hearing, perusal of the record and considering the point of view of LESCO, the Authority hereby allows LESCO a T&D losses target of 11.76%, on provisional basis for the FY 2015-16, till scrutiny of the report is completed. It is further clarified that the Authority determines overall level of T&D losses for LESCO, which is based on overall Transmission and Distribution network.
- 15.28 Consequent thereupon, the future T&D losses targets of LESCO during the MYT control period have been revised by the Authority as under;



Year	2015-16	2016-17	2017-18	2018-19	2019-20
Transmission Losses	2.10%	2.05%	1.97%	1.87%	1.75%
Distribution Losses	9.66%	8.83%	8.06%	7.21%	6.25%
T&D losses target	11.76%	10.88%	10.03%	9.08%	8.00%

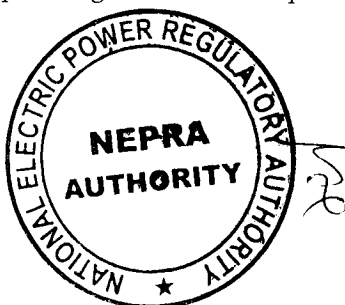
15.29 The Authority on the point of efficiency thresholds prescribed in the Power Policy, observed that although the Policy prescribes thresholds for standards of efficiencies, whereby certain targets in terms of T&D losses and Recovery have been fixed, however, a thorough reading of the Policy clearly depicts that the mentioned targets are not meant to be incorporated in the tariff by NEPRA rather the same have been fixed for the DISCOs to minimize the inefficiencies in the distribution system and financial losses across the system.

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

16. Quarterly / Biannual Adjustments Mechanism

16.1 The Federal Government has submitted that NEPRA shall ensure recovery of the costs which have been incurred but were/have not been allowed to be recovered on account of pendency of the Petitions and a mechanism for future quarterly adjustments be developed in line with the mechanism for Fuel Price Adjustment by way of billing adjustment, subject only to the modification that such decision shall be notified by the Federal Government.

16.2 The Authority understands that Power Purchase Price (PPP) is a pass through item, and any variation therein needs to be passed on to the consumers in a timely manner in order to ensure financial viability of the sector, which otherwise would result in huge prior period adjustments. That is the reason the Authority vide its decision dated July 04, 2016 in the matter of Biannual Adjustment regarding Power Purchase Price (PPP) and Annual adjustment on account of PYA pertaining to FY 2015-16, decided to allow the impact of PPP and PYA pertaining to the period from June 2015 till May 2016 in order to ensure its timely recovery during the FY 2016-17. Consequent thereupon, the Schedule of Tariff of LESCO was revised after incorporating therein the impact of mentioned above adjustments.



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

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

Where;

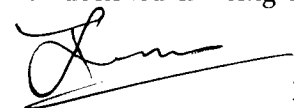
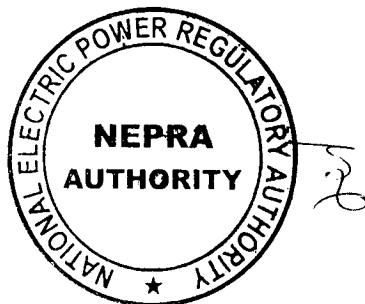
PPP_(Act) is actual cost in Rs./kWh invoiced by CPPA-G to XWDISCOs, excluding any cost disallowed by the Authority.

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

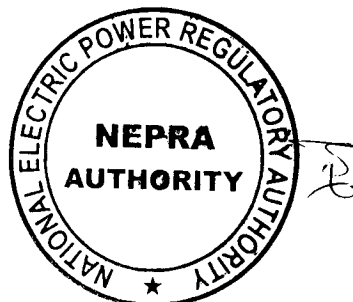
T&D Loss % is percentage of T&D losses that remained notified during the period.

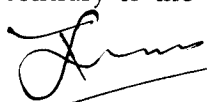
17. Other issues

- 17.1 The Federal Government in its written submissions of July 24, 2017 also pleaded that individual issues of each of the DISCO as well as CPPAG may also be considered. As already stated, these further submissions are totally beyond the pleadings because as per directions of Honorable Islamabad High Court, the reconsideration request earlier declined is being re-



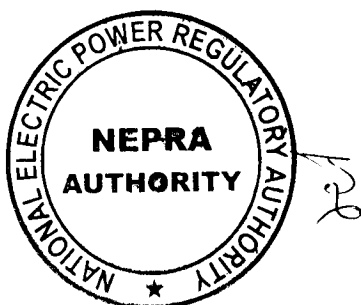
- considered. No further grounds could be added by the petitioner; yet in order to meet with the ends of justice, further contentions are also considered by the Authority.
- 17.2 LESCO in its presentation has pleaded to reconsider the issues of Salaries & Wages, new recruitments for placement in newly created field offices as well as in existing field offices, segregation of O&M costs, linkage of R&M cost with NFA in operation, Other Operating Expenses, X-Factor, WACC percentage and replacement hiring cost.
- 17.3 Regarding recruitment plan, LESCO submitted that it has created 31 new field offices in line with Authority's approval in the tariff determination of FY 2014-15 and directives to all the DISCOs to follow PEPCO's yardstick/SOP for creation of new field offices. LESCO has stated that it hired 5,454 personnel for placement in newly created field offices as well as in existing field offices having shortage of staff to cover the constant annual growth of 4% to 5% to maintain customer services, however, these costs were subsequently disallowed on grounds of MYT regime and proposed privatization both of which are not implemented. Accordingly, LESCO has requested to allow the cost of creation of new field offices and hiring of 5,454 personnel for such new offices and existing shortfall of man power.
- 17.4 On the point of replacement hiring cost, LESCO has requested to allow the same as the required Auditors' Certificate in this regard has been submitted.
- 17.5 On the issue of segregation of Controllable and Un-controllable costs, LESCO mentioned that un-controllable costs are those costs which it cannot influence and such costs are entirely dependent on factors beyond control of the entity e.g. increase in Salaries relating to any directive of GoP which LESCO cannot influence.
- 17.6 Regarding efficiency factor "X", LESCO has requested to apply X factor % as Zero (0) since the MYT may be applicable for about two years.
- 17.7 On the point of R&M expenses, LESCO requested to allow the same as a constant percentage i.e. 3.5% of the opening gross fixed assets (GFA) instead of Rs.1,513 million allowed in the base/reference cost of FY 2015-16 for the tariff controlled period for future indexing. LESCO further submitted that the determination does not take into account significant safety works initiated during 2016-17 and additional works for future years, therefore, a shortage will be experienced if reliance is placed on MYT methodology. Accordingly, LESCO requested the Authority to review the determination and fix R&M cost minimum of 3.5% of Net Fixed Assets of LESCO during the MYT regime.
- 17.8 Regarding Other Operating Expenses, LESCO submitted that the allowed amount of Rs.1,497 million, based on 2013-14 actuals after application of CPI index, is contrary to the written



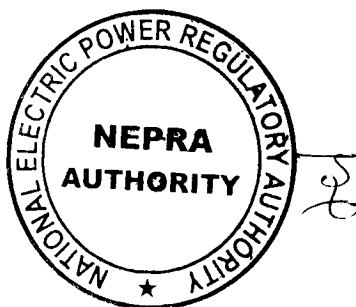

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determination in para 31.35 wherein the Authority has decided to accept the actual figures of the FY 2014-15, whereas its actual other operating expenses for the FY 2014-15 are Rs.2,260 million. This cuts out major expenses necessary for smooth running of the business such as collection charges, travelling, NEPRA fees, vehicle expenses, etc. LESCO, accordingly requested to correct the error and allow Rs.2,260 million as Other Operating Expenses for the FY 2015-16 after applying thereon necessary inflation, as base figure for the tariff control period.

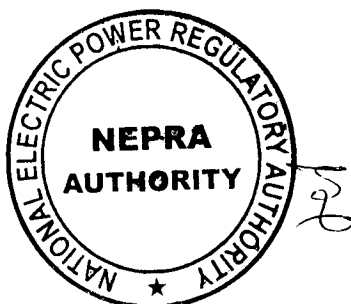
- 17.9 LESCO has also requested that the allowed Weighted Avg. Cost of Capital (WACC) is less than its actual cost, as cost of re-lent foreign loans from the GoP i.e. 15% to 17% is much higher than the allowed cost of debt of 9.76%, and is beyond LESCO's control. Further the allowed cost, does not take into account the average annual devaluation of PKR vs. US \$ i.e. 7% p.a. LESCO further stated that the cost of equity is fixed by NEPRA which may be based on a risk return which is higher than the returns provided by PIBs. In view thereof, LESCO has requested to revise the RoRB keeping in view the actual cost of loans and the high volatility involved.
- 17.10 In compliance of the honorable Islamabad High Court decision to hear Discos contentions, while determining the Reconsideration Request of the Federal Government anew, and keeping in view the fact that FY 2015-16 has already lapsed, the Authority does not see any issue in actualizing the already allowed costs to the extent of Salaries and Wages, Depreciation, RoRB and other income. However, as of to-date, LESCO has not submitted either its Audited or Provisional Accounts for the FY 2015-16, therefore, the Authority is constrained to base its assessment on the Audited results for the FY 2014-15 and thus reiterates its earlier assessment in this regard. However, upon receipt of actual audited results of LESCO for the FY 2015-16, the Authority may consider truing up its O&M cost to the extent of Salaries and Wages pertaining to the FY 2015-16. Moreover, LESCO has now submitted the required Auditors' certificate regarding replacement hiring cost, therefore, the Authority has decided to allow an amount of Rs.800 million on account of replacement hiring, and the same has been included in the base / reference tariff of LESCO for the FY 2015-16.
- 17.11 On the concern of LESCO to allow GoP increases regarding Salaries & wages for the future period, being beyond LESCO's control, the Authority has decided to allow the impact of increases in salaries & wages, as announced by GOP, in the tariff for the respective year, till the time, LESCO remains in the public sector. This addresses the issue of LESCO regarding segregation of salaries & wages as uncontrollable costs.



- 17.12 On the point of allowing cost of additional hiring, the Authority considers that allowing any such cost upfront would be unfair with the consumers, without considering/ analyzing the benefits of such recruitment. The Authority understands that it will be in a position to adjudicate on the issue once the Petitioner provides details of the actual cost incurred in this regard and substantiates the same with the quantified benefits accrued. Accordingly, the Authority has decided to widen the scope of mid-term review of LESCO's O&M cost by including therein the financial impact of any additional hiring also. The mid-term review would be carried out in case if privatization program is deferred and LESCO remains in the Public sector.
- 17.13 Similarly regarding O&M cost of creation of divisions/ sub-divisions, the Authority reiterates its earlier stance that allowing upfront O&M cost regarding creation of new circles, divisions and subdivisions, without having the progress reports in not in the interest of consumers. The Authority understands that it will be in a position to adjudicate on the issue once the LESCO provides details of the actual cost incurred in respect of creation of new circles, divisions and sub-divisions and substantiates the same with the quantified benefits achieved. Accordingly, the Authority has decided to carry out a mid-term review of the LESCO's O&M cost to the extent of creation of new circles, divisions and sub-divisions only. The mid-term review would be carried out in case if the privatization program is deferred and LESCO remains in the Public sector.
- 17.14 On the issue of allowing 0 (zero) X-Factor in view of the apprehension of LESCO that the MYT may be applicable for about two years, the Authority considers that this tariff would only become valid once it is notified and five years of control period would start from the date of notification of tariff.
- 17.15 On the point of LESCO to allow actual cost of debt, the Authority after careful review of the LESCO's argument with respect to allowing actual cost of debt is of the view that LESCO has failed to comprehend the concept of the assessment of WACC. The Authority's assessed WACC has always been an "assessment" from which the actual position of LESCO may differ. WACC assessed at different points of time would reflect the market conditions which were different at respective point of times. This is not a static number and depends upon so many variables like different risks, country rating and inflation etc. Accordingly, considering future privatization policy of the GoP, and the fact that the Authority is awarding a MYT for future 5 year's period, a forward looking approach has been used for estimating cost of debt of these loans for WACC calculation. On the point of RoE, the Authority observed that calculation of the RoE part of WACC, not only takes into account the returns offered by PIBs but also takes

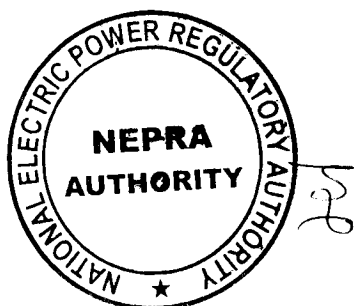


- into accounts the systematic risk and the equity risk premium. Accordingly, the Authority reiterates its earlier decision on the issue.
- 17.16 With respect to other cost heads of the Distribution Margin, since no new grounds/ rationale has been submitted by LESCO, hence the Authority while determining the respective cost heads of the distribution margin “anew” has arrived at the same assessment which was done in the MLR decision of LESCO dated May 19, 2016, whereby an incentive of reducing actual cost or vice versa should be provided to the LESCO. Accordingly, the Authority reiterates its earlier decision on the issue.
- 17.17 On the point of LESCO regarding error in the calculation of Other Operating Expense, the Authority observed that LESCO reported Rs.773 million as Management Fee in its Audited Accounts for the FY 2014-15, which represented an abnormal increase of over 2000% as compared to the historical trend of Management Fee. Therefore, the Authority keeping in view LESCO’s previous trend in this regard, rationalized the said cost in order to avoid any unnecessary increase in the base / reference tariff of LESCO as the tariff so determined shall remain applicable during the tariff control period, after allowing for the allowed adjustments.
- 17.18 On the issue of adjusting mark-up on delayed payments of Rs.1,156.23 million against the LPC received from consumers, the Authority, observed that LESCO was allowed in its MYT determination to retain the amount of LPC recovered from the consumers to be offset against the mark-up on delayed payments to CPPA-G. As per the Audited Financial statements of LESCO for the FY 2014-15, an amount of around Rs.18 Billion is shown as receivables from CPPA-G, whereas, nothing is reported as payables towards CPPA-G. In the given situation, the Authority fails to understand, how LESCO has accepted any late payment invoice from CPPA-G, rather, LESCO should have claimed interest on the amount receivable from CPPA-G. In view thereof, the Authority reiterates its earlier decision in this regard.
18. **Late Payment Charges**
- 18.1 CPPA-G vide letter dated July 20, 2017 has submitted that in 2010 while determining the FCA, the Authority disallowed the impact of markup cost in tariff and determined that the supplemental charges on account of markup on delayed payments to IPPs shall not be passed on to the consumers and resultantly XWDISCOs did not book cost of Rs.110.63 billion in their books and it remained as reconciling item between books of CPPA-G and XWDISCOs.
- 18.2 CPPA-G further submitted that in 2015, NEPRA determined that XWDISCOs shall be obliged to pay CPPA-G late payment charge on delayed payment invoices. The Authority further decided that *“the late payment charge recovered from the consumers on utility bills*



shall be off set against the late payment invoices raised by CPPA against the respective DISCO only”.

- 18.3 CPPA-G accordingly requested the Authority to consider the un-booked mark up of Rs.110.63 Billion and allow the same in XWDISCO tariff.
- 18.4 LESCO also in its presentation requested for supplemental charges of Rs.13,438.22 million pertaining to FY 2009-10 to FY 2013-14.
- 18.5 The Authority on the issue of late payment charge considers that this issue emanated from the discussion of energy purchase agreement which the DISCOs had been stating (in the past) that no such agreement exists.
- 18.6 The Authority took an initiative whereby GEPCO was directed to draft a proposed agreement which was complied with by GEPCO and the same was sent to all the XWDISCOs for their comments. XWDISCOs rather than giving their comments on the draft submitted the Electricity Supply Agreement signed between DISCOs and WAPDA on 29th June, 1998. As per XWDISCOs, a novation of the same agreement was also signed between individual DISCOs and NTDC. The Authority after going through the claimed agreement observed some clauses which were required to be revisited.
- 18.7 The Authority had earlier decided to nominate a committee to be constituted from NEPRA professionals in order to conduct a brain storming session on draft ESA in the tariff determinations for FY 2013-14. Two brain storming sessions were conducted during the current year. The brain storming sessions were attended by nominees of XWDISCOs and CPPA and it was mutually agreed by CPPA and XWDISCOs in the final session that the existing Electricity Supply Agreement dated 29th June, 1998 is valid and the same shall be implemented in letter and spirit. As regard the improvements if any, the same would be incorporated at a later stage. As per the clause 9.3(d) of the said Agreement, the XWDISCOs shall be obliged to pay CPPA late payment charge on delay payments of invoice.
- 18.8 The clause 9.3 (d) of the agreement deals with Late Payment charge as below:
- "Late Payments by WAPDA or the Company, as the case may be, shall bear mark-up at a rate per annum equal to the Base Rate plus four percent (4%) per annum compounded semi-annually, and shall be computed for the actual number of Days on the basis of a three hundred sixty-five (365) Day Year"*

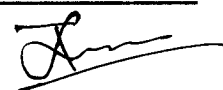
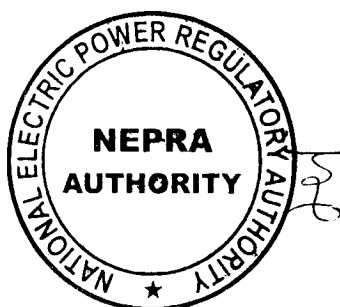


- 18.9 Thus, the Authority in the tariff determination of LESCO for the FY 2014-15, decided that the late payment charge recovered from the consumers on utility bills shall be offset against the late payment invoices raised by CPPA (G) against respective XWDISCO only i.e. CPPA (G) cannot book late charge over and above what is calculated as per the relevant clause of the agreement to a respective DISCO only.
- 18.10 Here it is pertinent to mention that the decision of the Authority for excluding Late Payment Charges from other income of the LESCO, was decided during the tariff determination of FY 2014-15, therefore, any claim on account of supplementary charges before FY 2014-15 were not allowed. The rationale of the Authority's decision in this regard was on account of non-compliance by LESCO with respect to signing ESA during that period (as per the statement of DISCOs). Here it is pertinent to mention that the tariff period to which the CPPA-G/ DISCOs claimed cost relates has lapsed and the relief to the extent of LPC has already been passed to the consumers in the tariff determination of respective DISCOs.

19. **Revenue Requirement**

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

	Description	Mln. Rs.	Mln. Rs.
A	POWER PURCHASE PRICE		167,000
	Fuel Cost	106,280	
	Variable O&M	5,890	
	Capacity Charges	48,623	
	Use of System Charges	6,206	
B	DISTRIBUTION MARGIN [net]		22,463
	Operation and Maintenance Cost (O&M)	20,479	
	Depreciation	2,784	
	Return on Rate Base (RORB)	3,096	
	GROSS DISTRIBUTION MARGIN	26,359	
	Other Income	(3,896)	
C	PRIOR YEAR ADJUSTMENT		(16,294)
D	Write-off (On Provisional Basis)		2,848
	(A+B+C+D)		176,017

20. ORDER

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

- I. Faisalabad Electric Supply Company Limited (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

$$UOSC = DM(Gross) \times \frac{(1-L)}{(1-0.02)} \times AFI(T) \quad \text{Paisa/kWh}$$

- ii) Where only 11 kV distribution systems is involved.

$$UOSC = DM(Gross) \times \frac{(1-L)}{(1-0.06)} \times AFI(D) \quad \text{Paisa/kWh}$$

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

$$UOSC = DM(Gross) \times \frac{(1-L)}{(1-0.08)} \times AFI(TD) \quad \text{Paisa/kWh}$$

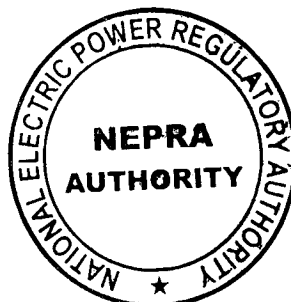
Where:

Gross Distribution Margin for FY 2015-16 is set at Rs.1.55/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.29%

AFI (D) = Adjustment factor for investment at 11 kV level i.e. 21%.




AFI (TD) = Adjustment factor for investment at both 132 kV & 11 kV level i.e. 52%.

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

V. LESCO is hereby allowed the T&D losses of 11.76% for the FY 2015-16 and the following target of T&D losses for the tariff control period;

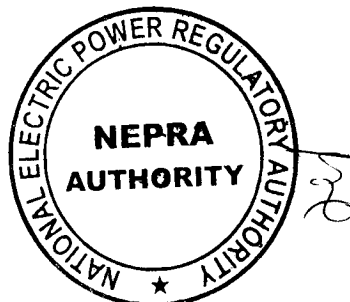
Year	2015-16	2016-17	2017-18	2018-19	2019-20
Transmission Losses	2.10%	2.05%	1.97%	1.87%	1.75%
Distribution Losses	9.66%	8.83%	8.06%	7.21%	6.25%
T&D losses target	11.76%	10.88%	10.03%	9.08%	8.00%

VI. LESCO is hereby allowed a total investment of Rs.93,832 million including Rs.19,406 million as consumer contribution 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

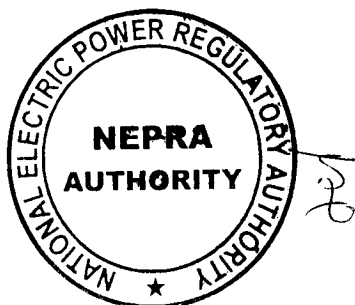
VII. Tariff under Colum 'A' and 'D' of Annex-III shall remain applicable for one year from the date of notification. Colum 'C' of Annex-III shall cease to exist after one year and




only Colum 'A' and 'B' of Annex-III would remain applicable till the same is superseded by next notification.

VIII. The Authority hereby determines and approves the following component wise cost & its adjustments mechanism in the matter of LESCO for the FY 2015-16.

TARIFF COMPONENT	Assessed Cost FY 2015-16	ADJUSTMENTS/ INDEXATION	TIME LINES
POWER PURCHASE PRICE			
Energy Purchase Price			
Fuel Cost	106,280	Monthly, as per the approved mechanism.	Data to be provided by CPPA (G) by 3 rd of close of the month
Variable O&M	5,890	Biannually, as per the approved mechanism.	Request to be furnished by the LESCO not later than 10 th July and 10 th January, as the case may be.
Capacity Charges	48,623	Biannually, as per the approved mechanism.	Request to be furnished by the LESCO not later than 10 th July and 10 th January, as the case may be.
Use of System Charges	6,206	Biannually, as per the approved mechanism.	Request to be furnished by the LESCO not later than 10 th July and 10 th January, as the case may be.
T&D Losses	11.76%	Biannually, as per the approved mechanism.	Request to be furnished by the LESCO not later than 10 th July and 10 th January, as the case may be.
NET DISTRIBUTION MARGIN	22,463		
O&M Cost			
Salaries, wages & other benefits	8,466	Annually, as per Annex-VI	Request to be submitted by LESCO by 7 th July every year.
Post-Retirement benefits	9,002	As per the decision	
Repair and Maintenance	1,513	Annually, as per Annex-VI	Request to be submitted by LESCO by 7 th July




			every year.
Other operating expenses	1,499	Annually, as per Annex-VI	Request to be submitted by LESCO by 7 th July every year.
Depreciation	2,784	Annually, as per Annex-VI	Request to be submitted by LESCO by 7 th July every year.
Return on Rate Base	3,096	Annually, as per Annex-VI	
Other Income	(3,896)	Annually, as per Annex-VI	
Prior Year Adjustment	(16,294)	Annually, as per existing Mechanism	
Write Offs-Provisional basis	2,848		
KIBOR Spread	2.75%	Annually, as per decision	
KIBOR (In case of foreign financing the Authority may allow the adjustment of LIBOR)	7.01%	Bi-Annually, as per the decision.	

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

AUTHORITY

Additional Note attached

Himayat Ullah Khan

Himayat Ullah Khan
Member

Maj (R) Haroon Rashid

Maj (R) Haroon Rashid
Member

Syed Masood-ul-Hassan Naqvi

Syed Masood-ul-Hassan Naqvi
Member

Saif Ullah Chattha

Saif Ullah Chattha
Vice Chairman

Brig (R) Tariq Saddozai

Brig (R) Tariq Saddozai
Chairman

18.9.2017



Mushtaq
18 09 17

ADDITIONAL NOTE

Subject: REDETERMINATION OF THE AUTHORITY IN THE MATTER OF REQUEST FOR RECONSIDERATION PERTAINING TO THE TARIFF DETERMINATION DATED MARCH 08, 2016 AND REVIEW DECISION DATED MAY 19, 2016 WITH RESPECT TO LESCO FOR THE FY 2015-16 to FY 2019-20 UNDER SECTION 31(4) OF NEPRA ACT 1997

I agree with the re-determination of the Authority with the exception of Para 14.23 and Para 14.24 wherein an amount of Rs. 2,848 million has been allowed as “write offs on provisional basis”. It is my contention that write offs on a provisional basis will further facilitate / reinforce the rampant inefficiencies within the system, and put an upfront burden on the consumers. In my view, write-offs could be considered by the Authority, after the criteria listed at para 14.23 (i) (ii) & (iii) have first been met by the DISCO.



Pms
18 09 17

Himayat Ullah Khan
(Himayat Ullah Khan)
Member (Tariff)

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

$$\text{Fuel Price variation} = \text{Actual Fuel Cost Component} - \text{Reference Fuel Cost Component}$$

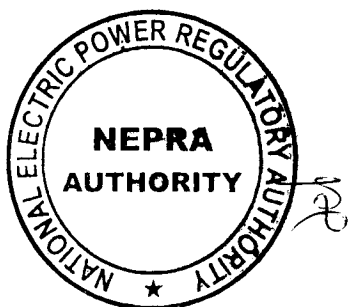
Where:

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;

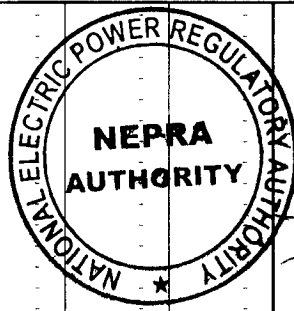
The fuel price adjustment determined by the Authority shall be shown separately in the bill of the consumer and the billing impact shall be worked out on the basis of consumption by the consumer in the respective month.



Lahore Electric Supply Company Limited (LESCO)
Estimated Sales Revenue on the Basis of New Tariff

Description	Sales		Tariff		Revenue			Write off		Total Tariff	
	GWh	% Mix	Fixed Charge	Variable Charge	Fixed Charge	Variable Charge	Total	Amount	Variable Charge	Fixed Charge	Variable Charge
			Rs./kW/ M	Rs./ kWh		Min. Rs.		Min. Rs.	Rs./ kWh	Rs./kW/ M	Rs./ kWh
Residential											
Up to 50 Units	186	1.09%		4.00	-	743	743	-	-	-	4.00
For peak load requirement less than 5 kW											
01-100 Units	1638	9.66%		8.20	-	13,433	13,433	278	0.17	-	8.37
101-200 Units	924	5.45%		10.00	-	9,243	9,243	157	0.17	-	10.17
201-300 Units	1551	9.15%		11.00	-	17,064	17,064	264	0.17	-	11.17
301-700 Units	1066	6.29%		12.75	-	13,591	13,591	181	0.17	-	12.92
Above 700 Units	306	1.81%		14.70	-	4,502	4,502	52	0.17	-	14.87
For peak load requirement exceeding 5 kW)											
Time of Use (TOU) - Peak	164	0.96%		14.70	-	2,405	2,405	28	0.17	-	14.87
Time of Use (TOU) - Off-Peak	716	4.22%		8.20	-	5,871	5,871	122	0.17	-	8.37
Temporary Supply	1	0.00%		13.85	-	9	9	0	0.17	-	14.02
Total Residential	6,552	38.63%				66,861	66,861	1,082			
Commercial - A2											
For peak load requirement less than 5 kW	510	3.01%		14.40	-	7,348	7,348	87	0.17	-	14.57
For peak load requirement exceeding 5 kW											
Regular	65	0.38%	400.00	10.40	75	679	754	11	0.17	400	10.57
Time of Use (TOU) - Peak	139	0.82%		14.70	-	2,038	2,038	24	0.17	-	14.87
Time of Use (TOU) - Off-Peak	612	3.61%	400.00	8.20	986	5,022	6,008	104	0.17	400	8.37
Temporary Supply	45	0.26%		14.40	-	645	645	8	0.17	-	14.57
Total Commercial	1,371	8.09%			1,061	15,731	16,792	233			
General Services-A3											
	509	3.00%	-	12.51	-	6,365	6,365	86	0.17	-	12.68
Industrial											
B1	79	0.47%		10.40	-	826	826	13	0.17	-	10.57
B1 Peak	66	0.39%		14.70	-	967	967	11	0.17	-	14.87
B1 Off Peak	376	2.22%		8.20	-	3,087	3,087	64	0.17	-	8.37
B2	182	1.07%	400.00	9.90	199	1,797	1,996	31	0.17	400	10.07
B2 - TOU (Peak)	247	1.45%		14.70	-	3,627	3,627	42	0.17	-	14.87
B2 - TOU (Off-peak)	1382	8.15%	400.00	8.00	2,228	11,052	13,280	235	0.17	400	8.17
B3 - TOU (Peak)	244	1.44%		14.70	-	3,581	3,581	41	0.17	-	14.87
B3 - TOU (Off-peak)	3317	19.56%	380.00	7.80	2,908	25,874	28,782	564	0.17	380	7.97
B4 - TOU (Peak)	82	0.48%		14.70	-	1,205	1,205	14	0.17	-	14.87
B4 - TOU (Off-peak)	770	4.54%	360.00	7.70	638	5,927	6,565	131	0.17	360	7.87
Temporary Supply	0	0.00%		10.40	-	4	4	0	0.17	-	10.57
Total Industrial	6,744	39.77%			5,972	57,947	63,920	1,147			
Single Point Supply for further distribution											
C1(a) Supply at 400 Volts-less than 5 kW	1	0.00%		10.90	-	6	6	0	0.17	-	11.07
C1(b) Supply at 400 Volts-exceeding 5 kW	19	0.11%	400.00	10.40	14	195	209	3	0.17	400	10.57
Time of Use (TOU) - Peak	4	0.03%		14.70	-	64	64	1	0.17	-	14.87
Time of Use (TOU) - Off-Peak	20	0.12%	400.00	8.20	19	165	184	3	0.17	400	8.37
C2 Supply at 11 kV	189	1.11%	380.00	10.20	101	1,927	2,028	32	0.17	380	10.37
Time of Use (TOU) - Peak	33	0.20%		14.70	-	490	490	6	0.17	-	14.87
Time of Use (TOU) - Off-Peak	159	0.94%	380.00	8.00	156	1,275	1,432	27	0.17	380	8.17
C3 Supply above 11 kV	67	0.40%	360.00	10.10	35	679	714	11	0.17	360	10.27
Time of Use (TOU) - Peak	2	0.01%		14.70	-	27	27	0	0.17	-	14.87
Time of Use (TOU) - Off-Peak	9	0.05%	360.00	7.80	6	68	74	1	0.17	360	7.97
Total Single Point Supply	503	2.97%			332	4,895	5,227	86			
Agricultural Tube-wells - Tariff D											
Scarp	47	0.28%		11.80	-	556	556	8	0.17	-	11.97
Time of Use (TOU) - Peak	76	0.45%		14.70	-	1,112	1,112	13	0.17	-	14.87
Time of Use (TOU) - Off-Peak	35	0.21%	200.00	7.80	30	271	302	6	0.17	200	7.97
Agricultural Tube-wells	195	1.15%	200.00	12.10	173	2,360	2,533	33	0.17	200	12.27
Time of Use (TOU) - Peak	165	0.97%		14.70	-	2,421	2,421	28	0.17	-	14.87
Time of Use (TOU) - Off-Peak	660	3.89%	200.00	7.80	535	5,146	5,681	112	0.17	200	7.97
Total Agricultural	1,177	6.94%			739	11,866	12,604	200			
Public Lighting - Tariff G	95	0.56%		13.50	-	1,288	1,288	16	0.17	-	13.67
Residential Colonies	8	0.05%		13.50	-	110	110	1	0.17	-	13.67
Railway Traction	0	0.00%		13.50	-	-	-	-	0.17	-	13.67
Sub-Total	104	0.61%				1,398	1,398	18			
Special Contract - Tariff-J											
J-1 For Supply at 66 kV & above	-	0.00%	360.00	10.10	-	-	-	-	0.17	360	10.27
Time of Use (TOU) - Peak	-	0.00%		14.70	-	-	-	-	0.17	-	14.87
Time of Use (TOU) - Off-Peak	-	0.00%	360.00	7.80	-	-	-	-	0.17	360	7.97
J-2 (a) For Supply at 11, 33 kV	-	0.00%	380.00	10.20	-	-	-	-	0.17	380	10.37
Time of Use (TOU) - Peak	-	0.00%		14.70	-	-	-	-	0.17	-	14.87
Time of Use (TOU) - Off-Peak	-	0.00%	380.00	8.00	-	-	-	-	0.17	380	8.17
J-2 (b) For Supply at 66 kV & above	-	0.00%	360.00	10.10	-	-	-	-	0.17	360	10.27
Time of Use (TOU) - Peak	-	0.00%		14.70	-	-	-	-	0.17	-	14.87
Time of Use (TOU) - Off-Peak	-	0.00%	360.00	7.80	-	-	-	-	0.17	360	7.97
J-3 (a) For Supply at 11, 33 kV	-	0.00%	380.00	10.20	-	-	-	-	0.17	380	10.37
Time of Use (TOU) - Peak	-	0.00%		14.70	-	-	-	-	0.17	-	14.87
Time of Use (TOU) - Off-Peak	-	0.00%	380.00	8.00	-	-	-	-	0.17	380	8.17
J-3 (b) For Supply at 66 kV & above	-	0.00%	360.00	10.10	-	-	-	-	0.17	360	10.27
Time of Use (TOU) - Peak	-	0.00%		14.70	-	-	-	-	0.17	-	14.87
Time of Use (TOU) - Off-Peak	-	0.00%	360.00	7.80	-	-	-	-	0.17	360	7.97
Total Revenue	16,960	100.00%			8,104	165,063	173,168	2,848			

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



TARIFFS RESIDENTIAL

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES	VARIABLE CHARGES		Write-off Charges		Total Variable Charges	
		Rs/kW/M	Rs/kWh		Rs/kWh		Rs/kWh	
		A	B		C		D	
a)	For Sanctioned load less than 5 kW							
i	Up to 50 Units	-	4.00		-		4.00	
	For Consumption exceeding 50 Units							
ii	001 - 100 Units	-	8.20		0.17		8.37	
iii	101 - 200 Units	-	10.00		0.17		10.17	
iv	201 - 300 Units	-	11.00		0.17		11.17	
v	301 - 700 Units	-	12.75		0.17		12.92	
vi	Above 700 Units	-	14.70		0.17		14.87	
b)	For Sanctioned load 5 kW & above							
	Time Of Use	-	Peak	Off-Peak	Peak	Off-Peak	Peak	Off-Peak
			14.70	8.20	0.17	0.17	14.87	8.37

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

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

a) Single Phase Connections:

Rs. 75/- per consumer per month

b) Three Phase Connections:

Rs. 150/- per consumer per month

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

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES	VARIABLE CHARGES		Write-off Charges		Total Variable Charges	
		Rs/kW/M	Rs/kWh		Rs/kWh		Rs/kWh	
		A	B		C		D	
a)	For Sanctioned load less than 5 kW		14.40		0.17		14.57	
b)	For Sanctioned load 5 kW & above	400.00	10.40		0.17		10.57	
			Peak	Off-Peak	Peak	Off-Peak	Peak	Off-Peak
c)	Time Of Use	400.00	14.70	8.20	0.17	0.17	14.87	8.37

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

a) Single Phase Connections;

Rs. 175/- per consumer per month

b) Three Phase Connections:

Rs. 350/- per consumer per month

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

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES	VARIABLE CHARGES		Write-off Charges		Total Variable Charges	
		Rs/kW/M	Rs/kWh		Rs/kWh		Rs/kWh	
		A	B		C		D	
a)	General Services	-	12.51		0.17		12.68	

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

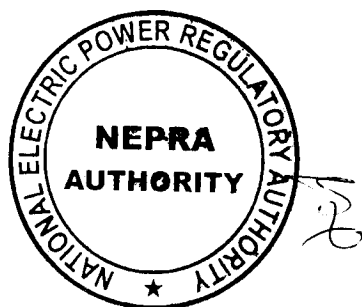
a) Single Phase Connections;

Rs. 175/- per consumer per month

b) Three Phase Connections:

Rs. 350/- per consumer per month

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



ES&S COMPANY (P) LTD. TARIFFS **FOR LARGE INDUSTRIES COMPANY (LESCO) TARIFFS**

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES	VARIABLE CHARGES		Write-off Charges		Total Variable Charges	
		Rs/kW/M	Rs/kWh		Rs/kWh		Rs/kWh	
		A	B		C		D	
B1	Upto 25 kW (at 400/230 Volts)	-	10.40		0.17		10.57	
B2(a)	exceeding 25-500 kW (at 400 Volts)	400.00	9.90		0.17		10.07	
	Time Of Use		Peak	Off-Peak	Peak	Off-Peak	Peak	Off-Peak
B1 (b)	Up to 25 KW	-	14.70	8.20	0.17	0.17	14.87	8.37
B2(b)	exceeding 25-500 kW (at 400 Volts)	400.00	14.70	8.00	0.17	0.17	14.87	8.17
B3	For All Loads up to 5000 kW (at 11,33 kV)	380.00	14.70	7.80	0.17	0.17	14.87	7.97
B4	For All Loads (at 66,132 kV & above)	360.00	14.70	7.70	0.17	0.17	14.87	7.87

For B1 consumers there shall be a fixed minimum charge of Rs. 350 per month.

For B2 consumers there shall be a fixed minimum charge of Rs. 2,000 per month.

For B3 consumers there shall be a fixed minimum charge of Rs. 50,000 per month.

For B4 consumers there shall be a fixed minimum charge of Rs. 500,000 per month.

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

ES&S COMPANY (P) LTD. TARIFFS **FOR MEDIUM INDUSTRIES COMPANY (MESCO) TARIFFS**

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES	VARIABLE CHARGES		Write-off Charges		Total Variable Charges	
		Rs/kW/M	Rs/kWh		Rs/kWh		Rs/kWh	
		A	B		C		D	
C -1	For supply at 400/230 Volts	-	10.90		0.17		11.07	
a)	Sanctioned load less than 5 kW	-	10.90		0.17		11.07	
b)	Sanctioned load 5 kW & up to 500 kW	400.00	10.40		0.17		10.57	
C -2(a)	For supply at 11,33 kV up to and including 5000 kW	380.00	10.20		0.17		10.37	
C -3(a)	For supply at 66 kV & above and sanctioned	360.00	10.10		0.17		10.27	
	Time Of Use		Peak	Off-Peak	Peak	Off-Peak	Peak	Off-Peak
C -1(c)	For supply at 400/230 Volts 5 kW & up to 500 kW	400.00	14.70	8.20	0.17	0.17	14.87	8.37
C -2(b)	For supply at 11,33 kV up to and including 5000 kW	380.00	14.70	8.00	0.17	0.17	14.87	8.17
C -3(b)	For supply at 66 kV & above and sanctioned load above 5000 kW	360.00	14.70	7.80	0.17	0.17	14.87	7.97

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

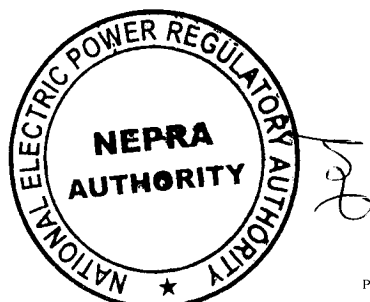
ES&S COMPANY (P) LTD. TARIFFS **FOR SMALL INDUSTRIES COMPANY (SESCO) TARIFFS**

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES	VARIABLE CHARGES		Write-off Charges		Total Variable Charges	
		Rs/kW/M	Rs/kWh		Rs/kWh		Rs/kWh	
		A	B		C		D	
D-1(a)	SCARP less than 5 kW	-	11.80		0.17		11.97	
D-2 (a)	Agricultural Tube Wells	200.00	12.10		0.17		12.27	
			Peak	Off-Peak	Peak	Off-Peak	Peak	Off-Peak
D-1(b)	SCARP 5 kW & above	200.00	14.70	7.80	0.17	0.17	14.87	7.97
D-2 (b)	Agricultural 5 kW & above	200.00	14.70	7.80	0.17	0.17	14.87	7.97

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

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

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



SCHEDULE OF ELECTRICITY TARIFFS FOR LANDS AND ELECTRIC SUPPLY COMPANY (LESCO)

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES	VARIABLE CHARGES	Write-off Charges	Total Variable Charges
		Rs/kW/M	Rs/kWh	Rs/kWh	Rs/kWh
		A	B	C	D
E-1(i)	Residential Supply	-	13.85	0.17	14.02
E-1(ii)	Commercial Supply	-	14.40	0.17	14.57
E-2	Industrial Supply	-	10.40	0.17	10.57

For the categories of E-1(i&ii) above, the minimum bill of the consumers shall be Rs. 50/- per day subject

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

REGULAR 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

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES	VARIABLE CHARGES	Write-off Charges	Total Variable Charges
		Rs/kW/M	Rs/kWh	Rs/kWh	Rs/kWh
		A	B	C	D
	Street Lighting	-	13.50	0.17	13.67

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

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

RESIDENTIAL TARIFF

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES	VARIABLE CHARGES	Write-off Charges	Total Variable Charges
		Rs/kW/M	Rs/kWh	Rs/kWh	Rs/kWh
		A	B	C	D
	Residential Colonies attached to industrial	-	13.50	0.17	13.67

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

RAILWAY TARIFF

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES	VARIABLE CHARGES	Write-off Charges	Total Variable Charges
		Rs/kW/M	Rs/kWh	Rs/kWh	Rs/kWh
		A	B	C	D
	Railway Traction	-	13.50	0.17	13.67

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

JOINT SUPPLY TARIFF

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES	VARIABLE CHARGES		Write-off Charges		Total Variable Charges	
		Rs/kW/M	Rs/kWh		Rs/kWh		Rs/kWh	
		A	B		C		D	
J-1	For supply at 66 kV & above and having sanctioned load of 20MW & above	360.00	10.10		0.17		10.27	
J-2	(a) For supply at 11,33 kV	380.00	10.20		0.17		10.37	
	(b) For supply at 66 kV & above	360.00	10.10		0.17		10.27	
J-3	(a) For supply at 11,33 kV	380.00	10.20		0.17		10.37	
	(b) For supply at 66 kV & above	360.00	10.10		0.17		10.27	
	Time Of Use		Peak	Off-Peak	Peak	Off-Peak	Peak	Off-Peak
J-1(b)	For supply at 66 kV & above and having sanctioned load of 20MW & above	360.00	14.70	7.80	0.17	0.17	14.87	7.97
J-2 (c)	For supply at 11,33 kV	380.00	14.70	8.00	0.17	0.17	14.87	8.17
J-2 (d)	For supply at 66 kV & above	360.00	14.70	7.80	0.17	0.17	14.87	7.97
J-3 (c)	For supply at 11,33 kV	380.00	14.70	8.00	0.17	0.17	14.87	8.17
J-3 (d)	For supply at 66 kV & above	360.00	14.70	7.80	0.17	0.17	14.87	7.97

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



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

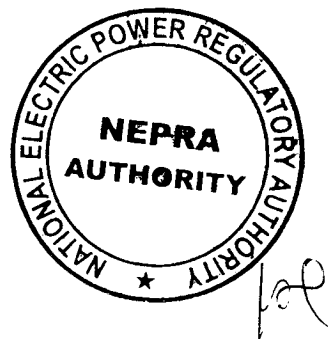
kWh

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	2.2495	2.53
USCF	0.2666	0.2792	0.3459	0.3463	0.3702	0.3854	0.2853	0.3826	0.3295	0.3071	0.3105	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	9.7665	8.6245	7.8329	8.6887

Rs in Million

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



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

PART-I

GENERAL DEFINITIONS

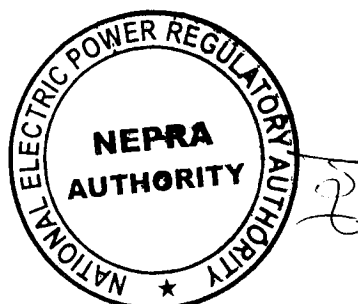
The Company, for the purposes of these terms and conditions means Lahore Electric Supply Company Limited (LESCO) engaged in the business of distribution of electricity within the territory mentioned in the licence granted to it for this purpose.

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:

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

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

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

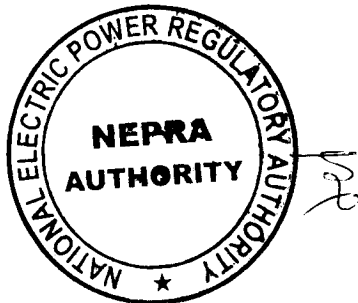


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12. "Consumer" means a person of his successor-in-interest as defined under Section 2(iv) of the Regulation of Generation, Transmission and Distribution of Electric Power Act (XL of 1997).
13. "Charitable Institution" means an institution, which works 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%.



PART-II

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

A-1 RESIDENTIAL

Definition

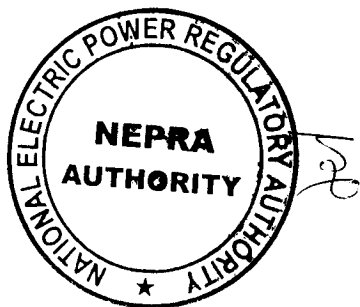
“Life Line Consumer” means those residential consumers having single phase electric connection with a sanctioned load up to 1 kW.

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).



A-3 GENERAL SERVICES

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

B INDUSTRIAL SUPPLY

Definitions

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

Conditions

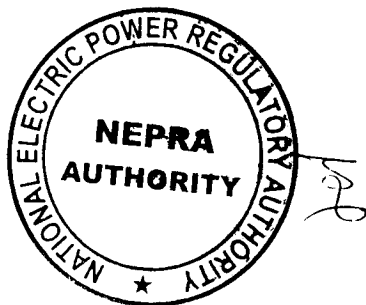
An industrial consumer shall have the option, to switch over to seasonal Tariff-F, provided his connection is seasonal in nature as defined under Tariff-F, and he undertakes to abide by the terms and conditions of Tariff-F and pays the difference of security deposit rates previously deposited and those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

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

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

B-2 SUPPLY AT 400 VOLTS

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



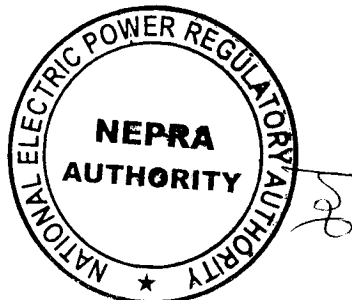
2. All existing consumers under tariff B-2 shall be provided T.O.U metering arrangement by the Company and converted to B-2(b) Tariff.
3. All new applicants i.e. prospective consumers applying for service to the Company shall be provided T.O.U metering arrangement and charged according to the applicable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

B-3 SUPPLY AT 11 kV AND 33 kV

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

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

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



C BULK SUPPLY

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

General Conditions

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

C-1 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-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 Time-of-Use (T.O.U) tariff C-1(c) given in the Schedule of Tariff.
4. All the existing consumers governed by this tariff having sanctioned load 5 kW and above shall be provided T.O.U metering arrangements.

C-2 SUPPLY AT 11 kV AND 33 kV

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

C-3 SUPPLY AT 66 kV AND ABOVE

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



D AGRICULTURAL SUPPLY

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

Special Conditions of Supply

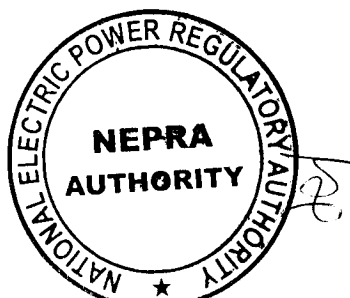
1. This tariff shall apply to:
 - i) Reclamation and Drainage Operation under Salinity Control and Reclamation Projects (SCARP):
 - ii) Bona fide forests, agricultural tube-wells and lift irrigation pumps for the irrigation of agricultural land.
 - iii) Tube-wells meant for aqua-culture, viz. fish farms,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

D-1

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

D-2

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



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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

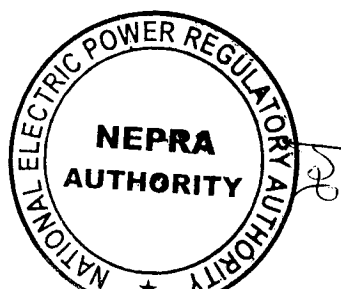
“Seasonal Industry” for the purpose of application of this Tariff, means an industry which works only for part of the year to meet demand for goods or services arising during a particular season of the year. However, any seasonal industry running in combination with one or more seasonal industries, against 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.

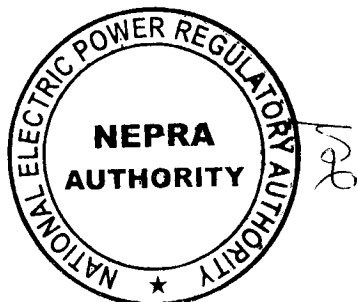
II RESIDENTIAL COLONIES ATTACHED TO INDUSTRIES

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.

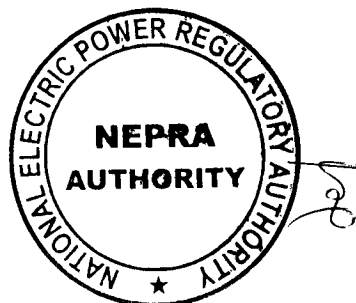
J. SPECIAL CONTRACTS UNDER NEPRA (SUPPLY OF POWER) REGULATIONS 2015

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.



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.

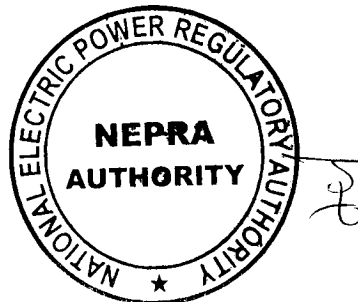
SUPPLY TO AUTHORIZED AGENT

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.



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:

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

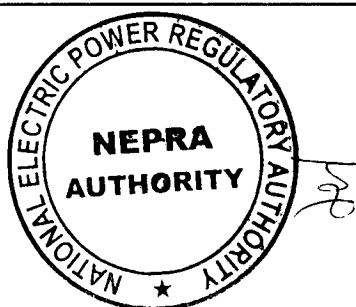
Where:

$RORB_{(Rev)}$ = 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



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
-

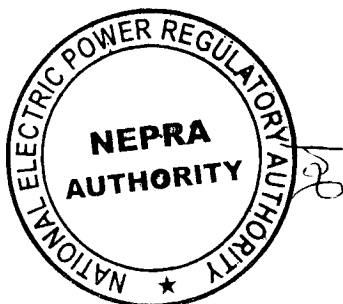
OTHER INCOME

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

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

Where:

- $OI_{\{Rev\}}$ = Revised Other Income for the Current Year
 $OI_{\{1\}}$ = Actual Other Income as per latest Financial Statements.
 $OI_{\{0\}}$ = Actual/Assessed Other Income used in the previous year.



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:

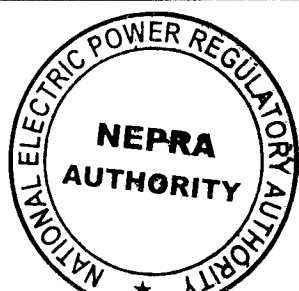
S. #	Description	Length KM	2015-16	2016-17	2017-18	2018-19	2019-20
1	132 kV D/C	17.7	0	7.08	10.62	0	0
2	Sub-Total	17.7	0	7.08	10.62	0	0

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

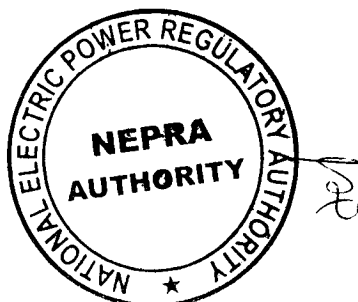


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	Sub-Total	386.44	0.00	75.36	71.28	108.00	131.80
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A-2 Names of New 132 kV Grid Stations and Transmission Lines under STG in Next 5 Years:

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 Jubilee 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 Lulliyar- 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 Sarfaraz Nagar- Bhaipheru 132kV F/F Punjab University (In & Out from Garden Town- Model Town)



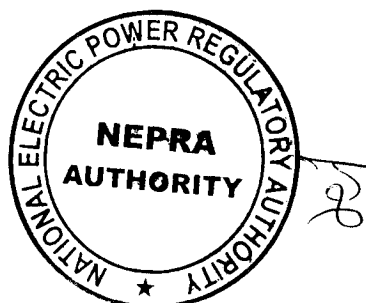
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2018-19	Audit & Account Kakezai Town Park View DHA Phase 7	Feed for kakezai Town (In & Out from DHA Rahbar- Japan Power) Feed for Audit & Account (In & Out from Wapda Town- Kahna Nau) OKLP- Defence- DHA 5- Eden-Park View (Re-Conductoring/ Re-Routing) 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
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

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



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A-3.2 DOP Rehabilitation Projects to Reduce Overloading at 11 kV Level:

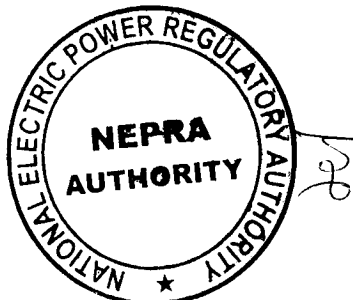
S. No.	Description	Unit	Quantities					
			2015-16	2016-17	2017-18	2018-19	2019-20	Total
Scope of Work for 11 kV and Below Rehabilitation								
1	Rehabilitation of HT Lines							
	a. Number of proposals	Nos.	45	50	55	60	60	270
	b. Bifurcation	Km	40	45	50	55	55	245
	c. Reconductoring	Km	5	5	5	5	5	25
	d. New HT Line	Km	130	144	159	173	173	779
	e. HT Line Reconductoring	K m	144	163	177	163	163	810
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							



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	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

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:

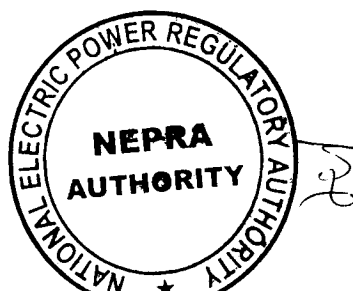
A-5.1 Projects to Reduce Metering Complaints/Errors:

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



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C	AMR Meters installed at Bulk Consumers	24654
Total		1202712

A-6. Sub-projects under the head of Vehicle, Mechanical Tools 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
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.

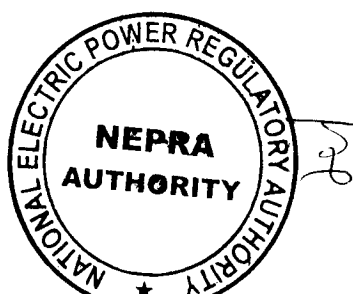
There is no need for construction circles, construction division and construction sub-division as the job of construction would be out sourced and for the purpose of supervision, the existing strength of supervisory staff is ample. The following amount under the Civil Works is hereby allowed:

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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