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No. NEPRA/ADG(Tariff)/TRF-337/8826-8828
June 2, 2022

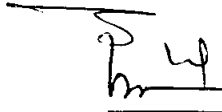
Subject: **DECISION OF THE AUTHORITY IN THE MATTER OF REQUEST
FILED BY LAHORE ELECTRIC SUPPLY COMPANY LTD. (LESCO)
FOR ADJUSTMENT/INDEXATION OF TARIFF FOR THE FY 2020-21
UNDER THE MYT [CASE # NEPRA/TRF-337]**

Dear Sir,

Please find enclosed herewith subject Decision of the Authority along with Annex-A (HSE targets) and additional note of Engr. Rafique Ahmed Shaikh, Member NEPRA (36 Pages).

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

Enclosure: As above


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(Syed Safer Hussain)

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

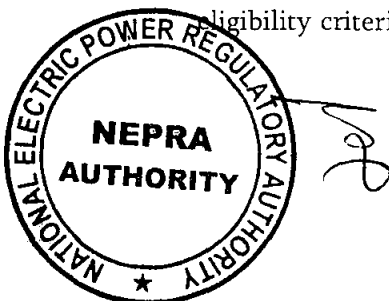
CC:

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

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

1. Back Ground

- 1.1. The Authority determined tariff of Lahore Electric Supply Company Limited (LESCO) (herein referred to as "Petitioner") under Multi Year Tariff (MYT) regime, for a period of five years i.e. from FY 2015-16 to FY 2019-20, vide tariff determination dated March 08, 2016. LESCO, being aggrieved from the aforesaid determination, filed a Motion for Leave for Review (MLR) which was accordingly disposed-off vide decision dated May 19, 2016. Subsequently, a reconsideration request u/s 31(4) of the then applicable Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 was filed by the Federal Government, which was also decided by the Authority on July 01, 2016 and the decision was intimated to the Federal Government for notification in the official gazette.
- 1.2. LESCO filed a writ petition in Islamabad High Court (IHC) Islamabad against the aforementioned decisions of the Authority. Pursuant to the directions of the Honorable IHC, vide judgment dated June 22, 2017, the tariff of LESCO was re-determined by the Authority on September 18, 2017 and was intimated to the Federal Government for notification in the official gazette. The same was notified by the Federal Government on March 22, 2018.
- 1.3. The Authority has already determined indexation/adjustment of LESCO till FY 2019-20, as per the prescribed adjustment mechanism in the MYT determination of the Petitioner.
- 1.4. Here it is pertinent to mention that amendments in the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 was passed by the Parliament, which was published in the official Gazette on 30th April 2018 (the "Amendment Act"), resulting in restructuring of the energy sector. One of the fundamental changes as per the amendment Act is the introduction of a competitive retail energy sector, wherein, supply function has been segregated from the distribution license.
- 1.5. As per the amended Act, function of sale of electric power traditionally being performed by the Distribution Licensees has been amended under Section 21(2)(a), whereby 'sale' of electric power has been removed from the scope of 'Distribution Licensee' and transferred to 'Supply Licensee'.
- 1.6. The newly introduced section 23(E) of the Act, provides NEPRA with the powers to grant Electric Power Supply License for the supply of electric power. Section 23E(1), however, provides that the holder of a distribution license on the date of coming into effect of the Amendment Act, shall be deemed to hold a license for supply of electric power under this section for a period of five years from such date. Thus, all existing Distribution Licensees have been deemed to have Power Supplier Licenses, to ensure distribution licensees earlier performing both the sale and wire functions, can continue to do so. Section 23E, further states that the eligibility criteria for grant of license to supply electric power to be prescribed by the Federal



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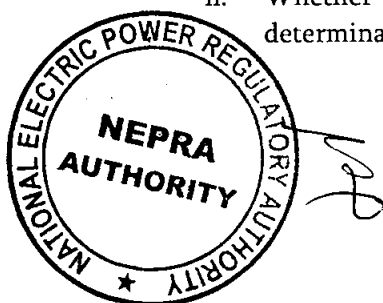
Government, and shall include, provision with respect to a supplier of the last resort, as the case may be.

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

Description	Unit	Distribution of Power	Supply of Power	Total
Projected Sales	GWh	21,509	21,509	21,509
Energy Charges	Rs. Mln		114.817	114.817
Capacity Charges	Rs. Mln		171.950	171.950
Use of System Charges	Rs. Mln		10.362	10.362
Power Purchase	Rs. Mln		297,129	297,129
Operation & Maintenance Cost	Rs. Mln	34.264	2.539	36.803
Return on Regulatory Asset Base	Rs. Mln	5.453	404	5.857
Depreciation	Rs. Mln	3.841	285	4.126
Gross Distribution Margin	Rs. Mln	43,558	3,228	46,786
Less: Other Income	Rs. Mln	(6.443)	(478)	(6.921)
Net Distribution Margin	Rs. Mln	37,115	2,750	39,865
Prior Year Adjustment	Rs. Mln	26,695	1,978	28,673
Total Revenue Requirement	Rs. Mln	63,810	301,857	365,667

2. Hearing

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



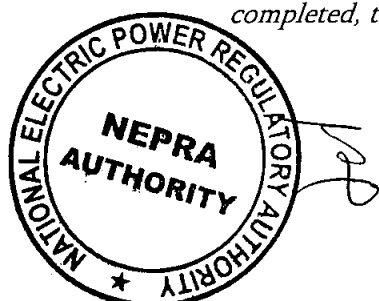
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- iii. Whether LESCO has deposited sufficient amount in the Post Retirement Benefit fund in line with the amount allowed by the Authority?
- iv. Whether the projected PPP, Units purchased and sold by LESCO are reasonable?
- v. Whether the requested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

3. Filing of objections/ comments:

- 3.1. Comments/replies and filing of Intervention Request (IR), if any, were desired from the interested person/ party within 7 days of the publication of notice of admission in terms of Rule 6, 7 & 8 of the Rules. In response thereof, IRs have been filed by M/s Pak Telecom Mobile (Ufone) and PTCL. A brief of the concerns raised in the IR is as under;
- 3.2. Telecom Sector including Cellular Operators (CMOs) has been declared as an Industry vide Ministry of Industries notification dated 20.04.2004, therefore, for the purpose of charging of electricity, industrial tariff may be applied to CMOs instead of currently applicable Commercial tariffs.
- 3.3. The Authority during the tariff determinations of GEPCO for the FY 2019-20, on the request of Telenor regarding charging of Industrial tariff from Telecom Operators decided as under;

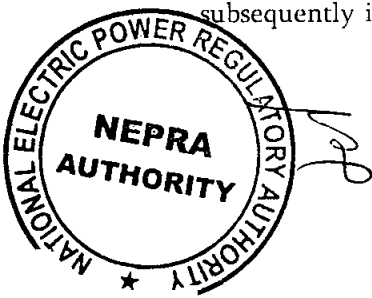
"The Authority observed that the issue highlighted by the commentator M/s Telenor Pakistan regarding applicability of Industrial tariff to Cellular Mobile Operator (CMOs) pertains to all the DISCOs including K-Electric as CMOs are operating all over Pakistan, therefore, the issue requires deliberations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



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separate issue during the proceedings for the upcoming tariff Petitions of DISCOs for the FY 2020-21 & onward".

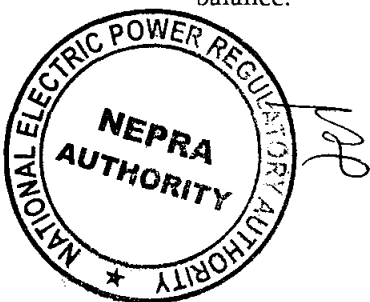
- 3.4. In view thereof, in the instant tariff adjustment request of LESCO, the subject matter has been discussed as a separate issue.
- 3.5. During the hearing, the Petitioner was represented by its CEO along-with its technical and financial teams.
- 3.6. On the basis of pleadings, evidence/record produced and arguments raised during the hearing, issue-wise findings are given as under;
4. Whether the Petitioner has complied with the directions of the Authority?
- 4.1. The Authority gave certain directions to the Petitioner in the MYT determination. The Authority understands that periodic monitoring of the directions given by the Authority is absolutely necessary in order to analyze the Petitioner's performance, therefore, the Authority has decided to have a half yearly review of the given directions, instead of discussing the same only during the tariff proceedings. However, the directions which are directly relevant to the instant tariff determination of the Petitioner are discussed hereunder;
5. To stop the existing practice of deduction of 20% SAP funds for grid augmentation.
- 5.1. The Authority keeping in view the decision of Cabinet dated July 07, 2020, wherein it was decided that the practice of deducting 20% from SAP funds should be discontinued and subsequent assurance by the Honorable Federal Minister of Energy, that wherever grid augmentation is involved, the Ministry of Energy (Power Division) will ensure these funds to DISCOs to beef up the grid facilities, directed the Petitioner vide decision dated 08.12.2020, to stop the existing practice of deducting 20% of SAP funds for grid augmentation and carry out the augmentation of the grid after coordinating with the Ministry of Energy.
- 5.2. LESCO during the hearing submitted that it has complied with the direction of Authority and deduction of 20% of SAP funds for Grid Augmentation has been stopped.
6. To ensure that in future consumer's deposits are not utilized for any other purpose and to restrain from unlawful utilization of receipts against deposit works and security deposits, failing which, the proceedings under the relevant law shall be initiated against the Petitioner.
7. To provide rationale/justification for the improper utilization of receipt against deposit works and security deposits.
8. To give clear disclosures in its Financial Statements with respect to the consumer financed spares and stores, work in progress and cash & bank balance.
- 8.1. The Authority during the tariff determination of the Petitioner for the FY 2015-16 and also subsequently in the annual adjustment/ indexation decisions of the Petitioner, noted that the



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

- 8.2. LESCO during the hearing submitted that it has complied with the direction of Authority, as consumers deposits have not been utilized for any other purpose and similarly, receipts against deposit works and security deposits have been utilized only for the designated purpose as directed by the Authority. Regarding disclosure in the financial statements with respect to Consumer Financed Work in Progress & Cash and Bank balance, the Petitioner submitted that the same will be incorporated in the forthcoming Financial Statements after due consultation with the Auditors. However regarding, disclosure of consumer financed Spare & Stores, the Petitioner stated the matter has been taken up with the Auditors as under the existing manual system, this segregation of Spare & Stores is not available but after fully integrated ERP inventory module, it is expected that the segregation of Spare & Stores between own resources and consumer financed will be available and disclosure will be given in the Financial Statements accordingly.
- 8.3. However, while working out the adjustment/ indexation of the Petitioner for the FY 2020-21, the Authority has again observed that the Petitioner as per its provisional accounts has insufficient cash balance as on 30th June 2020, against its pending liability of receipt against deposit works and consumer security deposits, thus, indicating that the amount received against the aforementioned heads has been utilized somewhere else for which no details have been provided.
- 8.4. Accordingly, the Authority has decided, to include the amount of receipts against deposit works as a part of Deferred Credits for the assessment of RAB for the FY 2020-21, after excluding therefrom the cash/ bank balances and the amount of stores & Spares available with the Petitioner as on June 30, 2020.
- 8.5. In view thereof, the Authority has decided to take up this matter separately with the Petitioner through M&E/Legal Department, however, at the same again directs the Petitioner to ensure that in future consumer's deposits are not utilized for any other purpose. The Petitioner is also directed to restrain from unlawful utilization of receipts against deposit works and security deposits. The Petitioner is again directed to give clear disclosures in its Financial Statements with respect to the consumer financed spares and stores, work in progress and cash & bank balance.



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9. To ensure proper tagging of assets so that costs incurred are properly classified as per their nature.

9.1. The Authority in the MYT tariff determination of the Petitioner and also subsequently in the annual adjustment/ indexation decisions of the Petitioner, observed that proper tagging of the assets is of utmost importance in order to enable the Petitioner to properly classify its cost in terms of capital or expense. The Authority, accordingly, directed the Petitioner to maintain a proper record of its assets by way of tagging each asset for its proper tracking.

9.2. The Petitioner, during hearing of the instant adjustment request, submitted that it has almost completed the digitization / Geo Tagging (Virtual tagging) of 11-kV distribution network up to Distribution Transformers Level. For Geo Tagging of LT system, which involved huge quantum of work, tender was floated on 11-09-2020. Scope of the tender includes the development of mechanism to map the LT network and to upload all the GIS data on GIS web base server so that the system can be accessed remotely and digitization may be carried out more quickly and efficiently. The tender is in technical evaluation process.

9.3. The Authority considers that despite repeated directions and lapse of significant time, the Petitioner has not been able to comply with the directions of the Authority. In view thereof, the Authority has decided to take up this matter separately with the Petitioner through M&E/Legal Department, however, at the same again directs the Petitioner to complete tagging of its assets by December 31, 2022.

10. To share the detail of late payment charges recovered from the consumers and any invoice raised by CPPA (G) under head of mark-up on delayed payments for the FY 2014-15 to FY 2019-20.

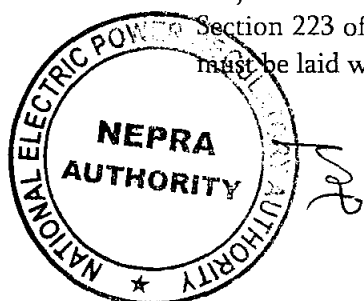
10.1. The Petitioner has provided the detail of LPS recovered from consumers and supplementary charges raised by CPPAG as well as month wise summary of payable to CPPAG for the period from FY 2014-15 to FY 2019-20.

10.2. The matter has been deliberated further under the issue of PYA.

11. Ensure submission of its Audited Accounts from FY 2016-17 till FY 2019-20, along-with its next adjustment request.

11.1. The Petitioner submitted that Audited Accounts for the FY 2016-17 & FY 2017-18 have been submitted to the Authority and Audit for the FY 2018-19 is in process, which is likely to be completed in next month. After that Audit for the FY 2019-20 will be started and audited accounts will be submitted to the Authority after approval of LESCO's BoD.

11.2. The Authority noted that the Petitioner has submitted its Audited Accounts only for the FY 2017-18, whereas, for the remaining periods i.e. from FY 2018-19 till FY 2020-21, the Petitioner has only provided its Provisional accounts/information. The Authority has noted with serious concerns this negligence on the part of the Petitioner, as certain costs allowed in the MYT are subject to actualization based on the information as per the Audited Accounts. Further, under Section 223 of Companies Ordinance 2017 including all amendments, the financial statements must be laid within a period of 120 days following the close of financial year of a company. The



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Authority therefore, directs the Petitioner to ensure submission of its Audited Accounts for all the remaining periods, along-with its next adjustment request. However, for the purpose of working out instant adjustment, the Provisional accounts/information provided by the Petitioner has been considered; The Authority may revise the adjustments being allowed through the instant decision as per the mechanism provided in the MYT, once the audited accounts of the Petitioner for the period from FY 2018-19 to FY 2020-21 are available.

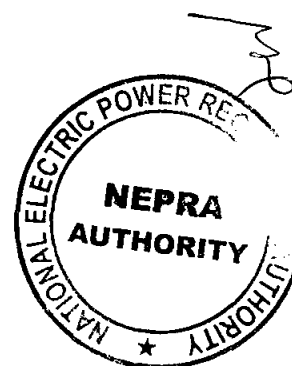
12. To provide year wise detail of amounts deposited in the Fund, amount withdrawn along-with profit/interest earned thereon since creation of Fund.

12.1. The matter has been deliberated under the issue of Post-retirement benefits in the ensuing paragraphs.

13. Whether the projected PPP, Units purchased and sold by LESCO are reasonable?

13.1. The Petitioner on the issue submitted the following details;

Year	Units Purchased (GWh)	Power Purchase Price Rs./kWh	Units Sold (GWh)	Inc./Dec. %
2016-17	20,622	8.77	17,784	2.55%
2017-18	23,731	10.14	20,448	14.98%
2018-19	24,338	11.48	21,132	3.34%
2019-20	23,528	12.68	20,611	-2.47%
2020-21 (Estimated)	24,305	12.23	21,509	4.36%



13.2. The Petitioner submitted during the hearing, held in April 2021, that projections for the FY 2020-21 are based on actual results up-to Feb-21 and estimated for the remaining period as per historical trend.

13.3. The Authority, observed that for the FY 2021-22, variations in the Power Purchase Price (PPP) for the 1st quarter of the FY 2021-22 i.e. Jul. to Sep. 2020 have already been allowed to the Petitioner vide the Authority's decision dated 09.05.2022 and for the 2nd quarter of FY 2021-22, the Petitioner has already filed its PPP adjustment requests with the Authority, which are at an advance stage of the proceedings and would be processed as per the prescribed mechanism. Therefore, for the purpose of instant Petition, the PPP of the Petitioner for the FY 2021-22 shall be the PPP that remained notified during the FY 2021-22, and on which the Petitioner has been / would be allowed quarterly adjustments, thus any reassessment of PPP for the FY 2021-22 is not required.

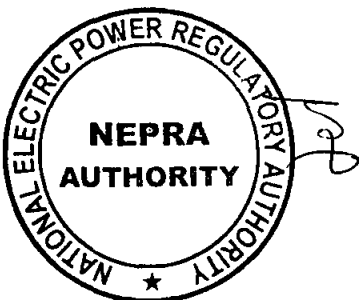
13.4. It is further stated that as per NEPRA Guidelines for determination of Consumer End Tariff (Methodology and Process), 2015, in view of any abnormal changes, the Authority may review these references along with any quarterly adjustment.

14. What are the basis used by LESCO for bifurcation of its costs into supply and distribution segments, and whether they are justified?

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- 14.1. As per the amended NEPRA Act, 2018, the function of sale of electric power traditionally being performed by the Distribution Licensees has been amended whereby 'sale' of electric power has been separated from the scope of Distribution Licenses and is recognized as a separate function under 'Supply Licensee'.
- 14.2. In the light of aforementioned provisions of the Act, the Petitioner was required to bifurcate its costs in terms of Distribution and Supply Function and provide the basis thereof.
- 14.3. The Petitioner during the hearing submitted that total cost is allocated into Distribution And Supply segments as per actual results of Audited Financial Statements for FY 2017-18 and accordingly around 93% of the total cost has been allocated to Distribution Function, whereas, 7% of the cost has been allocated to Supply Functions.
- 14.4. The Petitioner has also provided its organizational restructuring program in respect of segregation of responsibilities for Distribution Business and Sale Business as under, however, also proposed that NEPRA may on the basis of feedback and consensus may formulate a uniform criteria for all DISCOs.
- 14.5. Supply Business
- Commercial Directorate
 - MIS Directorate
 - Revenue Offices
 - M&T Offices
 - Meter Reading
 - Bill Distribution
 - Bill Collection
- 14.6. Distribution Business
- All the existing Departments/ Tasks excluding the Power Supply Business such as Operations, O&M office, PMU, etc.
- 14.7. The Authority in the determination of LESCO for the FY 2019-20 decided the following;

"The Authority believes that after amendments in NEPRA Act, all the Public Sector Distribution companies are required to make organizational restructuring in terms of segregation of responsibilities of the Distribution and Sale functions and in order to ensure appropriate coordination between both functions. Hence, keeping in view the fact that it is operational issue and DISCOs are owned by the Federal Government, it would be more appropriate that a centralized restructuring plan at the level of Federal Government is prepared to be implemented by all the public sector DISCOs in order to have a uniformity and consistency in the structure."



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

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

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

15.2. Here it is pertinent to mention that the Petitioner's Audited Accounts are available only for the FY 2017-18, whereas, for the remaining periods i.e. from FY 2018-19 till FY 2020-21, the petitioner has only provided its Provisional accounts/information, which has been considered while working out the instant adjustments. The Authority has noted with serious concerns this negligence on the part of the Petitioner, as certain costs allowed in the MYT are subject to actualization based on the information as per the Audited Accounts. Further, under Section 223 of Companies Ordinance 2017 including all amendments, the financial statements must be laid within a period of 120 days following the close of financial year of a company. The Authority therefore, directs the Petitioner to ensure submission of its Audited Accounts from FY 2018-19 till FY 2020-21, along-with its next adjustment request. The Authority may revise the adjustments being allowed through the instant decision as per the mechanism provided in the MYT, once the audited accounts of the Petitioner for the period from FY 2018-19 to FY 2020-21 are available.

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

16. O&M EXPENSE

16.1. 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:

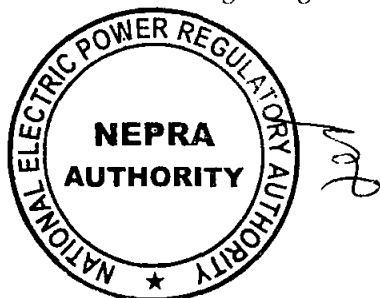
O&M_(Rev) = Revised O&M Expense for the Current Year

O&M_(Ref) = Reference O&M Expense for the Reference Year

ΔCPI = Change in Consumer Price Index published by Pakistan

X = Efficiency factor

16.2. Regarding Efficiency Factor, the Authority decided that;



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

17. RORB

17.1. 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

18. DEPRECIATION EXPENSE

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

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

Where:

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

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

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

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

19. OTHER INCOME

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

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

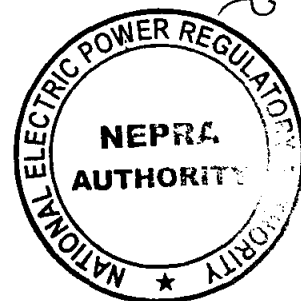
Where:

$OI_{(Rev)}$ = 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.

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



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

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

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

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

20. O&M costs

Rs. in Million				
Sr. No.	Description	Distribution	Supply	Total
1	Salaries & Other Benefits & Others	14,444	1,070	15,514
	Sub- Total	14,444	1,070	15,514
2	Provision for Post Retirement Benefits	16,218	1,202	17,420
	Sub- Total	16,218	1,202	17,420
	Maintenance Expenses	2,232	165	2,397
	Travelling Expenses	326	24	350
	Vehicle Running Expenses	418	31	449
	Other Expenses	1,316	98	1,413
	Sub- Total	4,291	318	4,609
	Total (1 + 2 + 3)	34,952	2,590	37,543
4	Less : CWIP	(739)		(739)
	NET TOTAL	34,213	2,590	36,804
Allocation of Cost Ratio		93.1	6.9	100

21. Prior Period Adjustments

Year	Description	Rs. Mln.
FY 2016-17	True up of Cost	664
FY 2017-18	True up of Cost	1,626
	Minimum tax payments	4,138
FY 2019-20	Distribution Margin	16,789
	Interim Distribution Margin	294
FY 2014-15 to 2019-20	Variance of Supplementary charges than Late Payment Surcharge	5,162
Total Prior Year Adjustment		28,674



*Decision of the Authority in the matter of request filed by LESCO for
Adjustment / Indexation of Tariff for the FY 2020-21 under the MYT*

NEPRA DETERMINED			LESCO		Rs. Mln.
Basic	Description	2019-20	2019-20		2019-20
			Recoverd	Provisional	PYA
Actual	Salaries & Other Benefits & Others	13,802	12,178	14,754	2,576
Actual/ Provisional	Provision for Post Retirement Benefits	17,419	7,897	17,420	9,523
CPI-Based increase (Base Year FY 2015-16 Accounts)	Maintenance Expenses	2,161	1,850	1,805	311
	Travelling Expenses	315	270	469	45
	Vehicle Running Expenses	405	346	539	58
	Other Expenses	1,274	1,090	1,417	183
	Total	35,376	23,631	36,403	12,697
	Charge to Work in Progress (CWIP)			(1,034)	(1,034)
	Net O&M	35,376	23,631	35,369	11,663
Actual	Depreciation	3,268	2,979	3,812	833
KIBOR+2.75%	RORB	6,327	3,663	7,170	3,507
	Gross DM	44,971	30,273	46,350	16,003
	Other Income (Exc. LPS)	(7,707)		(6,920)	786
	NET DM	37,265	30,273	39,430	16,789

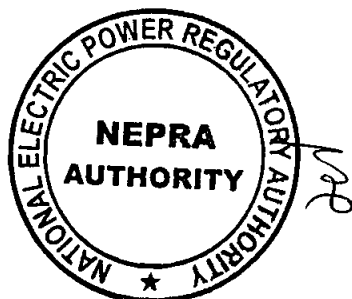
22. RoRB adjustments

Description	Rs. Mln.		
	2018-19	2019-20	2020-21
Gross Fixed Assets in Operation - Opening Bal	97,309	105,785	117,165
Addition in Fixed Assets	8,476	11,380	12,467
Gross Fixed Assets in Operation - Closing Bal	105,785	117,165	129,631
Less: Accumulated Depreciation	35,107	38,917	43,042
Net Fixed Assets in Operation	70,678	78,248	86,589
Add: Capital Work In Progress - Closing Bal	16,139	14,575	14,690
Investment in Fixed Assets	86,817	92,823	101,279
Less: Deferred Credits	45,305	46,990	49,012
Regulatory Assets Base	41,512	45,832	52,266
Average Regulatory Assets Base	40,508	43,672	49,049
Rate of Return	14.31%	16.42%	11.94%
Return on Rate Base	5,797	7,170	5,857
Distribution (93.1%)	5,397	6,675	5,453
Supply (6.9%)	400	495	404
Total	5,797	7,170	5,857

23. Other Income

23.1. The Petitioner has requested Other Income of Rs.6,920 million for the FY 2020-21.

23.2. The Authority, as per the mechanisms prescribed in the MYT of the Petitioner, for adjustment / indexation of different components of revenue requirement, and based on the information submitted by the Petitioner, has worked out the following adjustments for the Petitioner for the FY 2020-21;



Description	LESCO		
	Allowed FY 2019-20 Rs. Mln	Indexation/Adjustment Basis	Indexed /Adjusted Cost FY 2020-21 Rs. Mln
Pay & Allowances	13,802	GoP Increases & Annual Increment	14,907
Post Retirement Benefits	17,420	Provision as per Provisional accounts FY 2019-20	17,419.7
Repair & Maintenance	2,162	CPI of May 2020 - X Factor i.e. 30% of CPI	2,299
Other O&M Expenses	1,994	CPI of May 2020 - X Factor i.e. 30% of CPI	2,120
Depreciation	3,268	Allowed Investment for FY 2020-21	3,672
RORB	6,327	Allowed Investment for FY 2020-21 + KIBOR of July 2020 & January 2021	7,622
O. Income	(7,707)	As per Mechanism	(10,572)
Margin	37,265		37,467

Petitioner. The above figures to the extent of Depreciation, RoRB & Other Income shall be subject to Actualization based on the Audited accounts of the relevant year.

23.3. Here it is pertinent to mention that the Authority, under para 36.34 of the Petitioner's determination dated Mar. 08, 2016, allowed adjustments on account of variation in KIBOR on biannual basis. However, considering the fact that FY 2020-21 has already lapsed and actual KIBOR numbers as of 3rd July 2020 and 4th January 2021 are available, therefore, while allowing the RoRB for the FY 2020-21, the adjustment on account of variation in KIBOR for the FY 2020-21 has been incorporated upfront. Thus, no further adjustment on account of variation in KIBOR for the FY 2020-21 shall be allowed subsequently.

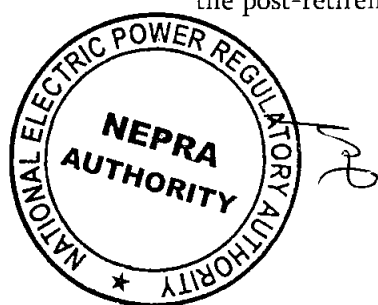
24. Whether LESCO has deposited sufficient amount in the Post Retirement Benefit fund in line with the amount allowed by the Authority?

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

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

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

24.3. The Authority noted that the Petitioner, in its MYT determination was allowed provision for the post-retirement benefits, based on its last three years average provision as per the financial

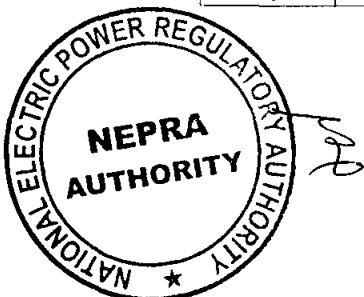


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statements for the FY 2012-13, FY 2013-14 and FY 2014-15 amounting to Rs.9,002 million for the FY 2015-16, including the impact of the employees retired before unbundling of WAPDA.

- 24.4. Subsequently, the Petitioner was also allowed an amount of Rs.9,002 million each for the FY 2016-17, FY 2017-18 and FY 2018-19, including the impact of the employees retired before unbundling of WAPDA, vide the Authority decision dated August 31, 2018 in the matter of request filed by the Petitioner regarding Adjustment in the Tariff Components for the FY 2016-17 and FY 2017-18 under the Multi Year Tariff Regime, subject to the condition that it would deposit the whole amount into separate fund, net off actual payments made during the respective year.
- 24.5. The Petitioner during the hearing of its adjustment request for the FY 2019-20 submitted that it is continuously making investment in the Post Retirement Benefit Fund since the MYT- notified by Federal Government and Fund account has accumulated the following balances;
- Rs.14,451 million as on 30 Jun 2019 and
 - Rs.24,318 million as on May 2020
- 24.6. The Authority based on the documentary evidence provided by the Petitioner, observed that it had an amount of Rs.24,318 million available either as bank balance in its Pension Fund account or invested in short term securities from its Pension Fund, as of May 2020, after accounting for actual pension payments. Accordingly, considering the fact that the Petitioner had complied with the Authority's direction, it was allowed an additional of Rs.17,419 million as Provision for postretirement benefits for the FY 2019-20, based on the Actuarial Valuation Report for the FY 2018-19 vide decision dated 08.12.2020. The Authority also decided that since the actual amounts of benefits paid have been considered as provided by the Petitioner, therefore, any variation in this regard, would be adjusted in its subsequent adjustment requests, once the audited accounts of the Petitioner are available for the said period. Further, the Petitioner was also directed to provide year wise detail of amounts deposited in the Fund, amount withdrawn along-with profit/interest earned thereon since creation of Fund
- 24.7. The Petitioner during the hearing of its instant adjustment request i.e. for the FY 2020-21 submitted that it is continuously making investment in the Post Retirement Benefit Fund since the MYT- notified by Federal Government and provided the following detail of balances available in the Fund;

Period	Opening Balance	Addition			Total Available Funds	Disbursement / Withdrawal	Closing Balance
		Retention	Profit	Receipt from Other Companies			
2017-18	-	827	-	-	827	-	827
2018-19	827	19,073	440	427	20,767	6,316	14,451
2019-20	14,451	15,647	2,156	440	32,694	7,064	25,630
2020-21 (March-21)	25,630	8,198	965	341	35,134	3,996	31,138
Total		43,745	3,561	1,208	89,422	17,376	



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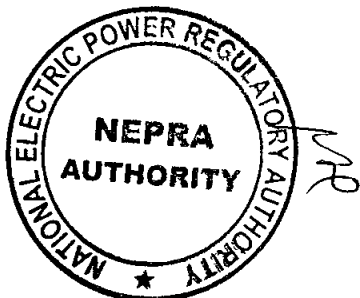
- 24.8. An analysis of the audited/ provisional financial statements of the Petitioner for the FY 2015-16 till FY 2019-20, and subsequent data submitted by the Petitioner, reveals that it has actually made payments on account of postretirement benefits to LESCO Pensioners amounting to Rs.22,990 million as detailed below;

Rs. in Mln			
FY	Amount Allowed (Provision for Postretirement Benefits)	Actual Payments as per Audited/ Provisional Accounts of LESCO	Balance to be Transferred in the Fund
2015-16	9,002	2,983	6,019
2016-17	9,002	3,742	5,260
2017-18	9,002	4,530	4,472
2018-19	9,002	5,379	3,623
2019-20	17,419	6,356	11,063
Total	53,427	22,990	30,437

- 24.9. Further, as per the documentary evidence provided by the Petitioner, it has an amount of Rs.31,138 million either available as bank balance in its Pension Fund account or invested in short term securities from the Pension Fund account as of March 2020.
- 24.10. In view of the above, the Authority considers that the Petitioner has complied with the directions of the Authority regarding deposit of provision for postretirement fund in the Pension Fund account, therefore, the Authority in line with its earlier decision in the matter has decided to allow the provision for postretirement benefits to the Petitioner for the FY 2020-21. The Provision for postretirement benefits as per the Actuarial Valuation Report submitted by the Petitioner for the FY 2018-19, is around Rs.17,420 million, as mentioned in the above, which is hereby allowed to the Petitioner for the FY 2020-21. Here it is pertinent to mention that the Petitioner has neither provided its actuarial valuation report for the FY 2020-21 nor its financial statements for the FY 2020-21, even in draft form.
- 24.11. Since the actual amounts of benefits paid have been considered as provided by the Petitioner, therefore, any variation in this regard once the audited accounts of the Petitioner for the said periods are available, may be adjusted in subsequent adjustment request. Further, the Petitioner is also directed to provide year wise detail of amounts deposited in the Fund, amount withdrawn along-with profit/interest earned thereon since creation of Fund.

25. Whether the requested Previous Year Adjustment is justified?

- 25.1. The Petitioner has requested the following PYA;



Year	Description	Rs. Mln.
FY 2016-17	True up of Cost	664
FY 2017-18	True up of Cost	1,626
FY 2019-20	Minimum tax payments	4,138
	Distribution Margin	16,789
	Interim Distribution Margin	294
FY 2014-15 to 2019-20	Variance of Supplementary charges than Late Payment Surcharge	5,162
Total Prior Year Adjustment		28,674

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

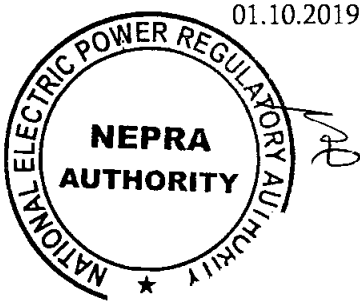
- i. Difference between the actual PPP billed and the amount recovered by the DISCO.
- ii. Difference between the assessed DM and the amount actually recovered.
- iii. Difference between previously assessed PYA and the amount actually recovered.
- iv. Difference between actual other income and the amount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

25.3. It is important to highlight that variation between the PPP billed to DISCOs by CPPA-G and the amount recovered by the DISCOs, based on the Authority's allowed benchmarks of T&D losses and recoveries, are being accounted for separately through Quarterly/Bi-Annual Adjustment mechanism, therefore, the instant PYA includes only the remaining components.

25.4. Regarding PYA claimed for the FY 2016-17 and FY 2017-18 on account of actualization of Salaries & Wages based on audited accounts for the said periods, the Authority noted that no such provision is available in the decision of the Authority dated 31.08.2021 regarding adjustments in the Tariff components of LESCO for the FY 2016-17 and FY 2017-18 under the Multi Year Tariff Regime. Therefore, the request of the Petitioner to this extent has not been considered.

25.5. Regarding true up of the Depreciation cost for the FY 2016-17 & FY 2017-18, the Authority observed that since the Petitioner has only provided its Audited Accounts for the FY 2016-17 & FY 2017-18, and still Audited Accounts of FY 2018-19 & FY 2019-20 have not been made available, therefore, the adjustment request claimed by the Petitioner for the FY 2016-17 & FY 2017-18, in respect of depreciation would be considered holistically, once the petitioner provides its Audited accounts for the FY 2018-19 & FY 2019-20 as well.

25.6. Regarding adjustment on account of interim DM, it is pertinent to mention that the Authority, in the matter of requests filed by Ministry of Energy (MoE) regarding Annual adjustment / indexation of Distribution Margin of DISCOs, allowed the Petitioner an Interim DM of Rs.2,566 million for the FY 2019-20 vide decision dated September 27, 2019. The same was notified w.e.f. 01.10.2019 and remained notified till 30.09.2020. The Authority, however, while deciding the

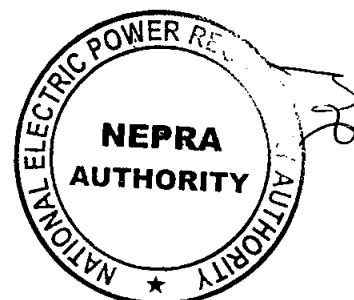


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annual adjustment/ indexation of the Petitioner for the FY 2019-20 vide decision dated 08.12.2020, adjusted back the entire amount of Interim DM, with the provision that any under/ over recovery in this regard would be adjusted subsequently as part of PYA.

- 25.7. In view of the above discussion, the amount of Interim DM recovered by the Petitioner from October 2019 till September 2020 has been worked out as Rs.2,288 million against the allowed amount of Rs.2,566 million. Accordingly, the under recovered amount of Rs.278 million is hereby allowed to the Petitioner as part of instant PYA.
- 25.8. The Authority noted that the Petitioner while working out PYA regarding under/ over recovery of the allowed DM for the FY 2019-20, has also included cost on account of actualization of its Salaries & Wages and O&M costs for the FY 2019-20 as per its provisional accounts for the FY 2019-20. The Authority observed that no such provision is available in the Multi Year Tariff determination of the Petitioner regarding actualization of the Salaries & Wages and O&M costs. Therefore, the request of the Petitioner to this extent is not justified.
- 25.9. Here it is pertinent to mention that the Authority in its decision dated 08.12.2020, in the matter of request filed by the Petitioner for adjustment/ indexation of Tariff for the FY 2019-20, directed the Petitioner to provide detail of invoices raised by CPPA-G on account of supplemental charges for the FY 2014-15 till FY 2019-20. The Petitioner in this regard has submitted the following details;

Rs. Mln.			
Year	S.Charges Invoice	Late Payment Surcharge	Difference
Prior 2014-15	11,438	-	11,438
FY 2014-15	1,156	2,956	(1,800)
FY 2015-16	311	2,760	(2,449)
FY 2016-17	177	3,022	(2,845)
FY 2017-18	1,204	3,537	(2,333)
FY 2018-19	4,013	3,649	364
FY 2019-20	6,478	3,692	2,786
Total	24,778	19,615	5,162



- 25.10. On the point of excess Supplementary charges of Rs.5,162 million as invoiced by CPPA over the amount of LPS recovered from consumers, the Authority observed that in the MYT Re-Determination decision of LESCO dated 18.09.2017, it has been decided as under;

".... 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.

- 25.11. 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

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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."

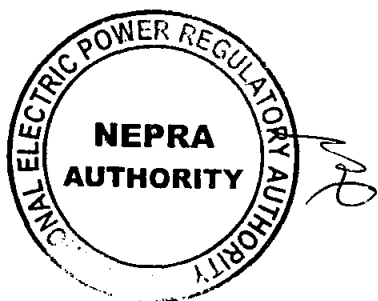
25.12. From the above table submitted by LESCO, it is evident that LESCO has recovered LPS of an amount of Rs.9,427 million in excess of supplemental charges billed by CPPA-G to LESCO from FY 2014-15 to FY 2017-18, therefore, the Authority has decided to adjust the excess amount of Rs.9,427 million from the instant adjustment request of the Petitioner, as part of PYA. Here it is pertinent to mention that while accounting for LPS against Supplemental Charges, NEPRA individually accounts for the amount of LPS against each DISCO's supplemental charges as per the decision of the Authority.

25.13. In addition the Petitioner has also claimed an amount of Rs.4,138 million as minimum tax payment to FBR during the FY 2019-20 and 2020-21 as detailed below;

Description	Date	Rs. Mln.
Minimum Tax Payment to FBR	30-06-2020	900
Minimum Tax Payment to FBR	29-11-2019	350
Minimum Tax Payment to FBR	31-10-2019	350
Minimum Tax Payment to FBR	31/03/2020	500
Minimum Tax Payment to FBR	30/12/2019	1,100
Minimum Tax Payment to FBR	5-08-2020	302
Tax Deducted at source during the year		636
Total Minimum Tax Payments		4,138

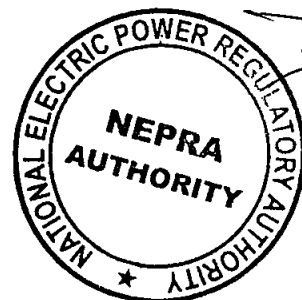
25.14. The Authority while going through the financial statements of the DISCOs, has observed that significant amount of tax refund is appearing from FBR. In view thereof, the Authority has decided to allow actual tax paid by the Petitioner net off of the amount of Tax Refund outstanding from FBR, if any, once the Petitioner provides detail of actual tax assessments vis a vis tax paid for the last five years. Accordingly, the Petitioner is directed to provide details of actual tax assessments, tax allowed and the amount of tax paid for the last five years..

25.15. Based on the discussion made in the above paragraphs, the Authority has assessed the following PYA of the Petitioner;



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Description	Rs. Mln LESCO
1st & 2nd Qtr. FY 2018-19	
Allowed Amount	38,292
Qtr. Rs./kWh	1.2959
Recovered	36,864
Under/(Over) Recovery	1,428
3rd & 4th Qtr. FY 2018-19	
Allowed Amount	11,130
Qtr. Rs./kWh	0.4709
Recovered	9,920
Under/(Over) Recovery	1,210
Interim D.M FY 2018-19	
Allowed Amount	2,566
Qtr. Rs./kWh	0.1086
Recovered	2,288
Under/(Over) Recovery	278
1st Qtr. FY 2019-20	
Allowed Amount	4,605
Qtr. Rs./kWh	0.1948
Recovered	4,133
Under/(Over) Recovery	472
Distribution Margin FY 2019-20	
D.M FY 2018-19 - Rs./kWh	1.2412
Allowed	37,265
Recovered	26,026
Under/(Over) Recovery	11,240
Other Income FY 2019-20	
Allowed	(7,707)
Actual	(8,913)
Under/(Over) Recovery	(1,207)
Sales Mix Variances	
FY 2019-20	(3,554)
FY 2020-21	(3,554)
Late Payment Charges in Excess to Supplemental charges FY 2014-15 to FY 2019-20	(9,427)
Distribution Margin FY 2020-21	
Allowed	37,265
Recovered	32,258
Under/(Over) Recovery	5,007
Total Prior Period Adjustment	5,448



25.16. The Authority in line with its earlier decision in the matter of negative FCA, has calculated the impact of negative FCA pertaining to the FY 2019-20 in the matter of lifeline consumers, domestic consumers (consuming up-to 300 units) and Agriculture Consumers which has been retained by the Petitioner. The Authority has also worked out the impact of positive FCAs not recovered by the Petitioner from life line consumers. The Authority also considered the relevant clauses of the S.R.O. 189 (1)/2015 dated March 05, 2015 issued by GoP and the amount of subsidy claims filed by the Petitioner for the FY 2019-20.

25.17. After considering all the aforementioned factors, the Authority observed that the Petitioner has retained a net amount of Rs.1,662 million on account of negative FCA for the FY 2019-20,

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pertaining to the lifeline consumers, domestic consumers (consuming up-to 300 units) and Agriculture Consumers, which is still lying with the Petitioner. The Authority also considered the amount of subsidy claims filed by the Petitioner for the FY 2019-20, which shows a net subsidy claim filed by the Petitioner.

25.18. The Authority in view of the above and in line with its earlier decisions, has decided not to adjust the impact of negative FCA across different consumer categories. Thus, the net negative FCA amount pertaining to the lifeline consumers, domestic consumers (consuming up-to 300 units) and Agriculture Consumers for the FY 2019-20 i.e. Rs.1,662 million, which is still lying with the Petitioner, must be adjusted by the Federal Government, against the overall Tariff Differential Subsidy claim in the matter of the Petitioner eventually reducing GOP's overall Tariff Differential Subsidy burden. The above working has been carried out based on the data/ information provided by PITC, as DISCOs have not submitted the required information. In case DISCOs own calculations are different from the aforementioned numbers, keeping in view the last slab benefits etc., the same may be shared with the Authority in its subsequent adjustment request. This decision of the Authority is only applicable under a subsidy regime, whereby aforementioned classes of consumers are receiving subsidy directly in their base tariff.

25.19. Here it is pertinent to mention that the impact of under/ over recovery of quarterly adjustments for the FY 2018-19 and 1st quarter of the FY 2019-20 has been worked out based on total units i.e. without adjusting the impact of life line units as DISCOs have neither submitted their workings in this regard nor provided break-up of category wise units sold for the period. In view thereof, the Petitioner is directed to provide its working in the matter along-with break-up of units sold for each category for the period from FY 2019-20 till FY 2021-22, for consideration of the Authority. Any adjustment in this regard would be adjusted subsequently as PYA.

26. True ups allowed in the MYT

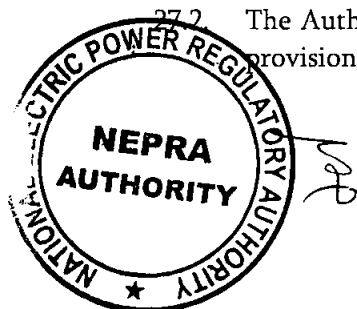
26.1. The MYT determination also allows truing up of certain costs allowed to the Petitioner during the tariff control period i.e. Depreciation, Investments and Kibor + Savings in spread as Prior Year Adjustments, as per the prescribed mechanism as detailed below;

27. Para 37.8 - Depreciation

27.1. Regarding Depreciation, the MYT determination mentions that;

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

27.2. The Authority noted that actual depreciation of the Petitioner for the FY 2019-20, as per the provisional accounts, provided by the Petitioner, remained at around Rs.3,566 million, as against



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the amount of Rs.3,268 million allowed for the FY 2019-20. Accordingly, the additional amount of Rs.298 million, is being allowed to the Petitioner for the FY 2019-20, through PYA, subject to its downward adjustment once the Petitioner's audited accounts for the FY 2019-20 are available.

28. Para 36.40 - Investments

28.1. Regarding Investments, the MYT determination mentions that;

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

29. KIBOR and Spread Variations – para 36.34 of the Determination decision dated Mar, 08, 2016

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

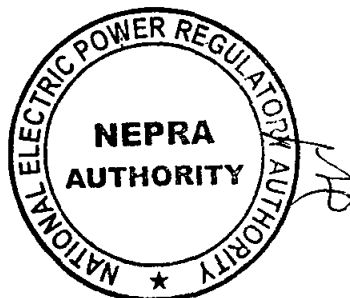
29.2. *".....If the Petitioner manages to negotiate a loan below 2.75% spread, the savings would be shared equally between the consumers and the Petitioner through PYA mechanism annually. In case of more than one loan, the saving with respect to the spread would be worked out by a weighted average cost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

29.3. The Authority noted that the Petitioner was allowed an RoRB of Rs.6,327 million, based on projected investment of Rs.19,781 million for the FY 2019-20, whereas, as per the provisional accounts, provided by the Petitioner, its actual investment for the FY 2019-20 has remained around Rs.9,429 million.

29.4. In view thereof and as provided in the true up mechanism, the RoRB of the Petitioner needs to be revised for the FY 2019-20, keeping in view the actual investments made by the Petitioner during the FY 2019-20.

29.5. Accordingly, the RoRB of the Petitioner for the FY 2019-20, after taking into account the actual investments made, has been reworked as Rs.5,914 million. The difference of Rs.413 million between the already allowed RoRB of Rs.6,327 million, and the revised amount of Rs.5,914 million, has been deducted through PYA.

29.6. No adjustment on account of KIBOR for the FY 2019-20 is being allowed as the Authority while determining the RoRB for the FY 2019-20, used the actual KIBOR numbers as of 1st July 2019 and 2nd January 2020, thus, no further adjustment on account of variation in KIBOR for the FY 2019-20 is to be allowed.



- 29.7. Regarding adjustment of spread on KIBOR, since the audited accounts of the Petitioner are not available for the period under consideration, therefore, the Authority would consider the adjustment on account of spread on KIBOR once the Petitioner Audited accounts are available.
- 29.8. Based on the discussion made in the above paragraphs, the Authority has assessed the following true-ups of the Petitioner for the FY 2019-20;

Rs. Mln	
Description	LESCO
Depreciation	
Allowed	3,268
Actual	3,566
Under/(Over) Recovery	298
RoRB (Investment)	
Allowed	6,327
Actual	5,914
Under/(Over) Recovery	(413)
Total MYT True Ups	(14)

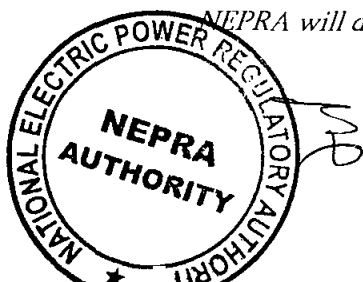
- 29.9. Based on the discussions made in the preceding paragraphs, the total PYA of the Petitioner including true up of costs allowed under the MYT has been worked out as under;

Description	LESCO
Total Prior Period Adjustment	5,448
Total MYT True Ups	(14)
Grand Total	5,434

30. Whether the existing fixed charges applicable to different consumer categories needs to be revised and requires any changes in mechanism for charging of such charges based on Actual MDI or Sanction Load or otherwise?
- 30.1. The Petitioner during the hearing submitted that it has already requested NEPRA to revise the criteria of fixed charges on the basis of 50% of sanctioned load in case of no energy is consumed during the month. The Authority noted that other DISCOs also during proceedings of their tariff petitions supported applicability of fixed charges based on sanctioned loads.
- 30.2. The Authority also noted that as per the decision dated 01.11.2021 in the matter of Wheeling Costs to be included in the Tariff Determination of DISCOs, it was decided as under;

"Hybrid BPC"

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



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30.3. The Authority observed that as per the current tariff structure, certain consumer categories like Commercial, Industrial, Bulk and Agriculture are levied fixed charges, which are based on their actual MDI for the month. The Authority considers that the capacity charges of generation companies which are fixed in nature, as it has to be paid based on plant availability, are charged to DISCOs based on the actual MDIs of DISCOs. However, the present consumer end tariff design is of volumetric nature whereby major portion of the cost is charged / recovered from the consumers on units consumed basis i.e. per kWh and only a small amount is recovered on MDIs basis from the consumers.

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

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

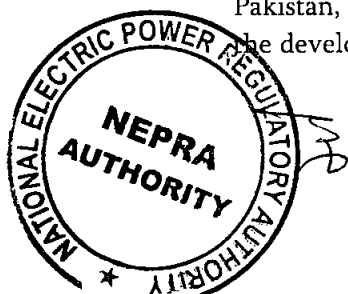
31. Whether there should be any amendment in Terms and Conditions of Tariff (For Supply of Electric Power to Consumers by Supply Licensees) keeping in view the changes in Consumer Service Manual?

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

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

32. Electric Vehicle Charging Stations

32.1. In order to provide an enabling regulatory regime for the Electric Vehicle Charging Stations ("EVCS") that would supplement the introduction and promotion of Electric Vehicles ("EV") in Pakistan, and provide a strong base for the growth of the EV charging infrastructure to support the development of this industry. The charging services for EV is going to involve setting up a



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dedicated facility that would require a dedicated infrastructure including AC/DC conversion, conductive charging system, charging connectors, plugs, inlets and socket outlets, cables, protection system and dedicated electricity supply system with dedicated connection and transformer.

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

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

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

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

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

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

"ix) Electric Vehicle Charging Stations"

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

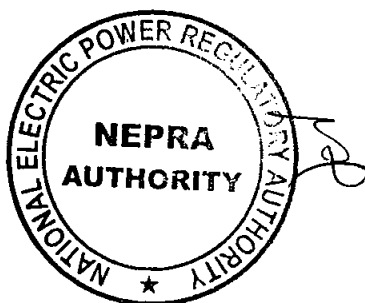
"Electric Vehicle Charging Stations shall be billed under A-2(d) tariff i.e. Rs./kWh for peak and off-peak hours. For the time being, the tariff design is with zero fixed charges, however, in future the Authority after considering the ground situation may design its tariff structure on two part basis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

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

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

32.7. **Addition in Schedule of Tariff**

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



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

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

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

33.2. In view thereof, in the instant tariff adjustment requests of the Petitioner, the subject matter is being discussed as a separate issue.

33.3. The Petitioner during the hearing submitted that Telecom sector is only providing the services to consumers not value addition, therefore A-2 commercial is accurate

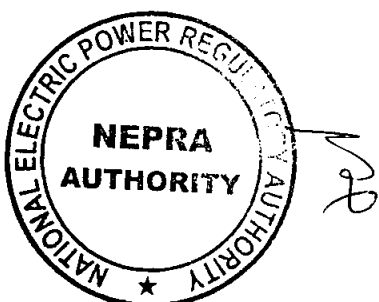
33.4. Telecom companies in their comments/ Intervention Requests have submitted that Telecom Sector including Cellular Operators (CMOs) has been declared as an Industry vide Ministry of Industries notification dated 20.04.2004, therefore, for the purpose of charging of electricity, industrial tariff may be applied to CMOs instead of currently applicable Commercial tariffs.

33.5. M/s NAYatel and M/S PTCL both submitted that in line with the Telecom Policy of 2004, the Federal Government was pleased to declare Telecom sector including Cellular Operators as an "Industry" with immediate effect vide Gazette Notification dated 20.04.2004, issued by the Ministry of Industries and Production, Government of Pakistan.

33.6. The Ministry of Information Technology vide UO dated 16.06.2014 also endorsed the request of the Telecom Sector including CMOs to be classified as Industrial Undertaking under clause (b) of Section 2(29C) of the Income Tax Ordinance 2001.

33.7. In view of the above, it has been submitted that telecom companies along with other CMO's as an "Industrial Undertaking", so that "Industrial Tariff" is applied across the board to the Telecom Sector companies in Pakistan instead of "Commercial Tariff". Accordingly, it has been requested that issue of applicability of "Industrial Tariff" on Telecom Sector may be addressed and determined by the Authority, while determining the Uniform Tariff for DISCOs throughout Pakistan, including the current MYT indexation request of IESCO.

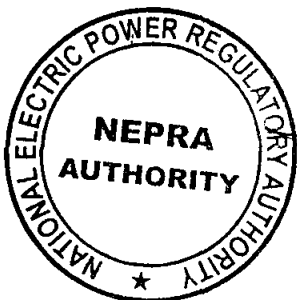
33.8. The Ministry of IT & T vide its letter dated 18.06.2014 addressed to FBR, submitted the following;



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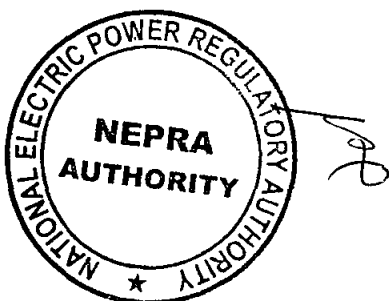
- ✓ *".... MoIT endorses the request of Telecom Industry, including Mobile Cellular Operators (CMOs) to be classified as "Industrial Undertaking" under clause (b) of section 2 (29C) of the Income Tax Ordinance 2001.*
- ✓ *We will appreciate if the issue is examined and finalized in light of the aforementioned Cabinet decision and the subsequent notification issued in this regard by the Ministry of Industries & Production."*

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



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- 33.13. Here it is pertinent to mention that subsequent to the aforementioned Intervention Requests and Comments from the Telecom companies, separate tariff petitions have also been filed by M/s PTCL, M/s Telenor and M/s Pak Telecom Mobile Company (Ufone) Limited for change in tariff category of Telecom Operators from Commercial to Industrial.
- 33.14. Since the said Petitions are under consideration of the Authority, therefore, the Authority has decided to issue a separate additional decision on the issue once the proceedings on the aforementioned petitions are completed.
34. **Whether there should any Fixed Charges on Residential & General Services Consumers, having net metering facility?**
- 34.1. The Petitioner during the hearing submitted that at present no Fixed Charges are charged from all category of consumers (Residential, General Services, Commercial, Tube well & Industrial) having net metering facility. Accordingly, the Petitioner proposed that a certain amount of fixed charges per month on installed DG Facility for Net metering connections for use of system may be charged from all categories of consumers.
- 34.2. The Authority observed that the net metering regime is presently at a nascent stage as current installations are a negligible portion of total generation capacity of the power system, therefore, decided not to levy any fixed charges on Residential and General services net metering consumers.
- 34.3. However, considering the steep rise in the Power Purchase cost of electricity coupled with stability in the prices of installing DG facilities, the Authority has decided to initiate proceedings for amendment in NEPRA (Alternative and Renewable Energy) Distributed Generation and Net Metering Regulations, 2015, for change in tariff payable by DISCOs to net metering consumers for excess energy delivered in the system.
35. **Revenue Requirement**
- 35.1. In view of the discussion made in preceding paragraphs and accounting for the adjustments discussed above, the adjusted revenue requirement of the Petitioner, for the FY 2020-21 is as under;



Description	Unit	Allowed FY 2020-21		
		DoP	SoP	Total
Units Received	[MkWh]	24,855	24,855	24,855
Units Sold	[MkWh]	22,362	22,362	22,362
Units Lost	[MkWh]	2,493	2,493	2,493
Units Lost	[%]	10.03%	10.03%	10.03%
Pay & Allowances		13,878	1,029	14,907
Post Retirement Benefits		16,218	1,202	17,420
Repair & Maintenance		2,140	159	2,299
Traveling allowance				
Vehicle maintenance		1,974	146	2,120
Other expenses				
O&M Cost	[Mln. Rs.]	34,210	2,535	36,746
Depreciation		3,418	254	3,672
RORB		7,096	526	7,622
O.Income		(9,842)	(730)	(10,572)
Distribution/Supplier Margin	[Mln. Rs.]	34,883	2,585	37,467
Prior Year Adjustment		5,059	375	5,434
Revenue Requirement	[Mln. Rs.]	39,942	2,960	42,902

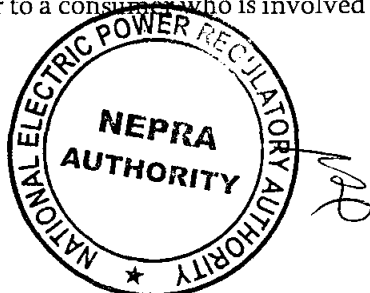
35.2. The above determined revenue shall be recovered from the consumers through the projected sales of 22,362 GWhs.

36. Here it is pertinent to mention that the Petitioner has also filed its adjustment/indexation request for the FY 2021-22, which is under process with the Authority. Therefore, the impact of above adjustment/indexation for the FY 2020-21, has been included in the adjustment/indexation decision of the petitioner for the FY 2021-22, as PYA.

37. ORDER

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

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

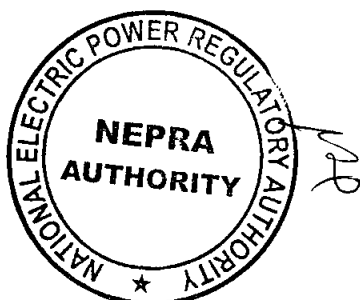


VI. The Petitioner shall comply with, all the existing or future applicable Rules, Regulations, orders of the Authority and other applicable documents as issued from time to time.

38. Summary of Direction

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

- To file next Multi-Year Tariff petition in line with notified Consumer End Tariff Guidelines 2015.
- To provide its working regarding Under/Over Recovery of quarterly adjustments along-with break-up of units sold for each category for the period from FY 2019-20 till FY 2021-22, for consideration of the Authority.
- To maintain a proper record of its assets by way of tagging each asset for its proper tracking.
- To provide detail of its actual tax assessments and the amount paid to FBR along-with the amount allowed by the Authority on account of tax payments since FY 2014-15 with its subsequent adjustment request.
- Ensure that in future consumer's deposits are not utilized for any other purpose.
- Restrain from unlawful utilization of receipts against deposit works and security deposits, failing which, the proceedings under the relevant law may be initiated against the Petitioner.
- Give clear disclosures in its Financial Statements with respect to the consumer financed spares and stores, work in progress and cash & bank balance
- Ensure submission of its Audited Accounts from FY 2018-19 till FY 2020-21, along-with its next adjustment request.
- To take all the possible preventive measures to ensure no fatal accidents occur in future and improve its HSEQ performance. Detail objectives/targets of HSE are attached as Annex-A for compliance.
- To take all possible measures to facilitate consumers in terms of complaint handling, connection provision as per CSM and establish one window solutions.
- DISCOs shall ensure Open Access to all the relevant entities/licensees without discrimination and shall objectively evaluate and make available on the website of DISCO the network available capacity, current allocation of the capacity and the future investment required to be made part of distribution system planning.
- The DISCO through Market Implementation & Regulatory Affairs Department (MIRAD) shall prepare and develop the medium-term demand forecast, transmission plans and



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business plan for submission of the same to the Authority. All other departments of the DISCOs shall be obligated to provide their sub-plans to MIRAD for consolidation.

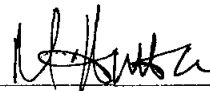
- MIRAD shall ensure effective reporting and monitoring of the allowed investment on monthly, quarterly and annual basis. The main components would include STG, DOP, ELR and Commercial Improvement.
- MIRAD shall be adequately staffed at all times as per the approved organochart for effective and efficient performance of its functions. MIRAD shall develop the dashboard for effective monitoring and reporting of above plans. The CEO along with the functional in-charge of each department will be responsible for presenting the above mentioned progress to the Authority and also submit the monthly, quarterly and annual progress reports in the matter.
- DISCO shall ensure Data Standardization for load forecasting and coordinate with PITC for auto retrieval and analysis of data for demand forecasts and use a software based on a modern language instead of Fox-Pro based software for accurate and reliable demand forecasts.
- MIRAD shall undertake an exercise to identify and accurately use the data of captive consumers in the demand forecasts and ensure better coordination with local agencies/housing colonies/industrial consumers for potential upcoming demand for better and reliable demand forecasts.
- Provide year wise detail of amounts deposited in the Fund, amount withdrawn along-with profit/interest earned thereon since creation of Fund.

39. Decision of the Authority and Annexure-A (HSE targets) attached with this decision, is hereby intimated to the Federal Government for notification in official gazette in terms of section 31(7) of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1988.

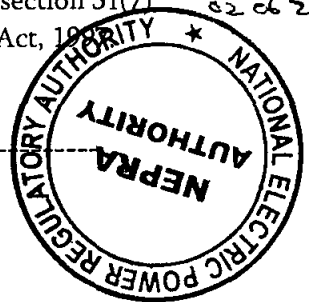
AUTHORITY

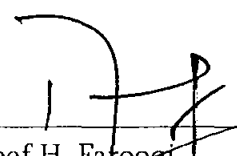

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Rafique Ahmed Shaikh
Member

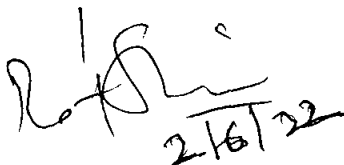


Engr. Maqsood Anwar Khan
Member




Tauseef H. Farooqi
Chairman

⑧ My additional note is attached herewith.


2/6/22

Additional Note:

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

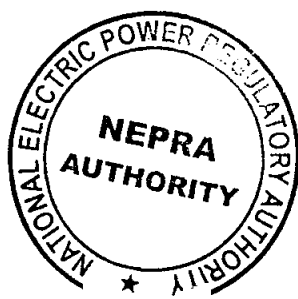
For the period from July, 2020, beyond the tariff control period of last determined tariff, the Authority has been issuing the quarterly adjustments under the given mechanism. Such adjustments, though covers the cost increase to larger extent but not suffice to cover the entire financial impact. Therefore,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

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

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

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

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

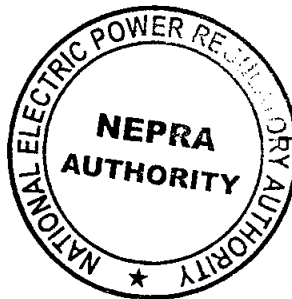


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The present centralized control of DISCOs has shown its inherent tendency for inefficiency and unless developed as independent corporate entities, autonomous in their business decisions, DISCOs will continue to burden the power sector. Therefore, immediate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

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2/6/22



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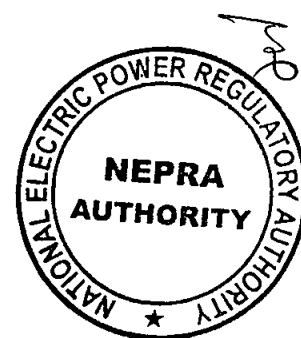
HSE Objectives/Targets**Definition**

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

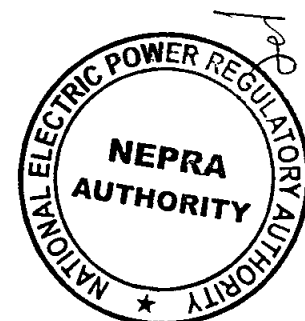
HSE Objectives/Targets

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

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



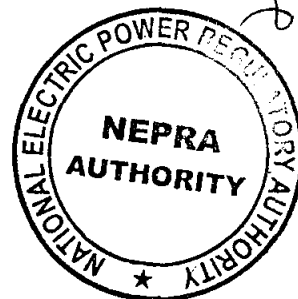
No.	Objective/Target	Key Performance Indicator
	plate/ tag to all structures/ poles/ equipment's with numbers for tracking of earthing/ grounding testing record, etc. Original record of testing with structures/ poles/ equipment's numbers shall be retained and preserved by licensee for three (03) years.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



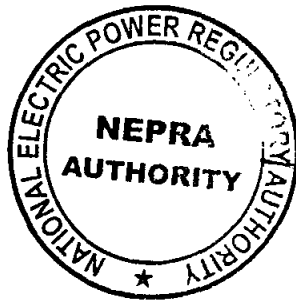
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No.	Objective/Target	Key Performance Indicator
	testing facilities for transformer reliability and integrity to ensure fitness.	Established authorized workshops as per report until Dec 31, 2022.
7.	<p>Arrange and maintain stock of following special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



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



Handwritten signature and initials.