National Electric Power Regulatory Authority
Islamic Republic of Pakistan

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No. NEPRA/R/ADG(Trf)/TRF-560/MEPCO-2021/8774-8776
June 2, 2022

Subject: **DETERMINATION OF THE AUTHORITY IN THE MATTER OF PETITION FILED BY MULTAN ELECTRIC POWER COMPANY LTD. (MEPCO) FOR DETERMINATION OF SUPPLY OF POWER TARIFF UNDER MYT REGIME FOR THE FY 2020-21 TO FY 2024-25 [CASE # NEPRA/TRF-560/MEPCO-2021]**

Dear Sir,

Please find enclosed herewith subject Determination of the Authority along with Annex-I, I-A, II, III, IV, V & A and additional note of Engr. Rafique Ahmed Shaikh, Member NEPRA (70 Pages) in Case No. NEPRA/TRF-560/MEPCO-2021.

2. The Determination 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

02.06.22

(Syed Safeer Hussain)

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

CC:

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

National Electric Power Regulatory Authority

(NEPRA)

PETITION NO: NEPRA/TRF-560/MEPCO-2021

DETERMINATION OF SUPPLY OF POWER TARIFF PETITION

FOR

MULTAN ELECTRIC POWER COMPANY LIMITED (MEPCO)

FOR THE FY 2020-21 – FY 2024-25

UNDER

NEPRA TARIFF (STANDARDS AND PROCEDURE) RULES - 1998

Islamabad

2 - 6 , 2022

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Abbreviations

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

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MW	Mega Watt
NEPRA	National Electric Power Regulatory Authority
NOC	Network Operation Centre
NTDC	National Transmission & Despatch Company
O&M	Operation and Maintenance
OGRA	Oil and Gas Regulatory Authority
PEPCO	Pakistan Electric Power Company
MEPCO	Multan Electric Power Company Limited
PDEIP	Power Distribution Enhancement Investment Program
PDP	Power Distribution Program
PPA	Power Purchase Agreement
PPAA	Power Procurement Agency Agreement
PPP	Power Purchase Price
PYA	Prior Year Adjustment
R&M	Repair and Maintenance
RAB	Regulatory Asset Base
RE	Rural Electrification
RFO	Residual Fuel Oil
RLNG	Re-gasified Liquefied Natural Gas
RoE	Return on Equity
RORB	Return on Rate Base
ROR	Rate of Return
SBP	State Bank of Pakistan
SOT	Schedule of Tariff
STG	Secondary Transmission Grid
SYT	Single Year Tariff
T&D	Transmission and Distribution
TFC	Term Finance Certificate
TOU	Time of Use
TOR	Term of Reference
TPM	Transfer Price Mechanism
USCF	The fixed charge part of the Use of System Charges in Rs./kW/Month
UOSC	Use of System Charges
WACC	Weighted average cost of capital
WAPDA	Water and Power Development Authority
XWDISCO	Ex-WAPDA Distribution Company

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DETERMINATION OF THE AUTHORITY IN THE MATTER OF PETITION FILED BY MULTAN ELECTRIC POWER COMPANY LIMITED (MEPCO) FOR DETERMINATION OF SUPPLY OF POWER TARIFF UNDER MYT REGIME FOR THE FY 2020-21 TO FY 2024-25

CASE NO. NEPRA/TRF-560/MEPCO-2021

PETITIONER

MEPCO Headquarters, Khanewal Road, Multan.

INTERVENER
M/s PTCL
M/S Telenor
M/S Pak Telecom Mobile Ltd.
M/s Nayatel

COMMENTATOR
NIL

REPRESENTATION

Chief Executive Officer along-with its Technical & Financial Team

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1. **Background**

1.1. The amendments in the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 was passed by the National Assembly on 15th March, 2018, which was published in the official Gazette on 30th April 2018 (the "**Amendment Act**"), resulting in restructuring of the energy sector. One of the fundamental changes as per the amendment Act is the introduction of a competitive retail energy sector, wherein, supply function has been segregated from the distribution license.

1.2. As per the amended Act, function of sale of electric power traditionally being performed by the Distribution Licensees has been amended under Section 21(2)(a), whereby 'sale' of electric power has been removed from the scope of 'Distribution Licensee' and transferred to 'Supply Licensee'.

1.3. The newly introduced Section 23E 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 Government, and shall include, provision with respect to a supplier of the last resort, as the case may be.

1.4. 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.

1.5. In view thereof, Multan Electric Power Company Limited (MEPCO), hereinafter called "the Petitioner", being a Distribution as well as deemed Supplier filed separate tariff petitions for the determination of its Distribution and Supply of Electric Power Tariff under the MYT Regime for a period of five years i.e. from FY 2020-21 to FY 2024-25, in terms of Rule 3 (1) of Tariff Standards & Procedure Rules-1998 (hereinafter referred as "Rules").

1.6. The Petitioner, inter alia, in its Petition has requested the following distribution cost for the five years period;

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Description	Unit	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
		Projected				
Units Purchases	GWh	19,695	20,697	21,110	21,533	21,964
Units to be Sold	GWh	16,740	17,644	18,028	18,411	18,801
Power Purchase Cost	**Mln Rs.**	**240,923**	**298,973**	**336,572**	**351,993**	**383,169**
O&M	Mln Rs.	4,228	5,002	5,676	6,386	7,178
Cost of Working Capital	Mln Rs.	255	315	355	375	410
Power Supply Margin	Mln Rs.	3,614	4,485	5,049	5,280	5,748
Supplemental Charges	Mln Rs.	2,453	2,632	2,803	2,986	3,180
Other Income LPS	Mln Rs.	(2,453)	(2,632)	(2,803)	(2,986)	(3,180)
Prior Year Adjustments	Mln Rs.	16,707				
Supply Margin		**24,804**	**9,802**	**11,080**	**12,041**	**13,336**
Distribution Function Cost		**87,903**	**35,021**	**40,246**	**45,629**	**51,345**
Total Revenue Requirement of Supply Business	**Mln Rs.**	**353,630**	**343,796**	**387,897**	**409,663**	**447,850**
Net Average Sale Rate	**Rs./kWh**	**21.12**	**19.49**	**21.52**	**22.25**	**23.82**

2. Proceedings

2.1. In terms of rule 4 of the Tariff standard and Procedure Rules, 1998 (hereinafter referred to as "Rules"), the petition was admitted by the Authority. However, considering the fact that the distribution license of the Petitioner is valid only till April 2022, the Authority decided to deliberate the term of the MYT period as a separate issue during the hearing. Since the impact of any such adjustments has to be made part of the consumer end tariff, therefore, the Authority, in order to provide an opportunity of hearing to all the concerned and meet the ends of natural justice, decided to conduct a hearing in the matter.

2.2. Hearing in the matter was scheduled on August 03, 2021, for which notice of admission / hearing along-with the title and brief description of the petition was published in newspapers on July 14, 2021 and also uploaded on NEPRA website; Individual notices were also issued to stakeholders/ interested parties.

3. Issues of Hearing

3.1. For the purpose of hearing, and based on the pleadings, following issues were framed to be considered during the hearing and for presenting written as well as oral evidence and arguments;

i. Whether the request of Petitioner to allow MYT for a period of five years is justified, considering the fact that distribution license is valid till April 2022?

ii. Whether the Petitioner has complied with the direction of the Authority given in earlier determination?

iii. Whether the projected energy (GWh) and projected power purchase cost is reasonable?

iv. Whether the projected O&M, including creation of new offices along-with additional hiring is justified?

v. Whether the request of the Petitioner to allow Supply Margin is justified?

vi. Whether the requested Other Income is justified?

vii. Whether the requested Prior Years Adjustment is justified?

viii. Whether the requested working capital is justified?

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ix. Whether the requested provision for bad debt is justified?

x. Whether the requested turnover tax is justified?

xi. Whether there should be any bifurcation of O&M on the basis of controllable and uncontrollable basis?

xii. What should be the adjustment mechanisms during the MYT control period? Whether there should any efficiency factor (X), Z factor for force majeure events & K Factor for Repair & Maintenance expenses?

xiii. Whether the requested investment plan is justified?

xiv. What are the basis used by the Petitioner for bifurcation of its costs into supply and distribution segments?

xv. 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?

xvi. 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?

xvii. 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?

xviii. Whether there should any Fixed Charges on consumer having net metering facility on which currently no fixed charges are applicable?

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

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

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

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

4.2. 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.

4.3. 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

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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".

4.4. In view thereof, in the instant tariff Petition, the subject matter has been discussed as a separate issue in the instant determination.

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

6. <u>Whether the request of Petitioner to allow MYT for a period of five years is justified, considering the fact that distribution license is valid till April 2022?</u>

6.1. The Authority noted that the Petitioner has filed its MYT Petition for a period of five years i.e. FY 2020-21 to FY 2024-25, however, the Distribution license of the Petitioner is valid only till April 2022. In view thereof, the Authority decided to deliberate the matter during the hearing.

6.2. The Petitioner during the hearing on the issue submitted that it is a going concern, having natural monopoly over Distribution system in its service jurisdiction and will continue its operations in the future. The Company will file a request for renewal of its license within due course of time. It was also submitted that determination of Multiyear tariff for a period of five years is justified in anticipation of renewal of distribution license by the Authority after April, 2022.

6.3. The Authority, considering the fact that the Petitioner has already filed request for renewal of its distribution license, which is under process with the Authority, has decided to consider the distribution tariff request of the Petition under the MYT tariff regime. However, the Authority is also aware of the fact that under Section 21 (2) (a) of the NEPRA Act, the word "exclusive" has been omitted, meaning thereby that the Petitioner does not possess the exclusive right for provision of distribution services in its specified territory. Thus, the grant of distribution tariff under the MYT regime shall in no way be construed as a basis for claiming any exclusivity in the licensed territory of the Petitioner. The terms & conditions, given by the Authority, in the new Distribution license of the Petitioner would be applicable during the MYT control period and the MYT would be governed by the terms & conditions of the new license.

7. <u>Whether the Petitioner has complied with the direction of the Authority given in earlier determination?</u>

7.1. The Authority gave certain directions to the Petitioner in its tariff determination for the FY 2019-20. The same have been discussed in detail in the MYT Distribution of Power Tariff Determination of the Petitioner, therefore, need not to be discussed here again. The Authority also 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. Further, the directions given by the Authority in the MYT Distribution tariff determination of the Petitioner, have been reproduced in the instant decision for compliance by the Petitioner.

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8. **Whether the projected energy (GWh) and projected power purchase cost is reasonable?**

8.1. The Petitioner regarding total purchase has submitted it starts at 19,695 GWh which is assumed to grow at a CAGR of 2.30% and reaches 21,964 GWh by FY 25. The PPP for the five year control period has been taken as projected by CPPA-G. The Petitioner during the hearing submitted that the energy Purchases are projected after taking into account the trend of last two years and the impact of COVID-19 Pandemic i.e. 2018-19 and 2019-20, which was 1.90 and (0.20%) respectively. The Petitioner has projected the following energy purchases and units sales as under;

		Test Year	Y 1	Y 2	Y 3	Y 4
Description	Unit	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Units Received	GWh	19,695	20,697	21,110	21,533	21,964
Units Lost	GWh	2,955	3,053	3,082	3,122	3,163
% of T&D Losses	%	15.00%	14.75%	14.60%	14.50%	14.40%
Units Delivered	GWh	16,741	17,644	18,028	18,411	18,801

8.2. The Petitioner has projected total unit sales start at 16,741 GWh and are increased by the annual demand growth, determined by the number of new consumers and the change in consumption per consumer. The Compounded Average Growth Rate (CAGR) in sales for 2020-21 to 2024-25 is about 2.95%. However, the Purchases can be adjusted keeping in view the most recent Market trends.

FY	Units Purchases (M kWh)	% Growth
2021-22	21,764	6
2022-23	22,417	3
2023-24	23,090	3
2024-25	23,782	3

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8.3. The Petitioner however during the hearing submitted that due to closure of LNG, big Industry may switch to MEPCO System and in the said scenario, keeping in view the growth of FY 2020-21, the projected energy purchases for FY 2021-22 till FY 2024-25 may be as under:

8.4. 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.

8.5. Although, variations in the PPP of the Petitioner are being actualized through quarterly adjustment mechanism, however, the existing PPP references, against which the variations are being allowed, were determined by the Authority keeping in view the FY 2020-21. The Authority understands that these references now require up-dation / revision as large amount of new capacities e.g. Coal, Nuclear, Hydel etc. along-with HVDC transmission line have since been added in the system, and also to cater for the impact of PKR vs US$

devaluation, hike in fuel prices and CPI indexations. This revision of PPP references would minimize the impact of future monthly fuel charges adjustments & quarterly variations and will provide a more predictable tariff to the consumers.

8.6. Here it is pertinent to mention that the NEPRA Guidelines for determination of consumer end tariff (Methodology and Process) notified vide SRO dated 16.01.2015, prescribes submission of Procurement Plan by CPPA-G and approval of Power Purchase Cost by the Authority. Accordingly, CPPA-G, submitted its Power Purchase Price forecast report for the FY 2021-30, which outlines end consumer tariff outlook up-to FY 2030, and electricity price projections based on IGCEP.

8.7. As per the Report, CPPA-G has projected total generation of 136,867 GWh for the FY 2021-22, with the certain assumptions of fuel prices and other parameters i.e. exchange rate, CPI, USCPI, LIBOR and KIBOR etc. However, considering the fact that adjustments in PPP pertaining to the FY 2021-22 are already being processed as per the notified tariff, therefore, the projections by CPPA-G for FY 2021-22 are not relevant and by the time the instant tariff determination would be notified, the PPP reference for the FY 2022-23 will be relevant.

8.8. The Authority is cognizant of the fact that major component of the consumer-end tariff is the Power Purchase Price, which accounts for around 90% of total consumer-end tariff. Therefore, projection of PPP is of utmost importance, as all future monthly fuel charges adjustments as well as quarterly adjustments are worked out based on the projected notified PPP references.

8.9. In view thereof, the Authority by adopting a forward looking approach, has projected the revised PPP references keeping in view the ground realities for the FY 2022-23. For the purpose of determining the new PPP references, the Authority has made its own projections of PPP references for the FY 2022-23 by first projecting the total amount of generation that would be required and then estimating the plant wise generation along-with fuel prices and other assumptions etc., as discussed in detail in the ensuing paras.

8.10. The Authority observed that as per the IGCEP approved vide decision dated 24.09.2021, the total generation has been projected as 142,563 GWh for the FY 2020-23, with peak demand of 25,779 MW. The Projected Generation as per the IGCEP for the FY 2022-23 is around 9% higher as compared to the actual generation of FY 2020-21 i.e. 130,652 GWh, meaning thereby that there would be around 4.5% growth in generation during each of the FY 2021-22 and FY 2022-23.

8.11. However, it is pertinent to mention here that K-Electric during the FY 2020-21 withdrew energy of 6,118 GWhs from the National Grid, however, for the FY 2022-23, the share of energy to with obtained by K-Electric from National Grid has been assumed as 1100 MW i.e. 9,636 GWhs. The same in terms of generation, after grossing up for the allowed level of NTDC and HVDC losses works out as 9,989 GWhs. Thus, out of total projected generation of 142,563 GWhs as per the IGCEP, share of K-Electric would be 9,968 GWhs and the remaining generation of 132,385 would be for the XWDISCOs, after accounting for sale to IPPs.

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8.12. The aforementioned projected generation has been allocated to each of the XWDISCO in proportion to its actual units purchased for the period from July 2020 to July 2021. However, for K-Electric as explained above, the energy to be drawn from National Grid has been assumed as 1100 MW flat for each month, keeping in view the current scenario, whereby KE is allowed to draw 1100 MW from the National Grid. For the purpose of energy delivered to DISCOs, actual NTDC losses with maximum cap of 2.5% (energy delivered through NTDC network) and HVDC losses as approved by the Authority have been considered.

8.13. Accordingly, the generation as per the approved IGCEP, for the FY 2022-23 i.e. 142,563 GWh, which after adjustment of allowed T&T losses of NTDC/ HVDC and sale to IPPs (as per previous trend), results in projected energy of 137,609 GWh, delivered to DISCOs including K-Electric and would be available with DISCOs for sale to consumers, as detailed below;

	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Total
Energy Gwh	16,107	16,018	14,326	11,208	8,185	8,657	8,928	7,966	9,803	11,455	14,221	15,687	142,563
NTDC Losses	490.06	505.01	461.88	383.63	316.93	334.75	352.97	293.81	354.90	372.49	425.67	459.25	4,751
Sale to IPPs	22.91	22.78	20.37	15.94	11.64	12.31	12.70	11.33	13.94	16.29	20.22	22.31	203
Energy Delivered to DISCOs	15,594	15,491	13,844	10,809	7,856	8,310	8,563	7,661	9,434	11,066	13,775	15,206	137,609

8.14. The energy delivered to DISCOs has been allocated to each XWDISCO on monthly basis in proportion to their actual units purchased for the period from July 2020 to July 2021. For K-Electric, actual units purchased have been considered at 1100 MW flat for the FY 2022-23. Thus, resulting in following DISCO wise projected allocation of energy;

Projected Units to be Sold to DISCOs GWh

DISCOs	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Total
IESCO	1,536	1,482	1,267	959	711	815	844	690	779	889	1,241	1,526	12,739
LESCO	3,010	2,983	2,888	2,190	1,485	1,600	1,698	1,482	1,861	2,125	2,580	3,125	27,027
GEPCO	1,621	1,507	1,454	1,017	669	696	678	619	825	967	1,254	1,512	12,820
FESCO	1,942	1,961	1,787	1,359	908	937	970	924	1,181	1,385	1,736	1,933	17,023
MEPCO	2,644	2,835	2,335	1,687	1,034	1,015	1,084	1,052	1,486	1,857	2,428	2,440	21,897
PESCO	1,861	1,886	1,471	1,167	994	1,158	1,222	1,014	1,060	1,265	1,619	1,815	16,532
HESCO	701	619	577	505	324	306	304	290	425	564	676	666	5,957
QESCO	712	657	585	553	516	535	512	475	534	616	664	680	7,041
SEPCO	562	551	501	350	227	224	223	192	264	403	561	520	4,577
TESCO	185	191	187	205	196	206	209	183	201	204	197	197	2,361
K-Electric	818	818	792	818	792	818	818	739	818	792	818	792	9,636
Total	**15,594**	**15,491**	**13,844**	**10,809**	**7,856**	**8,310**	**8,563**	**7,661**	**9,434**	**11,066**	**13,775**	**15,206**	**137,609**

8.15. Since the power generated from different sources is procured by the Central Power Purchasing Agency (CPPA (G)) on behalf of XWDISCOs as per the rates so determined by the Authority and subsequently reflected in the respective Power Purchase Agreements (PPAs). The overall power purchase cost constitutes a pool price which is transferred to the DISCOs according to the prescribed mechanism and notified by the Federal Government in the Official Gazette. The Power Purchase Price so projected, in turn formulates the reference values for the monthly fuel adjustments & biannual PPP adjustment with respect to T&D losses, Capacity and Transmission Charges.

8.16. From all the available sources of generation of electricity, i.e. Hydel, Gas, Nuclear, Local and imported Coal, Solar, Wind, and Bagasse etc., a total of 142,563 GWh power is expected to be generated during the FY 2022-23. Here it is also important to mention that while projecting generation, the plants have been projected to be operated as per Merit order, keeping in view the projected prices of different fuels. The average prices for different fuels have been assumed as Rs.3,183/mmbtu for RLNG, Rs.2,078/mmbtu for imported coal, Rs.1,466 /mmbtu for local coal, and Rs.1,000 /mmbtu for local gas. All prices have been considered exclusive of GST. Assumptions and criteria for projection of fuel prices for each of the fuel has been discussed in detail in the ensuing paragraphs.

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8.17. Accordingly, the estimated/projected source-wise generation and the estimated cost of electricity generation is given in the following table;

Source	Generation MkWh	Share	EPP Rs. Mln	CPP Rs. Mln	EPP + CPP Rs. Mln	EPP Rs./kWh	CPP Rs./kWh	EPP + CPP Rs./kWh
Hydel	44,859	31.47%	5,566	232,775	238,341	0.12	5.19	5.31
RFO	-	0.00%	-	70,300	70,300	-	-	-
Coal	39,202	27.50%	754,465	361,638	1,116,103	19.25	9.22	28.47
Gas	12,685	8.90%	107,105	57,377	164,482	8.44	4.52	12.97
RLNG	15,036	10.55%	336,262	122,730	458,991	22.36	8.16	30.53
Bagasse	1,012	0.71%	7,225	8,794	16,019	7.14	8.69	15.84
Wind	5,611	3.94%	-	116,087	116,087	-	20.69	20.69
Solar	1,163	0.82%	-	24,671	24,671	-	21.22	21.22
Nuclear	22,281	15.63%	21,065	304,219	325,284	0.95	13.65	14.60
Import	498	0.35%	9,269	3,144	12,413	18.60	6.31	24.91
SPPs	217	0.15%	1,428	-	1,428	6.59	-	6.59
Total	142,563	100.00%	1,242,385	1,301,735	2,544,120	8.71	9.13	17.85

8.18. Here it is pertinent to mention that the aforementioned energy charge includes variable O&M charges, however, variable O&M charges are not made part of monthly fuel charges adjustment and are adjusted as part of quarterly / biannual adjustments.

8.19. As per the above table, around 31.47% of total generation is expected from Hydel sources, 27.50% from Coal (both local & imported), and 15.63% from Nuclear. RLNG would contribute around 10.55% of the total generation, with around 8.9% by indigenous gas. Other Renewables i.e. Wind, Solar & Bagasse and Imports/SPPs share would be around 6%. Meaning thereby that variation in generation mix and prices of Coal, and RLNG/ Gas would have greater impact on the generation cost, thus, ultimately affecting the consumer-end tariff.

8.20. Regarding projection of fuel prices i.e. RLNG, Local & Imported Coal, Local Gas etc., various reports from different sources as given hereunder have been analyzed;

- ✓ US Energy Information Administration, Short-Term Energy Outlook October 2021
- ✓ World Bank Commodities Price Forecast
- ✓ IMF, World Economic Outlook Database
- ✓ Bloomberg (Various Analyst Firms forecast)
- ✓ Standard Chartered Bank Report
- ✓ Argus Media

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8.21. Based on the information available in the aforementioned reports, the Authority has projected the following fuel prices in terms of RLNG, Local & Imported Coal, and Gas, for the purpose of Power Purchase Price;

8.22. The Authority noted that as per the RLNG price notification issued by OGRA, RLNG prices in Pakistan are benchmarked with Brent Crude Oil Prices and are determined as a slope (%) of price of crude oil. In addition to this price, Port charges, PSO import related actual costs, PSO/ PLL Margin and Terminal Charges etc. are added to the price. The said prices are also adjusted with the Transmission Losses and other miscellaneous costs. Thus, the RLNG prices in Pakistan are not only affected by the international prices, being linked with crude oil, but also by the exchange rate parity.

8.23. Therefore, to have a fair projection of RLNG prices, the Authority considered the projections of Brent Crude oil prices by various reliable sources i.e. Short Term Energy Outlook published by US Energy Information Administration, World Bank Commodities Price Forecast report, IMF-World Economic Outlook Database and various analyst firm forecasts.

8.24. The 2nd factor for determination of price of RLNG is the slope that is applied on the price of Crude oil. To have a fair assessment of the applicable slope, the actual slope on which RLNG has been procured by PSO and PLL including spot purchases, during the last 12 months period has been analyzed. Accordingly, by applying the % slope on the projected prices of Crude Oil, the Delivered Ex-Ship (DES) prices of RLNG have been worked out. Here it is pertinent to mention that beside slope, certain additional charges like PSO/PLL Margin, other import related costs, terminal charges etc. are also applicable on CIF price of RLNG. Accordingly, the Authority keeping in view the projected prices of crude oil, % slope, and impact of rupee devaluation, has projected RLNG prices as Rs.3,183/mmbtu.

8.25. For indigenous gas, the Authority considering the existing price, has projected the same as Rs.1,000/mmbtu for the power purchase price projections.

8.26. Regarding price of imported coal, the Authority observed that majority of coal used by coal power plants operating in Pakistan, is imported from South Africa and to some extent from Indonesia, therefore, for the purpose of projection of coal prices, the price forecasts given by World Bank Commodities Price Forecast, Argus-McCloskey etc. have been considered. Accordingly, based on these reports and keeping in view the impact of devaluation of Pak Rupee, and by incorporating therein the Marine Insurance, Handling Loss, Other Charges (Port Handling Charges, Customs Duties & Cess, L/C Charges), Inland Freight etc., the price for imported coal works out as average Rs.2,078/mmbtu.

8.27. For projection of local coal prices for Thar coal, the Authority has considered the coal price determination made by Thar Coal Energy Board (TCEB) for Block-II. As per the TCEB determination, reference tariff determined for the 4th year includes variable cost of US$ 15.10 /Ton and fixed cost of US$ 50.58/Ton. The said total reference total cost determined by TCEB has been indexed with US CPI and US$ /PKR exchange rate to work out the projected coal price for the FY 2022-23, which works out as Rs.1,466 mmbtu. The same has been considered while projecting the PPP references.

8.28. Based on the above discussion, the source wise estimated/projected generation and the estimated cost of electricity generation is given in the following table;

Source	Generation MkWh	Share	EPP Rs. Mln	CPP Rs. Mln	EPP + CPP Rs. Mln	EPP Rs./kWh	CPP Rs./kWh	EPP + CPP Rs./kWh
Hydel	44,859	31.47%	5,566	232,775	238,341	0.12	5.19	5.31
RFO	-	0.00%	-	70,300	70,300	-	-	-
Coal	39,202	27.50%	754,465	361,638	1,116,103	19.25	9.22	28.47
Gas	12,685	8.90%	107,105	57,377	164,482	8.44	4.52	12.97
RLNG	15,036	10.55%	336,262	122,730	458,991	22.36	8.16	30.53
Bagasse	1,012	0.71%	7,225	8,794	16,019	7.14	8.69	15.84
Wind	5,611	3.94%	-	116,087	116,087	-	20.69	20.69
Solar	1,163	0.82%	-	24,671	24,671	-	21.22	21.22
Nuclear	22,281	15.63%	21,065	304,219	325,284	0.95	13.65	14.60
Import	498	0.35%	9,269	3,144	12,413	18.60	6.31	24.91
SPPs	217	0.15%	1,428	-	1,428	6.59	-	6.59
Total	142,563	100.00%	1,242,385	1,301,735	2,544,120	8.71	9.13	17.85
Add; NTDC/ HVDC & CPPA-G Cost				119,212				
Less; NTDC/ HVDC Losses	(4,751)							
Less; Sale to IPPs	(203)		(4,055)					
PPP Adjusted	137,609		1,238,330	1,420,946	2,659,277	9.00	10.33	19.32

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

8.30. According to the above mechanism, Rs.210,743 million and Rs.19,335 million is the share of the Petitioner on account of CpGenCap and UoSC (NTDC/ HVDC) & Market Operator Fee respectively for the FY 2022-23. The overall fixed charges comprising of CpGenCap and UoSC (NTDC/HVDC) & Market Operator Fee in the instant case works out as Rs.230,078 million, which translate into Rs.4,320/kW/month based on projected average monthly MDI of the Petitioner i.e. 4,437 MW or Rs.10.51/kWh on units purchased basis.

8.31. The total annual PPP of the Petitioner for the FY 2022-23 in the instant case works out as Rs.427,744 million. With the projected purchase of 21,897 GWh for the same period, the average PPP of the Petitioner turns out to be as Rs.19.53/kWh (Annex-IV), whereas, the national average determined PPP works out as Rs.19.32/kWh after accounting for the allowed level of NTDC/ HVDC losses and sale to IPPs. Similarly, the National Average Energy Purchase Price (PPP) works out as Rs.9.00/kWh. On the basis of allowed level of T&D losses of 12.34% for the Petitioner for the 3rd Year of the MYT, the adjusted PPP of the Petitioner is assessed as Rs.22.28/kWh.

9. <u>**What are the basis used by the Petitioner for bifurcation of its costs into supply and distribution segments?**</u>

9.1. The Petitioner on the issue submitted that Pursuant to NEPRA Act (Amended upto 2018) and the Authority directions, it is filing separate Tariff Petitions for Power Distribution Tariff and Power Supply Tariff. Since it is not maintaining separate books of accounts for the two businesses i.e. Distribution business & Power Supply Business, therefore it is assumed that;

- ✓ The accounting information of historic actual results relate to both businesses.
- ✓ Segregation of data for Distribution of Electric Power Business is not made in books of accounts so far and single set of books of accounts are being kept for recording information pertaining to both businesses.
- ✓ The forecasted expenses relating to Distribution of Electric Power Business have been assessed on the basis of available data in separate A/c heads (where possible) in combination with the possible bifurcation of the costs between the two businesses.
- ✓ The expenses relating to Revenue offices, Meter Reading Services, Bill Distribution Services, Collection charges, Commercial Department, MIS (Management Information System) and Market implementation and Regulatory affair department (MIRAD) belong to Power supply tariff. The creation of MIRAD has been recommended by the Ministry of Energy (MoE) and adopted by MEPCO to implement Competitive Trading Bilateral Contract Market (CTBCM) model duly approved/ determined by the Authority. MIRAD will deal with all matters and other regulatory affairs regarding CTBCM.
- ✓ All existing Fixed Assets go to Distribution Business.
- ✓ CPPA-G issues Power Purchase Invoices directly to the Power Supply Business which is responsible for all the payments related to Power Purchase Cost.

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- ✓ Power Supply business will make payment of Revenue Requirement of the Distribution Business at the rate determined by the Regulator (NEPRA), the same rate will be charged for wheeling of energy by other generator, Bulk Power Consumers (BPCs) etc.
- ✓ The recovery of outstanding balances of NTDCL, CPPA-G and the payments to NTDCL, CPPA-G and the Distribution tariff is the responsibility of the Power Supply Business.
- ✓ Bad debts and provisions against bad debts relate to Power Supply Business.
- ✓ The costs occurring against standby arrangements of Supply business are a sunk cost for MEPCO which do not depend upon the quantum of the business.
- ✓ MEPCO is a "Supplier of the last resort" or "Default Supplier" which means that MEPCO is to keep and maintain Power Supply Business setup to act as Power Supplier in any untoward situation.
- ✓ The provision for employee's Post retirement benefits has been apportioned in the ratio of Salary, wages & Benefits assigned to the respective businesses since FY 2018-19 onwards.
- ✓ All equity, previous accumulated losses and Prior Year Adjustments (PYA) upto FY 2017-18 relates to Distribution tariff.
- ✓ All arrears of recovery from consumers for the previous periods belong to Distribution tariff but Power Supply Business is responsible for its recovery.
- ✓ All previous long term loans and debt servicing is the responsibility of the Power Distribution Business.
- ✓ The Regulator has not provided any guidelines regarding the Power Supplier's Margin (PSM), therefore, it has been assumed as 1.5% of the Power Purchase Cost of Power Supply Business.
- ✓ All Transmission and Distribution (T&D)Losses relate to Distribution of Electric Power Business, however, MEPCO has some reservations on the issue especially losses due to pilferage of electricity after the Distribution of Electric Power Business which may lead the Business to certain exposures/risks .
- ✓ The claims and subsequent receipts of all types of Subsidies including Tariff Differential Subsidy (TDS), Industrial Support Package (ISP), Zero Rated Industrial Rebate (ZRIR) etc. is the responsibility of the Power Supply Business.
- ✓ The receivable from associated companies on different accounts (e.g. free supply etc.) will be dealt by the Power Supply Business.
- ✓ The whole wire business from 132 kV to the consumer Meter is owned and maintained by the Distribution of Electric Power Business. Therefore any investment for expansion, rehabilitation etc. of the system is also come in the purview of the said business.

The Late Payment Surcharges form consumers and Supplemental Charges on account of delayed/Late payments to Power generators relate to Power Supply Business and these two will knock off each other as per decision /directions of NEPRA.

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✓ Any other issue not mentioned above shall be dealt by that time in the order of their relevance and merit for both businesses.

9.2. The Petitioner during the hearing submitted the following regarding bifurcation into supply and distribution segments;

Costs of Departments assumed under Supply of Power Business	Costs of Departments assumed under Distribution of Power Business
a. Commercial Directorate	All the existing Departments/ Tasks excluding the Power Supply Business.
b. MIS Directorate	Finance & Human Resource Departments work for both the businesses.
c. Revenue Offices	
d. M&T Offices	
e. Meter Reading	
f. Bill Distribution	
g. Bill Collection	
h. MIRAD	

9.3. The Authority understands that as per the Amended Act, the Distribution Licensee is responsible to provide distribution service within its territory on a non-discriminatory basis and develop, maintain and publicly make available, with the prior approval of the Authority, an investment program, meaning thereby, that installation/investment, operation, maintenance and controlling of distribution networks, form part of the Distribution License and activities like billing and collection form part of the Supply License.

9.4. The Authority in the determination of MEPCO for the FY 2019-20 decided the following;

"The Au/thority 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."

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

10. <u>Whether the projected O&M, including creation of new offices along-with additional hiring is justified?</u>

11. <u>What should be the adjustment mechanisms during the MYT control period? Whether there should any efficiency factor (X), Z factor for force majeure events & K Factor for Repair & Maintenance expenses?</u>

12. <u>Whether there should be any bifurcation of O&M on the basis of controllable and uncontrollable factors?</u>

12.1. The Petitioner submitted that the operations and maintenance costs are bifurcated into controllable and uncontrollable costs. The uncontrollable costs are requested to be trued-up at the end of every year and the controllable costs should be indexed every year to the following factor (CPI – X + Z).

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12.2. The Petitioner has provided the following final summary of the forecasted O&M Expenses for 2020-21 to 2024-25 during hearing of the instant Petition;

Description	FY 2020-21 Proj.	FY 2021-22 Proj.	FY 2022-23 Proj.	FY 2023-24 Proj.	FY 2024-25 Proj.
EMPLOYEE COST					
Salaries, Wages & Benefits	1,894	2,310	2,783	3,254	3,730
Replacement Hiring	57	162	108	88	80
Hiring against New Offices	27	56	76	77	118
Retirement Benefits	1,625	1,788	1,967	2,163	2,380
Total Employee Cost	**3,603**	**4,316**	**4,933**	**5,582**	**6,308**
Travelling	188	218	245	272	301
Supplemental Charges	2,453	2,632	2,803	2,986	3,180
PM Assistance Package	135	131	127	124	120
Misc./Others	302	336	370	408	449
TOTAL (O&M)	6,681	7,633	8,479	9,371	10,358

12.3. It has also been submitted that increase in Pay & Allowances is attributable to the annual increment, impact of promotions and up-gradations during the tariff control period.

13. **Replacement Hiring:**

13.1. The Petitioner has requested Replacement hiring cost by submitting that it has planned for induction of the following number of employees during tariff control period against existing yard stick.

New induction against existing Yardstick.

	FY 21	FY 22	FY 23	FY 24	FY 25
No. of Employees	949	2,146	1,429	1,095	947
Projected Annual Cost (Mil. Rs.)	310	882	592	478	438
Proj.Cost-Wire Business (Mil. Rs.)	253	720	484	390	358
Proj.Cost-Supply Business (Mil. Rs.)	57	162	108	88	80

13.2. The Petitioner while justifying its request has stated that it is a staff deficient by 20.46% and at present working at working strength of 16,066 No. of employees against the sanctioned strength of 19,780 in different cadres. Therefore, the company has planned for induction of above stated number of employees during the tariff control period.

13.3. The Petitioner provided the following manpower statistics as of February 2021 highlighting the shortage of staff in the company:

Man power statistics (As of February 2021)

Sr. No	Description	Sanctioned	Actual Working Strength Reg.	Contract	Daily wages	Total	Deficiency	%age
Officers (BPS-17 and above)								
a.	Technical	419	360	-	-	360	59	14.08
b.	Non-Technical	138	111	-	-	111	27	19.57
Sub-Total		557	471	-	-	471	86	15.44
Officials (BPS-01 to 16)								
a.	Technical	11,474	9,139	193	205	9,537	1,937	16.88
b.	Non-Technical	7,169	5,076	98	98	5,272	1,897	26.46
c.	Clerical	580	436	15	3	454	126	21.72
Sub-Total		19,223	14,651	306	306	15,263	3,960	20.60
Total Manpower		19,780	15,122	306	306	16,734	4,046	20.46

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13.4. The Petitioner submitted that it is evident from the tables above, that it has been requesting NEPRA for allowing cost of hiring staff at positions where it is under-staffed. The deficiency in staff is clearly great importance at the officer level as per approved yardstick which stands at 15.44%. The deficiency and the associated financial impact have successively increased over the years, as the Company's consumer base is continually expanding. The consumer base of the company is expected to be increased at average rate of 6.1% or 0.450 Million consumers per year.

13.5. The Petitioner stated that in order to meet the technical and operational targets, it is proposed that 949 vacancies are to be filled by the company during FY2020-21. This recruitment will increase the base year O&M by Rs.310 Million. The projected cost of Rs.253 million & Rs.57 million assigned to the Wire Business & Power Supply Business respectively. In the same manner Rs.882 million, Rs.592 million, Rs.478 million & Rs.438 million have been projected for recruitment against vacant posts under existing yardstick of MEPCO during FY 2021-22, 2022-23, 2023-24 & 2024-25 respectively.

14. <u>Creation of new office along with additional hiring including MIRAD</u>

14.1. In addition, the Petitioner has also requested creation of new office along with additional hiring for newly created offices. The Petitioner has planned for induction of the following number of employees during tariff control period against human resource requirement of newly created offices.

New induction against creation of new offices

	FY 21	FY 22	FY 23	FY 24	FY 25
No. of Employees	423	537	611	685	987
Projected Annual Cost (Mil. Rs.)	148	307	416	422	642
Proj.Cost-Wire Business (Mil. Rs.)	121	251	340	345	524
Proj.Cost-Supply Business (Mil. Rs.)	27	56	76	77	118

14.2. The Petitioner has also mentioned that it has to create a new department "Market Implementation and Regulatory Affair Department (MIRAD)" to work under framework of Competitive Trading Bilateral Contract Market (CTBCM). Initially the BoD MEPCO has approved 20 new key positions in phase-I which includes 09 positions through relocation/ internal transfer from existing yardstick & 11 new positions to be hired from the market. In phase-I, an estimated capital expenditure of Rs.54.330 Million and O&M expenses of Rs.48.519 Million per annum has been projected. However, in 2nd phase 55 remaining posts (allied Staff) with an estimated annual financial impact of Rs.39.124 Million will be hired for smooth running of MIRAD. Further, it is proposed to create 01 new each Operation circle, M&T circle, RRE/Construction Division, Regional Store, Construction Sub-Division, MIRAD and 05 new Operation Divisions, 36 new Operation Sub Divisions and 08 new/upgraded Grid Station offices. For the above purpose creation and induction of 3,243 new posts have been proposed with an annual additional financial impact of Rs.1,813 million, starting from the year of induction accordingly.

14.3. The Petitioner regarding Basic pay, Allowances and Employee benefits submitted that pay & allowances for FY 2020-21 have been estimated to be Rs.10,811 Million, out of which Rs.8,823 Million & Rs.1,978 Million have been projected for Wire Business & Power Supply Business respectively. Pay & allowances and employee benefits including retirement benefits constitute a major portion of the Company's O&M expenses.

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Basic Pay, Allowance & Employee Benefits	FY 21	FY 22	FY 23	FY 24	FY 25
Salaries, Wages & Benefits	10,801	13,806	16,202	18,672	21,453
Proj.Cost-Wire Business (Mil. Rs.)	8,823	11,278	13,235	15,253	17,525
Proj.Cost-Supply Business (Mil. Rs.)	1,978	2,528	2,967	3,419	3,928

15. Staff Retirement Benefits

15.1. Regarding Staff Retirement Benefits, the Petitioner stated that NEPRA in its determination for FY 2019-20 had allowed only the amount of actual payments made to pensioners rather than the total amount of provision against Post Retirement Benefits under IAS-19. MEPCO filed Motion for Leave to Review against the tariff determination for FY 2018-19 & FY 2019-20. In the said review motion, MEPCO requested to allow provisions for post-retirement benefits amounting to Rs.50,650 million for FY 2015-16 to FY 2019-20 against Distribution tariff. It included Rs.21,303 Million in respect of less determined provisions for Post Retirement Benefits and Rs.29,347 Million for the amount charged to Other comprehensive income in respect of Distribution of Electric Power Business.

15.2. The Petitioner further submitted that currently it has pension obligations of PKR 80,583 million and is unable to transfer this amount in a separate fund as the Company does not have sufficient cash; therefore, it is proposed that Provisions for retirement benefits may be allowed in actual in addition to the Prior Year Adjustment of less determined Provisions during FY 2015-16 to FY 2019-20.

15.3. Keeping in view the above, the gross Post Retirement Benefits have been projected for 2020-21 on the basis of last actuarial Valuation Report with estimated average 10% increase for FY 2021-22 till FY 2024-25, subject to adjustment on actual basis;

Provision For Staff Retirement Benefits	FY 21	FY 22	FY 23	FY 24	FY 25
Provision for Retirement Benefits	8,877	9,765	10,742	11,816	12,998
Proj.Cost-Wire Business (Mil. Rs.)	7,252	7,977	8,775	9,652	10,618
Proj.Cost-Supply Business (Mil. Rs.)	1,625	1,788	1,967	2,163	2,380

16. Other O&M Expenses

16.1. The Petitioner has provided the following break-up of costs requested under Other O&M expenses and Travelling;

Description	FY 2020-21 Proj.	FY 2021-22 Proj.	FY 2022-23 Proj.	FY 2023-24 Proj.	FY 2024-25 Proj.
Travelling	188	218	245	272	301
Misc./Others	302	336	370	408	449
TOTAL (O&M)	490	554	615	680	750

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17. Adjustment Mechanism – X Factor, Z Factor and K-Factor

17.1. The Petitioner has bifurcated its O&M costs into controllable and uncontrollable costs. The uncontrollable costs are requested to be trued-up at the end of every year and the controllable costs should be indexed every year to the following factor (CPI – X + Z).

17.2. The Petitioner submitted that according to the MYT guidelines a CPI minus X Multi-Year Tariff is being proposed as it will allow the Company to automatically apply indexations for inflation. For Operating Expenses the Petitioner has submitted that all other expenses are increased by CPI-X during the entire tariff control period except Repair & Maintenance which is based on "K" factor.

17.3. The Petitioner proposed that efficiency factor "X" as zero '0' for the Tariff Control Period on the premise that the implementation of CTBCM will further affect the cost effectiveness of the Company when most of the industrial and bulk power consumers will be leaving MEPCO and the Company will only be serving the low category domestic consumers.

17.4. The Petitioner has proposed that there shall be a provision for costs incurred as a result of force majeure events such as earthquakes, flooding, wind storms, thunder storms, acts of terrorism, etc. In the absence of a provision for such events and adjustments restricted strictly to the CPI-X factor, the Company will be unable to recoup the costs required to undertake the necessary repairs. Accordingly, it has been proposed that an additional Z factor should be included in the MYT to cover costs for such events. These costs shall be computed after the occurrence of such an event at which point the Company shall estimate the financial impact of such an event and request NEPRA's approval for inclusion in the subsequent year. As replacement of any equipment as result of such damage shall be covered through proposed investments to be approved by NEPRA, it is anticipated that major costs falling under Z factor will comprise repair & maintenance and incidental costs. In the event that insurance coverage is available at a reasonable cost, recoveries made under such an arrangement will not be incorporated in the tariff for the subsequent period.

18. <u>Controllable and Uncontrollable cost</u>

18.1. Regarding Segregation between "Controllable" and "Uncontrollable" cost, the Petitioner stated that the employee related costs (Salaries & Wages and Retirement Costs) are treated as uncontrollable to be passed through on actual basis in the Tariff. All other Costs are considered to be controllable and subject to adjustment with CPI only except Repair & Maintenance which is based on "K" factor. It further submitted that segregation of controllable and uncontrollable factors and their treatment in MYT is of vital importance. Non-segregation of these costs may force the Company to absorb some "uncontrollable costs" beyond its control, which are not fully recovered from its tariff resulting in financial losses to the Company. Therefore, any increase in uncontrollable costs be adjusted on an annual basis in the MYT tariff.

19. <u>Prime Ministers Assistance Package</u>

19.1. Regarding Prime Ministers Assistance Package the Petitioner stated that it is allowed for families of employees who die in service issued vide DG (HR) PEPCO WAPDA House, Lahore Office Memorandum No. GM (HR)/HRD/A-332 /4050-75 dated: 04.11.2016. The MEPCO BOD in 134th meeting held on 20.03.2018 notified by Company Secretary MEPCO HQs Multan vide letter No. 24390-414 dated: 02.04.2018 accorded approval for adoption of said package w.e.f 04.11.2016 subject to condition that the company will prepare a new amended MEPCO policy duly vetted by Director (Legal) MEPCO HQs Multan ensuring that there will be no duplication of benefits and employees will not be deprived of any benefit which they are already availing. Office order for adoption of said package was issued vide No. 89-I/46059-81 dated: 24.04.2018. The said package involves different types of financial

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benefits (Lump Sump Grant, Pension, Accommodation, Education, Allotment of plot, employment, marriage grant, health, house building advance, Special Lump sump grant from Welfare fund & GPF Fund.) to the families of deceased employees who die in service.

19.2. The Petitioner requested the following amounts under the PM Assistance package;

Description	FY 2020-21 Proj.	FY 2021-22 Proj.	FY 2022-23 Proj.	FY 2023-24 Proj.	FY 2024-25 Proj.
PM Assistance Package	135	131	127	124	120

19.3. The Petitioner has stated that most of the DISCOs including LESCO, IESCO, GEPCO, FESCO & HESCO have adopted this package (some fully & some partially) and there is a lot of pressure from the widows, legal heirs of the deceased employees for disbursement of their dues on this account. Not to speak of the pending court cases, Wafaqi Mohtasib cases and litigation on different forums. For the above purpose creation and induction of 3,243 new posts have been proposed with an annual additional financial impact of Rs. 1,813 (Million) starting from the year of induction accordingly.

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

- ✓ *"(a) tariffs should allow licensees the recovery of any and all cost prudently incurred to meet the demonstrated needs of their customers Tariff."*
- ✓ *(b) tariffs should generally be calculated by including a depreciation charge and a rate of return on the capital investment of each licensee commensurate to that earned by other investments of comparable risk;*
- ✓ *(c) tariffs should allow licensees a rate of return which promotes continued reasonable investment in equipment and facilities for improved and efficient service;*
- ✓ *(d) tariffs should include a mechanism to allow licensees a benefit from and penalties for failure to achieve the efficiencies in the cost of providing the service and the quality of service;"*

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

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19.6. The Authority noted that as per the approved tariff methodology the Power Purchase Price is the only uncontrollable cost which is allowed a pass through item. The other remaining costs are to be treated as controllable costs.

19.7. Considering the fact that the MYT has been filed for the period pertaining to the FY 2020-21 to FY 2024-25, and the cost for the FY 2020-21 i.e. test year, is being assessed as reference cost during the MYT control period, the Authority has decided to consider the costs as per the Audited accounts of the Petitioner for the FY 2019-20 as base year.

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

19.9. In view thereof, the head wise assessment of the Petitioner under each of the requested costs is as discussed hereunder.

20. <u>Salaries, Wages and Other benefits (excluding post-retirement benefits)</u>

20.1. The Authority noted that head of Salaries, Wages and Other Benefits include employees Pay & Allowances and Post-retirement benefits and accounts for over 70% of the Petitioner's total O&M costs, excluding therefrom depreciation. The Authority understands that employees of XWDISCOs are hired on Government pay scales, thus, any salary increase announced by the Federal Government in Fiscal Budget is also applicable on the employees of XWDISCOs. Therefore, salaries & wages cost of employees can be considered as un-controllable cost for XWDISCOs as long as they remain in public sector.

20.2. Considering the fact that the cost for the FY 2020-21 is being assessed, which would be used as reference during the MYT control period, the Authority has decided to consider the costs as per the Audited accounts of the Petitioner for the FY 2019-20 as base year as explained in the preceding paras. It is also pertinent to mention that being a public sector company, the Petitioner is required to pay, its employees, increases in salaries & wages announced by the Federal Government through Budget. This also addresses the concern of the Petitioner in terms of salaries & wages cost being uncontrollable.

20.3. The actual total cost reflected in the Audited accounts of the Petitioner for the FY 2019-20, under Salaries & Wages *(excluding postretirement benefits, discussed separately)* is Rs.9,151 million. Accordingly, the said amount has been considered as base cost and by applying thereon the increases as approved by the Federal Government on Salaries and Wages in the Federal Budget for the FY 2020-21, the cost of Salaries & Wages *(excluding postretirement benefits, discussed separately)*, for both the Distribution and Supply Functions works out as Rs.10,008 million. The same is hereby allowed to the Petitioner for the FY 2020-21 for both

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its distribution and Supply Functions as reference cost, to be adjusted in the remaining control period as per the adjustment mechanism prescribed in the instant determination.

20.4. Since the Audited accounts of the Petitioner, do not provide bifurcation of the Salaries, Wages and other benefits costs in terms of Distribution and Supply Functions, therefore, for the purpose of allocation of total cost of Salaries, Wages and other benefits in terms of Distribution and Supply Functions, the criteria as adopted by the Petitioner has been used. Accordingly, the cost of Salaries, Wages and other benefits *(excluding postretirement benefits)* for the FY 2020-21 pertaining to the Supply of Power function works out as Rs.1,833 million.

20.5. The assessed Salaries & Wages costs for the FY 2020-21 i.e. Rs.1,833 million, shall be considered as the reference cost for working out future Salaries & Wages expenses, in the remaining control period as per the adjustment mechanism prescribed in the instant determination.

21. <u>Additional/ Replacement Hiring</u>

21.1. Regarding cost of new recruitment, the Authority observed that Salaries & Wages cost for the FY 2019-20, as per the Audited accounts of the Petitioner, have been considered as base cost, therefore, impact of any new recruitment already made till FY 2019-20 has been accounted for. For the proposed recruitment to be carried out in FY 2020-21 and onward, the Authority understands that allowing cost of additional hiring, upfront would be unfair with the consumers, without considering/ analyzing the benefits of such recruitment. The Authority understands that it will be in a better position to adjudicate on the issue once the Petitioner provides details of the actual cost incurred in this regard and substantiates the same with the quantified benefits accrued. In view thereof, the Authority has decided to consider the financial impact of any additional hiring during the midterm review, which will be carried out after expiry of 3rd year of the MYT control period, whereby the Petitioner would provide complete detail/ justification of the recruitment made along-with benefits achieved. The mid-term review would be carried out, in case the Petitioner remains in the Public sector.

22. <u>Creation of New Circle / Divisions / Sub-Divisions</u>

22.1. Regarding request of the Petitioner to create 01 new each Operation circle, M&T circle, RRE/Construction Division, Regional Store, Construction Sub-Division, MIRAD and 05 new Operation Divisions, 36 new Operation Sub Divisions and 08 new/upgraded Grid Station offices, with an annual additional financial impact of Rs.1,813 million, starting from the year of induction, the Authority understands that creation of new circles / divisions /sub divisions is a decision, specific under single year tariff regime, whereby each year its financial and qualitative impact may be evaluated/analyzed. Under multiyear tariff regime the instant decision becomes irrelevant as the existing state of affairs of the Petitioner is considered as benchmark for future efficiencies. Further, keeping in view the management changes and revamping of BoDs, the idea could be to get the benefit of technological advancements to improve efficiency with reduced reliance on more man power.

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22.2. However, at the same time, the Authority also understands that managing higher number of consumers with minimum resources could only be possible through heavy investment in advance technologies and by applying out of box thinking, which generally is brought in by the private sector. Therefore, the Authority principally agrees with the request of the

Petitioner to allow for creation of new circles /divisions / subdivisions. However, allowing upfront financial impact for creation of new circles, divisions and subdivisions, without having the progress reports in not in the interest of consumers.

22.3. The Authority considers that it will be in a position to adjudicate on the issue once the Petitioner provides details of the actual cost incurred in respect of creation of new circles, divisions and sub-divisions and substantiates the same with the quantified benefits achieved. Accordingly, the Authority has decided to carry out a mid-term review of the Petitioner's O&M cost to the extent of creation of new circles, divisions and sub-divisions only, as long as the Petitioner remains in the Public sector. The Authority will assess the cost incurred by the Petitioner regarding creation of new circles, divisions and sub-divisions in the midterm review on the principal of prudency, based on the following parameters.

- ✓ Reduce the duration of interruptions by reducing travelling time for repair and maintenance crews;
- ✓ Reduce the frequency of interruptions by improving the quality of line monitoring and maintenance;
- ✓ Reduce the extent of commercial losses by increasing the presence of field staff;
- ✓ Reduction in customer complaints;
- ✓ Better Customer Service in terms of reduction in complaint handling time;
- ✓ Improvement in technical system;
- ✓ Improvement in Power supply continuity;
- ✓ Reduction in Administrative and technical losses;
- ✓ Improvement in employees productivity;
- ✓ Improvement in Recoveries;
- ✓ Reduction in travelling and vehicle costs etc.

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22.4. The Petitioner, however, while considering to create new circles/ divisions/ sub-divisions, must explore the technological advancements and outsourcing options rather than by simply relying upon any inherited yard stick.

23. <u>Hiring for MIRAD</u>

23.1. The Authority observed that detailed design and implementation plan of the Competitive Trading Bilateral Contract Market (CTBCM) has been approved on November 12, 2020 to make a competitive wholesale electricity market functional in near future. Pursuant thereto, DISCOs have created a Market Implementation & Regulatory Affairs Department (MIRAD). The department would be a dedicated central interface between DISCOs and the competitive electricity market equipped with staff having specialized knowledge and competency and supported by necessary infrastructure, inter-alia, to administer the market operations including bilateral contracts portfolio management, short and medium-term demand forecasting, transmission planning, and overseeing legal and regulatory affairs.

23.2. Regarding recruitment for MIRAD, the Petitioner has submitted that its BoD has approved 20 new key positions in phase-I which includes 09 positions through relocation/ internal transfer from existing yardstick & 11 new positions to be hired from the market.

Accordingly, for inclusion of cost impact of hiring made for MIRAD by the Petitioner, details were requested from the Petitioner. The Petitioner shared its latest status of hiring made on account of MIRAD, whereby only 06 positions have been filled either through transfers or on current charge. As per the submitted information, the recruitment process of MIRAD has still not been completed, however, the Petitioner has requested for the financial impact for these positions.

23.3. In view thereof, the Authority has decided to allow hiring for MIRAD in principal and allow the incremental financial impact of the same as part of PYA in the subsequent adjustment requests and would also be made part of reference cost for future indexations, once the Petitioner completes its recruitment process and submits complete details in this regard. Here it is pertinent to mention that impact of employees internally transferred to MIRAD has already been largely accounted for while assessing the salaries & wages cost.

24. Post-Retirement Benefits

24.1. The Petitioner has requested gross Post Retirement Benefits for the 2020-21 on the basis of last actuarial Valuation Report with estimated average 10% increase for FY 2021-22 till FY 2024-25, subject to adjustment on actual basis, as under:

Provision For Staff Retirement Benefits	FY 21	FY 22	FY 23	FY 24	FY 25
Provision for Retirement Benefits	8,877	9,765	10,742	11,816	12,998
Proj.Cost-Wire Business (Mil. Rs.)	7,252	7,977	8,775	9,652	10,618
Proj.Cost-Supply Business (Mil. Rs.)	1,625	1,788	1,967	2,163	2,380

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24.2. The Authority noted that the head of Post-retirement benefit includes employees' pension, free electricity and medical facility. The Authority also understands that employees of XWDSICSOs are hired on Government pay scales, thus thus, any pension increase announced by the Federal Government in the Budget is also applicable on the retired employees of XWDISCOs.

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

24.4. In compliance with the Authority's direction, the Petitioner has created a separate Fund for its post-retirement benefits.

24.5. The Authority has considered the submissions of the Petitioners and has also analyzed the performance of the Petitioner in terms of Regulatory benchmarks of T&D losses and Recoveries. The Authority observed that the Petitioner has almost been able to achieve the target of T&D losses given by the Authority and its recovery position has remained closed to 98% over the years, except for the FY 2019-20 primarily due to COVID impact. For the FY 2020-21, the Petitioner has been able to recover 100% of its billed amount.

24.6. Considering the aforementioned performance of the Petitioner, the Authority has decided to allow provision for Post-retirement benefit for the first year of the MYT control period as per the amount requested by the Petitioner i.e. Rs.8,877 million for the FY 2020-21. However, the Petitioner is directed to deposit the amount of provision, over and above their actual post-retirement benefit payments, in the Fund and in case of failure to deposit the excess amount in the Fund, the same shall be adjusted/deducted in the subsequent tariff determination and from thereon, only actual amounts paid and amount transferred into the fund would be allowed.

24.7. Since the Audited accounts of the Petitioner, do not provide bifurcation of post-retirement benefits in terms of Distribution and Supply Functions, therefore, for the purpose of allocation of total cost of post-retirement benefits in terms of Distribution and Supply Functions, the criteria as adopted by the Petitioner has been used. Accordingly, the cost of post-retirement benefits for the FY 2020-21 pertaining to the Supply of Power function works out as Rs.1,625 million as requested by the Petitioner, to be adjusted in the remaining control period as per the adjustment mechanism prescribed in the instant determination.

24.8. Since the Audited accounts of the Petitioner, do not provide bifurcation of post-retirement benefits in terms of Distribution and Supply Functions, therefore, for the purpose of allocation of total cost of post-retirement benefits in terms of Distribution and Supply Functions, the criteria as adopted by the Petitioner has been used. Accordingly, the cost of post-retirement benefits for the FY 2020-21 pertaining to the Supply of Power function works out as Rs.1,625 million.

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

25.1. Other O&M expenses includes Travelling costs, and other O&M expenses i.e. Rent, Rates & Taxes, Power, Light and Water, Communication, Bill Collection Charges, Office supplies, Director Fees, Auditor Remuneration, Professional Fees, Outside Service Employed, Management Fees, NEPRA License Fees, Advertisement & Publicity, Subscriptions & Periodicals, Representation & Entertainment, Insurance, Bank Charges, and other miscellaneous expense. The Petitioner projected its Other O&M costs including Travelling costs as under;

Description	FY 2020-21 Proj.	FY 2021-22 Proj.	FY 2022-23 Proj.	FY 2023-24 Proj.	FY 2024-25 Proj.
Travelling	188	218	245	272	301
Misc./Others	302	336	370	408	449
TOTAL (O&M)	490	554	615	680	750

25.2. The Petitioner proposed that O&M part of Distribution Margin shall be indexed with CPI subject to adjustment for efficiency gains (X factor).

25.3. The Authority noted that as per the approved tariff methodology, all other operating expenses are part of O&M costs which are to be assessed through CPI-X formulae for the whole tariff control period. Accordingly, for the assessment pertaining to the FY 2020-21 (reference cost), the Authority has decided to accept the actual figures of the FY 2019-20 as such and allowed an inflationary increase of 9.49 % over the same and accordingly has assessed the other O&M expenses as Rs.3,215 million for both the distribution and Supply of Power Function.

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

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

25.6. Since the Audited accounts of the Petitioner, do not provide bifurcation of the Other O&M costs in terms of Distribution and Supply Functions, therefore, for the purpose of allocation of total cost of other O&M costs in terms of Distribution and Supply Functions, the criteria as adopted by the Petitioner has been used. Accordingly, the cost of other O&M for the FY 2020-21 pertaining to the Supply of Power function works out as Rs.1,391 million.

25.7. The aforementioned assessment for the FY 2020-21 shall be considered as reference for working out future Other Operating Expenses for remaining tariff control period to be adjusted as per the adjustment mechanism provided in the instant determination.

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

26.1. The Petitioner has proposed that an additional Z factor should be included in the MYT to cover costs for force majeure events such as earthquakes, flooding, wind storms, thunder storms, acts of terrorism, etc. These costs shall be computed after the occurrence of such an event at which point the Company shall estimate the financial impact of such an event and request NEPRA's approval for inclusion in the subsequent year.

26.2. The Authority observed that it has allowed insurance cost to the Petitioner in the reference cost of Other expenses for the FY 2019-20 for future increases. The insurance cost covers grids and vehicles etc. If the Petitioner intends to cover its other assets along-with more insurance coverage then it has to mitigate its commercial risk through its profits.

27. <u>Whether the requested Other Income is justified?</u>

27.1. Regarding Other Income, the Petitioner has submitted that source of Other Income for Power Supply Tariff is limited to the "Late Payment Surcharge (LPS)" which is recovered from the consumers against late payment of electricity bills. It also stated that the Authority has already directed to knock off the amount of Late Payment Surcharge (LPS) with the Supplemental charges payable to Power Generators against delayed payments of Power Purchase Price by CPPA-G. On the same analogy, MEPCO has projected the amount of Other income against "Late Payment Surcharge (LPS)" with the projected "Supplemental charges".

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DESCRIPTION	FY 2019-20 Actl.	FY 2020-21 Proj.	FY 2021-22 Proj.	FY 2022-23 Proj.	FY 2023-24 Proj.	FY 2024-25 Proj.
Late Payment Surcharge	1,848	2,453	2,632	2,803	2,986	3,180

27.2. Other income is considered to be a negative cost which may include, but not be limited to, amortization of deferred credit, meter and rental income, late-payment charges, profit on bank deposits, sale of scrap, income from non-utility operations, commission on PTV fees and miscellaneous income.

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

28. <u>Adjustment Mechanism</u>

28.1. The Petitioner proposed the following Adjustment Mechanism for the MYT Control Period in different Cost Components by stating that the Mechanism is in line with the MYT guidelines and determination of NEPRA in the case of other DISCOs already operating under Multi-Year Tariff.

Sr. No.	Tariff Component	Adjustment
01	Fuel Cost	Monthly
02	Var. O&M, CPP and UoSC	Quarterly
03	O&M Cost	Annually
04	Post Retirement Benefits	Annually

Sr. No.	Tariff Component	Adjustment
05	Depreciation, RORB, Other Income	Annually
06	Pr. Year Adjustment	Annually
07	KIBOR	Annually

28.2. The Petitioner has submitted that the adjustments in line with mechanism given NEPRA guidelines for determination of consumer end tariff dated 16th January 2015 except O&M cost;

Sr. No.	Tariff Component	Adjustment Mechanism
01	Return on RAB (RORB)	$RORB_{(Rev)} = RORB_{(Ref)} \times RAB_{(Rev)} / RAB_{(Ref)}$
02	Depreciation Expense	$DEP_{(Rev)} = DEP_{(Ref)} \times GFAIO_{(Rev)} / GFAIO_{(Ref)}$
03	Other Income	$OI_{(Rev)} = OI_{(1)} + \{OI_{(1)} - OI_{(0)}\}$

29. <u>Adjustment Mechanism for O&M Cost:</u>

29.1. The Petitioner has requested adjustments for O&M cost after its bifurcation into controllable and uncontrollable costs. For the uncontrollable costs, it has been requested to be trued-up at the end of every year and the controllable costs should be indexed every year with (CPI – X + Z).

$$\textbf{O\&M} = \{\textbf{Controllable cost} \times (1 + (\textbf{CPI} - \textbf{X})\} + \textbf{Uncontrollable costs} + \textbf{Z}$$

Where,

CPI = Consumer Price Index

X = Efficiency factor

Z = Costs relating to extraordinary events

30. <u>Efficiency Factor (X):</u>

30.1. The Petitioner has proposed to keep the efficiency factor "X" as zero '0' for the Tariff Control Period due to the fact that implementation of CTBCM can affect the cost effectiveness of the Company when the Industrial and Bulk Power Consumers may leave the Petitioner's System and the Petitioner's will be restrained to serve the low tariff category consumers with high AT&C losses.

30.2. The Authority, while assessing the O&M costs of the Petitioner i.e. rent, rates & taxes, Injuries & damages, collection expenses, legal charges, Travelling, transportation cost, management fee, and Audit Charges etc., has incorporated these costs in the reference cost, keeping in view the audited accounts of the Petitioner for the FY 2019-20, to be adjusted in the remaining MYT control period as per the adjustment mechanism given below. The risk / benefits of any future cost fluctuations thereof lies with the Petitioner along with an opportunity for optimizing overall costs under these head. The treatment is in line with the very sprit of multi- year tariff regime and in accordance with Authority's approved tariff methodology.

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

30.4. Regarding request of the Petitioner to allow "Z" factor, the Authority observed that it has allowed insurance cost to the Petitioner in the reference O&M cost for the FY 2020-21 subject to future increases, and the same covers for any such extra ordinary events. Therefore, the request of the Petitioner, to allow any such factor as a separate cost is not justified.

30.5. The Authority also noted that as per the approved tariff methodology the Power Purchase Price is the only uncontrollable cost which is allowed a pass through item. The other remaining costs are to be treated as controllable costs. Accordingly, the Authority prescribes the following mechanism for adjustment of costs allowed as part of Distribution Margin, during the MYT control period;

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31. Salaries & Wages and Post-retirement Benefits;

31.1. The reference costs shall be adjusted every year with the increase announced by the GoP, being beyond the Petitioner's control, for the respective year till the time the Petitioner remains in the public sector. In addition a 5% increase as requested by the Petitioner would be allowed on the amount of Basic pay to account for the impact of annual increment. In case, the Petitioner is privatized during the MYT period, the allowed cost of Salaries & Wages would be adjusted with CPI-X factor.

32. Post-retirement benefits

32.1. Post-retirement benefits would be allowed based on the actuarial valuation report for the year for which assessment is being made or as per the latest available audited financial statements. It would be mandatory for the Petitioner to deposit the whole amount of allowed Post retirement benefits into the separate Fund and route all its pension payments through the Fund. If the Petitioner fails to transfer the whole amount of postretirement benefits into the Fund, the 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.

33. O&M Costs

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

Adjustment Mechanism -Operation & Maintenance Exp.	
Operation & Maintenance Exp.	= Ref. O&M cost x [1+(CPI -X factor)]

34. RORB

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

Adjustment Mechanism - RoRB	
RORB(Rev)	=RORB(Ref) x RAB(Rev) / RAB(Ref)

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

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

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by the Petitioner to the extent of 2.00% spread. If the Petitioner manages to negotiate a loan below 2.00% spread, the savings would be shared equally between the consumers and the Petitioner through PYA mechanism annually. In case of more than one loan, the saving with respect to the spread would be worked out by a weighted average cost of debt. The sharing would be only to the extent of savings only i.e. if the spread is greater than 2.00%, the additional cost would be borne by the Petitioner.

35. <u>Depreciation Expenses</u>

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

$$DEP\ (Rev) = DEP\ (Ref) \times \frac{GFAIO\ (Rev)}{GFAIO\ (Ref)}$$

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

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

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

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

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

36. <u>Other Income</u>

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

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

$OI_{(Rev)}$ = Revised Other Income for the Current Year

$OI_{(1)}$ = Actual Other Income as per latest Financial Statement.

$OI_{(0)}$ = Actual/Assessed Other Income used in the previous year.

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37. <u>Whether the request of the Petitioner to allow Supply Margin is justified?</u>

37.1. Regarding Supply Margin, the Petitioner submitted in its petition that according to Para 16(2) of the NEPRA Guidelines for determination of consumer end tariff (Methodology and process) issued vide SRO # 34 (1)/2015, dated 16th January, 2015, tariff should allow the licensee, a rate of return, which promotes continued reasonable investment in equipment and facilities for improved and efficient service. The Petitioner stated that returns provided to the Company commensurate with the risks associated with the Sector and the rate of return should provide for a return which is proportionate with the prevailing cost of funds being incurred by the Company and with the risk involved in delivering the utility services. The Petitioner also mentioned that the Regulator has not provided any guidelines regarding allowing Return to the Power Supply Business.

37.2. In view thereof, the Petitioner has requested to provide a Power Supply Margin @ 1.5% of the Power Purchase Price invoiced to the Power Supply Business. The Petitioner during the hearing, has requested the following amounts of Power Supply Margin;

DESCRIPTION	FY 2020-21 Proj.	FY 2021-22 Proj.	FY 2022-23 Proj.	FY 2023-24 Proj.	FY 2024-25 Proj.
Power Supply Margin	3,614	4,485	5,049	5,280	5,748

37.3. The Authority observed that the Petitioner has been allowed return on its Rate Base as per the Authority's approved WACC and the same has been included as part of the Petitioner's Distribution function revenue requirement. Although, the function of sale of electric power traditionally being performed by the Distribution Licensees has been amended under Section 21(2)(a) of the Amended Act, however, the amended Act, also under proviso to Section 23E(1), provides that 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 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, would continue to do so. Hence, practically there is no change in the overall nature of operations or functions being performed by the existing DISCOs, therefore, allowing any separate margin to the Petitioner for its Supply function, considering the fact that it has been allowed return on its overall rate base, does not merit consideration.

38. <u>Whether the requested working capital is justified?</u>

38.1. Regarding the working capital, the Petitioner submitted during hearing that a Distribution company recovers its revenue requirements directly from consumers against monthly billing and secondly from the Government against different subsidies. The Petitioner further submitted that the consumers are billed on determined tariff at the end of each month. The recovery from consumers is received on due dates even after a certain period of time. The subsidies are claimed from Government on monthly basis but the receipts from Government are always delayed due to funds availability, approval and disbursement processes. On the other side, MEPCO is incurring its costs on day to day basis. Therefore, a gap of cash flows occurs which requires to arrange short term financing to run day to day business. In this context, MEPCO requested Rs.225 million, Rs.315 million, Rs.355 million, Rs.375 million & Rs.410 million for the MYT period.

38.2. It further submitted that currently it is unable to pass-through the cost of financing this shortfall in cash through its tariff and thus has to finance it through its internal resources. In view of the above, it is requested to allow to charge a cost of working capital in the range of KIBOR plus a spread of 3.0% of the average monthly revenue requirement of MEPCO. This shall allow the Company cost of working capital of Rs.1,346 million for the tariff control period which will help to effectively manage MEPCO's cash flows and also to help in improving the strained liquidity conditions the Company is currently Arbitrary Calculation of Delayed Payment Charges by CPPA-G.

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38.3. The Authority regarding working capital on delayed receipts of subsidies from the Government considers that the Petitioner shall take-up this issue with the concerned quarters for timely release of its subsidies.

38.4. Further, the Authority has already allowed DISCOs to retain the amount of Late Payment Charges to cover up their working capital requirements, therefore, the request of the Petitioner to separately allow working capital is not justified.

39. <u>Whether the requested provision for bad debt is justified?</u>

40. <u>Whether the requested turnover tax is justified?</u>

40.1. The Petitioner during hearing submitted that it is requesting to allow bad debts and provision for bad debts on actual basis.

40.2. The Petitioner during hearing submitted that it has not requested turn over tax in MYT for FY 2020-21 to FY 2024-25. However, it is requesting to allow actual payment of turnover tax, income tax etc.

40.3. The Authority noted that in its Re-determination decision dated 18.09.2017, the Petitioner was allowed an amount of Rs.1,366 million to the Petitioner as Write-Offs on provisional basis subject to fulfilment of the given criteria. The Authority also decided that in case the Petitioner fails to actually write off the allowed amounts, as per the given criteria, and required evidence is not provided, the provisionally amount shall be adjusted back subsequently. The Petitioner was not able to complete the required process/ criteria and no amount was written off; accordingly, the allowed amount of write-offs was adjusted back. The Petitioner has again requested for Bad Debts and provision for bad debts on actual basis, without any actual write-offs as per the criteria, which the Authority considers is not justified, hence disallowed.

40.4. Regarding Turnover Tax, the Authority while going through the financial statements of the DISCOs including the Petitioner, 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.

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

41.1. The Petitioner submitted that Rule 53 of NEPRA Tariff Guidelines provides that under-recovery or over-recovery of the cost-of-service incurred during the previous year shall be accounted for going forward during the current year under the head of prior period adjustment. The Petitioner also submitted that its tariff for the FY 2018-19 & 2019-20 was determined by NEPRA on 24th December, 2020 and notified by the GoP, w.e.f. 12th February, 2021. The total Prior Year Adjustments pertaining to FY 2018-19, 2019-20 and any unrecovered/under-recovered cost prior to the said years are summarized below:

Mln. Rs.

Description	Wire Business	Supply	TOTAL
Staff Retirement Benefit FY 2015-16 to 2019-20	50,651	2,227	52,878
Return on Rate Base (RORB)	5,400	-	5,400
PEPCO Management Fee	610	-	610
PM Assistance Package for families of Govt. employees who die in service	1,670	374	2,045
PPP Adjustments	-	14,106	14,106
TOTAL	58,332	16,707	75,039

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41.2. **The Petitioner regarding provision for staff Retirement Benefits**, has submitted that it is a public limited company incorporated under the repealed companies ordinance, 1984 (Now Companies Act, 2017) and maintaining its Financial Statements under the SECP regulations and International Accounting Standards (IAS) adopted in Pakistan. Similarly Provisions for Post-Retirement Benefits are recognized in line with the requirements of IAS-19 based on third party Actuarial Valuations/ Independent Actuaries. The Authority partially allowed Post Retirement Benefit up-to the extent of actual payment of post-retirement benefits despite the fact that in compliance of Authority directions, the Company established a separate post-retirement benefits Trust Fund and managed to transfer Rs.2,854 million till March 31, 2021 in the Fund, out of the determined Distribution Margin included only the actual payments of post-retirement benefits. On the other hand, the Authority not even allowed the funds actually deposited in post-retirement fund by MEPCO from the already allowed inadequate Distribution Margin. The Petitioner further submitted that the Authority in Para 25.6 and 25.9 of its Distribution Tariff Determination for the FY 2018-19 & FY 2019-20, dated December 24, 2020 that provisions were allowed before FY 2012-13 which were not deposited into the pension fund. In this regard, it is clarified that the amounts allowed at that time in the head of Pay & Allowance were inclusive of Post-Retirement benefits and the same were also inadequate in relation to the actual provisions. The Petitioner provided comparison of actual & determined cost of Pay & Allowances including Retirement Benefits for the FY 2008-09 to FY 2011-12, as under:

Mln. Rs.

Year	Actual			Determined	Less Determined
	Pay & Allowance	Provision for PRB	Total		
2008-09	2,512	931	3,443	3,035	-408
2009-10	2,674	1,759	4,433	3,490	-943
2010-11	3,687	2,009	5,696	4,014	-1,682
2011-12	4,467	2,527	6,994	4,616	-2,378
TOTAL	**13,340**	**7,226**	**20,566**	**15,155**	**-5,411**

41.3. It further submitted that the allowed provisions were even less than the actual payments made for FY 2008-09 to 2011-12 as summarized below:

Mln. Rs.

Year	Actual			Determined	Less Determined
	Pay & Allowance	Provision for PRB	Total		
2008-09	2,512	322	2,834	3,035	201
2009-10	2,674	384	3,058	3,490	432
2010-11	3,687	483	4,170	4,014	-156
2011-12	4,467	629	5,096	4,616	-480
TOTAL	**13,340**	**1,818**	**15,158**	**15,155**	**-3**

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41.4. The above table shows that during FY 2008-09 to FY 2011-12, the amount available for Post-Retirement Benefits was so inadequate to honor even the actual payments of Post-retirement Benefits. Rather the deficit of Rs.3 Million was financed by MEPCO from its own kitty being a compulsory obligation of the company. The above situation give a brief incite to the unavailability of funds to create pension trust fund even before FY 2012-13. The Petitioner has submitted that it suffered a gap of Rs.23,531 million in the actual provisions for post-retirement benefits as per audited Financial Statements and the amount allowed by NEPRA based on the actual payments for the FY 2015-16 till FY 2019-20. The year wise gap is given below:

Mln. Rs.

Year	Actual Provisions	Allowed by NEPRA	Gap
2015-16	7,327	2,134	5,193
2016-17	4,930	2,461	2,469
2017-18	6,550	2,707	3,843
2018-19	8,679	4,232	4,447
2019-20	12,233	4,655	7,578
Total	39,720	16,189	23,531

41.5. It is also obvious that in absence of sufficient funds (provisions not allowed by NEPRA), the Petitioner may not be able to deposit the requisite amounts in Post Retirement Benefit fund. This will further discourage the NEPRA objective that by creating Post Retirement Fund a time will come when the fund will be able to generate sufficient amount in line with the required provisions and due to this the Distribution Margin of the petitioner would eventually be reduced and ultimately the consumer end Tariff will reduce. However, in the present scenario of allowing only actual payments against post-retirement benefits, the said phenomena do not seem practicable. The Authority has already allowed Provisions for Post-Retirement Benefits to 03 DISCOs namely IESCO, LESCO & FESCO operating under MYT regime.

41.6. Foregoing above, the Petitioner has requested the Authority to allow Rs.50,651 million against post-retirement benefits charged during FY 2015-16 to 2019-20, which were less allowed by the Authority.

41.7. **On the issue of PM Assistance Package** for Govt. Employees died during Service, the Petitioner submitted that the same was approved by the BoD MEPCO in its 134th meeting held on 20.03.2018 adopted the Establishment Division's OM and the estimated financial impact of Rs.1,670 million has been requested in the PYA adjustable to actual expenses.

41.8. **The Petitioner also requested Power Purchase Price** adjustments of Rs.14,106 million. The Petitioner stated that the Authority less allowed amount of Rs.437 million in PPP periodic adjustment for the 4th quarter of FY 2019-20. It has also requested to allow Rs.6,809 million and Rs.6,860 million on account of quarterly adjustments for the 1st & 2nd quarters of the FY 2020-21 respectively.

41.9. **Regarding previous years' provision for post-retirement benefits,** the Authority observed that amount of post-retirement benefits was allowed to the Petitioner based on available information at that time and has become a past & closed transaction, for which no adjustment is allowed. Considering the fact that now the Petitioner has been allowed Provision for post-retirement benefits in the MYT Regime, and also the fact that the current adjustment request incorporates substantial increase in power purchase cost, therefore, further adding any such cost in the instant adjustment request would not be in the consumer interest. However, the Authority going forward keeping in view the pension obligation of the Petitioner, amount deposited in the fund and quantum of future tariff increases may allow some additional amounts in this regard for depositing in the fund, in order to protect the financial liabilities of the Pensioners.

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41.10. **Regarding PM assistance package,** the Authority in principle agrees with the request of the Petitioner to allow the Prime Minister Assistance Package as announced by the Federal Government for the families of employees who died during service. However, for the requested amount, the Authority considers that allowing any such costs, upfront would be unfair with the consumers, therefore, the Authority may consider such costs once the actual expenditure is incurred by the Petitioner. Therefore, the Petitioner is required to provide employees name, CNIC number, designation, date of death, along with the financial impact, etc. once the actual payment is made, in its next tariff petition/adjustment request for consideration of the Authority.

41.11. **Regarding adjustment on account of Power Purchase Price,** the Authority noted that while calculating the impact of losses on FCAs for the 4th quarterly adjustment of FY 2019-20, the Petitioner did not correctly account for the monthly FCAs as approved by the Authority for the respective months. Regarding quarterly adjustments for the Q1 and Q2 of FY 2020-21, the Authority observed that the same have already been determined by the Authority and subsequently notified by the Federal Government. Thus, no adjustments on account of PPP variations as claimed by the Petitioner is required.

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

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

41.13. 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.

41.14. The Authority is also cognizant of the fact that for the FY 2020-21, for which the assessment is being made has already lapsed, therefore, while calculating the PYA of the Petitioner, the Authority has also included therein the impact of under/ over recovery of the assessed DM for the FY 2020-21.

41.15. The Authority also noted in the tariff determination of the Petitioner for the FY 2019-20, it directed the Petitioner to provide the details of late payment charges recovered from the consumer and the invoices raised by CPPA-G under the head of mark-up on delayed payments for the period from FY 2014-15 to FY 2019-20.

41.16. The Petitioner during the hearing submitted the following detail in this regard;

Rs. in Mln

FY	LPS recovered	Supplemental Charges
2014-15	1,335	-
2015-16	825	825
2016-17	1,841	-
2017-18	2,087	1,642
2018-19	2,171	2,171
2019-20	1,848	1,848
Total	10,107	6,486

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41.17. From the details submitted by MEPCO in this regard, it is evident that it has recovered LPS of an amount of Rs.3,621 million in excess of supplemental charges billed by CPPA-G to MEPCO from FY 2015-16 to FY 2019-20 worked out on yearly basis, therefore, the Authority in line with its earlier decisions in the matter, has adjusted the excess amount of Rs.3,621 million in the instant determination 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. The Petitioner is hereby directed to provide the detail of LPS recovered viz a viz amount of supplemental charges billed by CPPA-G for the FY 2020-21, with subsequent adjustment/indexation request.

41.18. Based on the discussion made in the preceding paras, the PYA of the Petitioner has been worked out as under;

Rs. Mln

Description	MEPCO
1st & 2nd Qtr. FY 2018-19	
Allowed Amount	34,633
Qtr. Rs./kWh	1.6156
Recovered	36,581
Under/(Over) Recovery	(1,948)
3rd & 4th Qtr. FY 2018-19	
Allowed Amount	5,495
Qtr. Rs./kWh	0.3204
Recovered	5,265
Under/(Over) Recovery	230
Interim D.M FY 2018-19	
Allowed Amount	4,791
Qtr. Rs./kWh	0.2794
Recovered	4,591
Under/(Over) Recovery	200
1st Qtr. FY 2019-20	
Allowed Amount	1,429
Qtr. Rs./kWh	0.0833
Recovered	1,380
Under/(Over) Recovery	49
Distribution Margin FY 2019-20	
Allowed	26,167
Recovered	18,808
Under/(Over) Recovery	7,359
Other Income FY 2019-20	
Allowed	(4,234)
Actual	(5,246)
Under/(Over) Recovery	(1,012)
Sales Mix Variances	
FY 2019-20	(4,773)
	(4,773)
Late Payment Charges in Excess to Supplemental charges FY 2014-15 to FY 2019-20	(3,621)
Distribution Margin FY 2020-21	
Allowed	26,167
Recovered	22,983
Under/(Over) Recovery	3,185
Total Prior Period Adjustment	(332)

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41.19. 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.

41.20. After considering all the aforementioned factors, the Authority observed that the Petitioner has retained a net amount of Rs.2,770 million on account of negative FCA for the FY 2019-20, pertaining to the lifeline consumers, domestic consumers (consuming up-to 300 units) and Agriculture Consumers, which is still lying with 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.

41.21. 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.2,770 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.

41.22. 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.

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

42.1. 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.

42.2. 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;

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42.3. *"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."

42.4. 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.

42.5. 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.

42.6. Here it is pertinent to mention that Rs.210,743 million and Rs.19,335 million is the share of the Petitioner on account of CpGenCap and UoSC (NTDC/ HVDC) & Market Operator Fee respectively for the FY 2022-23. The overall fixed charges comprising of CpGenCap and UoSC (NTDC/HVDC) & Market Operator Fee in the instant case works out as Rs.230,078 million, which translate into Rs.4,321/kW/month based on projected average monthly MDI of the Petitioner. However, Fixed charges being billed to consumers is Rs.440/kW/M, 460/kW/M, and 500/kW/M for different categories based on 50% of the sanctioned load or actual MDI for the month, whichever is higher, which is around 11% of total projected fixed charges to be charged to the Petitioner by CPPA-G.

42.7. 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.

43. <u>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?</u>

43.1. 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. <u>Accordingly, the following changes are being made in the Terms & Conditions of Tariff;</u>

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"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."

44. <u>Electric Vehicle Charging Stations (EVCS)</u>

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

44.2. 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."

44.3. 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.

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

<u>Amendment in Tariff Terms & Conditions</u>

- ✓ 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;

  "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 <u>Rs.50/kWh</u>. 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."

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<u>Addition in Schedule of Tariff</u>

- ✓ 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.

45. <u>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?</u>

45.1. 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, MoIT etc. The Authority noted that proceedings regarding Tariff petitions filed by all XWDISCOs for the FY 2018-19 and FY 2019-20, except GEPCO, have already been completed, therefore, the Authority has decided to consider the request of M/s Telenor as a separate issue during the proceedings for the upcoming tariff Petitions of DISCOs for the FY 2020-21 & onward".

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

45.3. 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

45.4. 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.

45.5. 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.

45.6. 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.

45.7. 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.

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

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

45.9. 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.

45.10. 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.

45.11. 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.

45.12. 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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45.13. 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.

45.14. 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.

46. <u>Whether there should any Fixed Charges on Residential & General Services Consumers, having net metering facility?</u>

46.1. 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.

46.2. 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.

46.3. 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.

47. <u>Upfront Indexation/adjustment for the FY 2021-22 and FY 2022-23</u>

47.1. The Authority also understands that by the time the instant decision is notified, the FY 2021-22 would have elapsed and the FY 2022-23 would have started. Meaning thereby that tariff indexation/adjustment for the FY 2021-22, which ideally should have been allowed in in July 2021 would have become overdue, and the indexation/adjustment for the FY 2022-23 would also have become due. In view thereof, and in order to ensure timely recovery of the allowed cost to the Petitioner, the Authority has decided to allow the indexation/adjustment for the FY 2021-22 and the FY 2022-23, upfront in the instant decision as per the adjustment /indexation mechanism provided in this determination. However, the impact of under/ over recovery due to indexation/ adjustment for the FY 2021-22 would be allowed / adjusted subsequently as part of future PYA.

47.2. Here it is pertinent to mention that indexation/adjustment for the FY 2021-22 and FY 2022-23 has been worked out based on the NCPI for the month of December 2020 and December 2021 respectively, for which the reference NCPI for the month of December 2019 has been used. Thus, for the purpose of filing future indexation/ adjustment requests, the Petitioner shall use the NCPI for the month of December for the respective year.

48. The Authority considers that, after taking into account all the adjustments and assessments, as discussed in the instant determination, if the Petitioner still earns extra profits the same will be shared with the consumers and the Petitioner equally.

49. <u>Order</u>

49.1. In view of the discussion made in preceding paragraphs and accounting for the adjustments discussed above, the revenue requirement of the Petitioner, for the FY 2020-21, FY 2021-22 and FY 2022-23, to the extent of its distribution function is summarized as under;

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Supply of Power (SOP)

Description	Unit	FY 2020-21 SOP	FY 2021-22 SOP	FY 2022-23 SOP
Units Received	[MkWh]	19,570	19,570	21,897
Units Sold	[MkWh]	17,003	17,067	19,195
Units Lost	[MkWh]	2,568	2,503	2,702
Units Lost	[%]	13.12%	12.79%	12.34%
Energy Charge		113,849	113,849	197,666
Capacity Charge		132,654	132,654	210,743
Transmission Charge & Market Operation Fee		7,238	7,238	19,335
Power Purchase Price	[Mln. Rs.]	253,741	253,741	427,744
Wire Business Margin		24,336	28,053	31,126
Power Purchase Price with Wire Business	[Mln. Rs.]	278,077	281,794	458,870
Pay & Allowances		1,833	2,235	2,464
Post Retirement Benefits		1,625	1,788	1,941
Traveling allowance		185	208	226
Other expenses		1,207	1,359	1,476
O&M Cost	[Mln. Rs.]	4,849	5,590	6,107
O.Income		(1,672)	(1,732)	(1,732)
Margin	[Mln. Rs.]	3,177	3,858	4,375
Prior Year Adjustment		(332)	(332)	(332)
Revenue Requirement	[Mln. Rs.]	280,923	285,320	462,913
Average Tariff	[Rs./kWh]			
PPP with Wire Business Cost-Unadj.		14.21	14.40	20.96
PPP with Wire Business Cost-adj.		16.35	16.51	23.91
Distribution/Supply Margin		0.19	0.23	0.23
Distribution/Supply PYA		(0.02)	(0.02)	(0.02)
Average Tariff	[Rs./kWh]	16.52	16.72	24.12

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

Description	ADJUSTMENTS/ INDEXATION	TIME LINES
Power Purchase Price	The Authority, keeping in view of any abnormal changes may review Power Purchase Price references along with any Quarterly adjustment	
Fuel Cost	Monthly, as per the approved mechanism. Impact of FCA on T&D losses would be adjusted on Quarterly basis.	Data to be provided by CPPA (G) by close of the month
Variable O&M	Quarterly, as per the approved Quarterly adjustment mechanism.	Request to be furnished by the Petitioner not later than a period of 07 Days on Quarterly basis.
Capacity Charges	Quarterly, as per the approved Quarterly adjustment mechanism.	Request to be furnished by the Petitioner not later than a period of 07 Days on Quarterly basis.
Transmission /UOSC & MOF Charges	Quarterly, as per the approved Quarterly adjustment mechanism.	Request to be furnished by the Petitioner not later than a period of 07 Days on Quarterly basis.
Margin		
Salaries, Wages & Benefits	Annually as per the mechanism given in the decision	Request to be submitted by Petitioner in February of every year, so that adjustment / indexation for the next year is determined in timely manner.
Post-retirement Benefit		
Other operating expenses		
Depreciation		
Return on Regulatory Asset Base		
Other Income		
Prior Year Adjustment	Annually as per the mechanism given in the decision	
KIBOR	Bi-Annually, as per the decision	
Return on Equity (ROE)	No adjustment allowed over Reference ROE	
Spread	As per the mechanism in the decision	

Ref. NCPI-General of December 2019 i.e. 9.49%

49.3. Multan Electric Power Company Limited (MEPCO), being a distribution licensee, is allowed to charge its consumers, the following "Use of system charge" (UOSC) for the FY 2022-23;

Description	For 132 kV only	For 11 kV only	For both 132kV & 11 kV
Asset Allocation	26.40%	43.70%	70.10%
Level of Losses	1.34%	8.21%	9.44%
UoSC Rs./kWh	0.43	0.78	1.25

49.4. 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,

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

49.6. 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;

49.7. 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

49.8. 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.

49.9. 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.

49.10. The Authority may review the tariff applicable to each class of consumers for rationalization or modification along-with their terms & conditions from time to time as deemed appropriate, to ensure the allowed revenue requirement of the Petitioner.

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

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

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

ii. To ensure proper tagging of its assets and submit compliance report in the matter.

iii. To ensure segment reporting with clear break-up of costs in financial statements for the Distribution and Supply Functions in light of the amended NEPRA Act for the FY 2020-21 & onward.

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

v. To provide details of PEPCO Management Fees, if any, claimed previously so that same could be adjusted in the subsequent tariff adjustment

vi. To provide its working regarding under/over recovery of quarterly adjustment 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.

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

viii. Report be submitted, indicating the current/latest status including but not limited to total number of complaints received, total number of complaints resolved, type of complaints, type of consumers etc. for consideration of the Authority.

ix. To submit the detailed (project wise) report along with its timelines executed and/or to be executed in upcoming years. It is further directed to submit a detailed analysis regarding the benefit accrued (in terms of improvement in AT&C losses) against amounts incurred in previous years.

x. To carry out load shedding in accordance with Rule 4 (f) of Performance Standard (Distribution) Rules, 2005.

xi. To submit the details of system constraints due to which it draws less power as compared to allocated quota.

xii. To submit the details of remedial measures taken by MEPCO for the achievement of performance standards (targets of SAIFI & SAIDI given by the Authority during FY 2019-20) as laid down in NEPRA Performance Standards.

xiii. To provide the project details/investments done along with the impact on system improvement.

xiv. To submit the progress regarding the installation of AMI/AMR meters at the consumer end.

xv. To submit the Progress of installation of ABC cable to control theft of electricity, which is the major source of the increase in transmission and distribution losses.

xvi. To make efforts to maintain the desired level of its performance indicators including SAIFI, SAIDI and allowed targets of T&D losses once achieved up to the mark.

xvii. To achieve the targets as allowed by NEPRA so that progress on the implementation of allowed projects can be monitored effectively.

xviii. 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.

To ensure that amount allowed under each head of investment shall not be used under any other head. The re-appropriation of Authority's allowed investment under different heads by DISCO shall not be acknowledged by the Authority and shall be adjusted accordingly. In case of any deviation under each head of the investment for

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more than 5% in the instant approved investment plans of DISCOs due to any regulatory decisions/interventions/approved plans, DISCOs shall be required to submit additional investment requirements for prior approval of the Authority.

xxi. The HT and LT rehabilitation proposals shall be evaluated on the basis of GIS mapping through ArcGIS and load flow analysis through SynerGee Electric. The HT & LT Plans will be based on of PMS demand forecast and consistent with the STG Plan. The STG plans should be in line with the Transmission System Expansion Plan (TSEP) approved by the Authority from time to time.

xxii. GIS mapping has to be updated periodically after execution of respective HT and LT rehabilitation proposals and network shall be regularly updated for the optimized future investments and avoid equipment failures through prudent and proactive planning practices.

xxiii. 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.

xxiv. The DISCO through Market Implementation & Regulatory Affairs Department (MIRAD) shall prepare and develop the medium-term demand forecast, transmission plans and business plan for submission of the same to the Authority. All other departments of the DISCOs shall be obligated to provide their sub-plans to MIRAD for consolidation.

xxv. 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.

xxvi. 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.

xxvii. 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.

xxviii. MIRAD shall undertake an exercise to identify and accurately use the data of captive consumers in the demand forecasts and ensure better coordination with local agencies/housing colonies/industrial consumers for potential upcoming demand for better and reliable demand forecasts.

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

50.2. The determination of the Authority along-with annexure-I,I-A,II,III,IV,V and A, is hereby intimated to the Federal Government for notification in the official gazette in terms of section 31(7) of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997.

AUTHORITY

2/6/22

Rafique Ahmed Shaikh
Member

Engr. Maqsood Anwar Khan
Member

Tauseef H. Farooqi
Chairman

My additional note is attached herewith.

2/6/22

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Additional Note:

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

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

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

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

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

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

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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.

2/6/22

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02.06.22

Annex-I

FUEL PRICE ADJUSTMENT MECHANISM

Actual variation in fuel cost component against the reference fuel cost component for the corresponding months will be determined according to the following formula

Fuel Price variation = Actual Fuel Cost Component - Reference Fuel Cost Component

Where:

Fuel Price variation is the difference between actual and reference fuel cost component

Actual fuel cost component is the fuel cost component in the pool price on which the DISCOs will be charged by CPPA (G) in a particular month; and

Reference fuel cost component is the fuel cost component for the corresponding month projected for the purpose of tariff determination as per Annex-IV of the determination;

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

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Annex-I-A

QUARTERLY ADJUSTMENT MECHANISM

Quarterly adjustment shall be the Actual variation in Power Purchase Price (PPP), excluding Fuel Cost Component, against the reference Power Purchase Price component and the impact of T&D losses on FCA, for the corresponding months and shall be determined according to the following formula;

Quarterly $PPP_{(Adj)}$ = $PPP_{(Actual)}$ (excluding Fuel cost)-$PPP_{(Recovered)}$ (excluding Fuel cost)

Where;

$PPP_{(Actual)}$ is the actual cost, excluding Fuel cost, invoiced by CPPA-G to XWDISCOs, adjusted for any cost disallowed by the Authority.

$PPP_{(Recovered)}$ is the amount recovered based on reference rate in Rs./kWh, excluding fuel cost, as per the Annex-IV of the XWDISCOs determination that remained notified during the period.

Impact of T&D losses on FCA

= Monthly FCA $\text{allowed}_{(Rs./kWh)}$ x Actual units Purchase x % T&D losses

Where;

Monthly FCA allowed $_{(Rs./kWh)}$ is the FCA allowed by the Authority for the respective months of the concerned period.

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

The sum of amounts so worked for each month of the Quarter shall be divided by the Projected units to be sold as determined by the Authority to work out Rs./kWh Quarterly adjustment.

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Multan Electric Power Company (MEPCO)
Estimated Sales Revenue on the Basis of New Tariff

Description	Sales		Revenue			Base Tariff		PYA 2021		Total Tariff	
	GWh	% Mix	Fixed Charge	Variable Charge	Total	Fixed Charge	Variable Charge	Amount	Variable Charge	Fixed Charge	Variable Charge
				Mln. Rs.		Rs./kW/ M	Rs./ kWh	Mln. Rs.	Rs./ kWh	Rs./kW/ M	Rs./ kWh
Residential											
For peak load requirement less than 5 kW											
Protected											
Up to 50 Units - Life Line	78	0.40%	-	388	388		5.00				5.00
51-100 units - Life Line	59	0.31%		927	927		18.59	-			18.59
01-100 Units	2281	11.88%	-	42,399	42,399		18.59	-			18.59
101-200 Units	525	2.73%	-	10,808	10,808		20.59	-			20.59
Un-Protected											
01-100 Units	633	3.30%		13,435	13,435		18.59	(19)	(0.03)		18.56
101-200 Units	1434	7.47%		34,988	34,988		20.59	(29)	(0.02)		20.57
201-300 Units	2583	13.46%	-	64,354	64,354		24.91	(52)	(0.02)		24.89
301-400 Units	1327	6.91%	-	34,700	34,700		26.15	(27)	(0.02)		26.13
401-500 Units	652	3.40%		17,344	17,344		26.15	(13)	(0.02)		26.13
501-600 Units	358	1.86%		9,869	9,869		26.15	(7)	(0.02)		26.13
601-700Units	222	1.15%		6,333	6,333		26.15	(4)	(0.02)		26.13
Above 700 Units	510	2.65%	-	15,080	15,080		29.59	(10)	(0.02)		29.57
For peak load requirement exceeding 5 kW)	0										
Time of Use (TOU) - Peak	24	0.12%	-	678	678		28.59	(0)	(0.02)		28.57
Time of Use (TOU) - Off-Peak	112	0.58%	-	2,371	2,371		21.21	(2)	(0.02)		21.19
Temporary Supply	1	0.00%	-	24	24		29.59	(0)	(0.02)		29.57
Total Residential	**10,798**	**56.25%**	-	**253,696**	**253,696**			**(163)**			
Commercial - A2											
For peak load requirement less than 5 kW	574	2.99%	-	14,685	14,685		25.57	(11)	(0.02)		25.55
For peak load requirement exceeding 5 kW											
Regular	0	0.00%	1	5	6	500	23.59	(0)	(0.02)	500	23.57
Time of Use (TOU) - Peak	91	0.48%	-	2,614	2,614		28.59	(2)	(0.02)		28.57
Time of Use (TOU) - Off-Peak	402	2.10%	1,330	9,047	10,377	500	22.49	(8)	(0.02)	500	22.47
Temporary Supply	9	0.05%	-	241	241		25.57	(0)	(0.02)		25.55
Electric Vehicle Charging Station	0	0.00%	-	5	5		25.00	(0)	(0.02)		24.98
Total Commercial	**1,078**	**5.61%**	**1,331**	**26,596**	**27,927**			**(22)**			
General Services-A3	**325**	**1.69%**	-	**8,343**	**8,343**		**25.65**	**(7)**	**(0.02)**		**25.63**
Industrial											
B1	38	0.20%	-	936	936		24.57	(1)	(0.02)		24.55
B1 Peak	48	0.25%	-	1,355	1,355		28.46	(1)	(0.02)		28.44
B1 Off Peak	336	1.75%	-	7,505	7,505		22.36	(7)	(0.02)		22.34
B2	0	0.00%	0	1	1	500	24.46	(0)	(0.02)	500	24.44
B2 - TOU (Peak)	170	0.88%	-	4,828	4,828		28.46	(3)	(0.02)		28.44
B2 - TOU (Off-peak)	1081	5.63%	3,979	23,632	27,611	500	21.86	(22)	(0.02)	500	21.84
B3 - TOU (Peak)	185	0.96%	-	5,268	5,268		28.46	(4)	(0.02)		28.44
B3 - TOU (Off-peak)	948	4.94%	1,717	22,051	23,768	460	23.26	(19)	(0.02)	460	23.24
B4 - TOU (Peak)	56	0.29%		1,591	1,591		28.46	(1)	(0.02)		28.44
B4 - TOU (Off-peak)	283	1.47%	250	6,516	6,766	440	23.06	(6)	(0.02)	440	23.04
Temporary Supply	0	0.00%	-	2	2		27.46	(0)	(0.02)		27.44
Total Industrial	**3,144**	**16.38%**	**5,946**	**73,684**	**79,630**			**(63)**			
Single Point Supply											
C1(a) Supply at 400 Volts-less than 5 kW	0	0.00%	-	0	0		25.20	(0)	(0.02)		25.18
C1(b) Supply at 400 Volts-exceeding 5 kW	1	0.01%	1	34	36	500	25.00	(0)	(0.02)	500	24.98
Time of Use (TOU) - Peak	8	0.04%	-	217	217		28.59	(0)	(0.02)		28.57
Time of Use (TOU) - Off-Peak	40	0.21%	76	872	948	500	21.99	(1)	(0.02)	500	21.97
C2 Supply at 11 kV	1	0.00%	1	21	22	460	24.90	(0)	(0.02)	500	24.88
Time of Use (TOU) - Peak	36	0.19%	-	1,029	1,029		28.59	(1)	(0.02)		28.57
Time of Use (TOU) - Off-Peak	174	0.91%	264	4,066	4,330	460	23.39	(3)	(0.02)	460	23.37
C3 Supply above 11 kV	2	0.01%	-	44	44	440	24.79	(0)	(0.02)	440	24.77
Time of Use (TOU) - Peak	7	0.04%	-	200	200		28.59	(0)	(0.02)		28.57
Time of Use (TOU) - Off-Peak	35	0.18%	47	805	852	440	23.19	(1)	(0.02)	440	23.17
Total Single Point Supply	**303**	**1.58%**	**389**	**7,288**	**7,678**			**(6)**			
Agricultural Tube-wells - Tariff D											
Scarp	0	0.00%	-	1	1		25.20	(0)	(0.02)		25.18
Time of Use (TOU) - Peak	2	0.01%	-	58	58		28.59	(0)	(0.02)		28.57
Time of Use (TOU) - Off-Peak	34	0.18%	21	753	773	200	21.99	(1)	(0.02)	200	21.97
Agricultual Tube-wells	1	0.00%	3	15	19	200	25.20	(0)	(0.02)	200	25.18
Time of Use (TOU) - Peak	521	2.71%	-	14,894	14,894		28.59	(10)	(0.02)		28.57
Time of Use (TOU) - Off-Peak	2960	15.42%	4,282	65,101	69,384	200	21.99	(59)	(0.02)	200	21.97
Total Agricultural	**3,518**	**18.33%**	**4,306**	**80,823**	**85,129**			**(70)**			
Public Lighting - Tariff G	22	0.11%	-	636	636		28.89	(0)	(0.02)		28.87
Residential Colonies	7	0.04%	-	200	200		29.19	(0)	(0.02)		29.17
Railway Traction	0	0.00%	-	6	6		29.19	(0)	(0.02)		29.17
Grand Total	**19,195**	**100.00%**	**11,973**	**451,271**	**463,244**			**(331)**			

Note: The PYA 2021 column shall cease to exist after 1 year of notification of the instant decision.

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SCHEDULE OF ELECTRICITY TARIFFS
FOR MULTAN ELECTRIC POWER COMPANY (MEPCO)

A-1 GENERAL SUPPLY TARIFF - RESIDENTIAL

	Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh		PYA 2021 Rs/kWh		Total Variable Charges Rs/kWh	
			A	B		C		D	
	a)	For Sanctioned load less than 5 kW							
Protected	i	Up to 50 Units - Life Line	-	5.00		-		5.00	
Protected	ii	51 - 100 Units - Life Line	-	18.59		-		18.59	
Protected	iii	001 - 100 Units	-	18.59		-		18.59	
Protected	iv	101 - 200 Units	-	20.59		-		20.59	
Un-Protected	v	001 - 100 Units	-	18.59		(0.03)		18.56	
Un-Protected	vi	101 - 200 Units	-	20.59		(0.02)		20.57	
Un-Protected	iv	201 - 300 Units	-	24.91		(0.02)		24.89	
Un-Protected	viii	301 - 400 Units	-	26.15		(0.02)		26.13	
Un-Protected	ix	401 - 500 Units	-	26.15		(0.02)		26.13	
Un-Protected	x	501 - 600 Units	-	26.15		(0.02)		26.13	
Un-Protected	xi	601 - 700 Units	-	26.15		(0.02)		26.13	
Un-Protected	vi	Above 700 Units	-	29.59		(0.02)		29.57	
	b)	For Sanctioned load 5 kW & above		Peak	Off-Peak	Peak	Off-Peak	Peak	Off-Peak
		Time Of Use	-	28.59	21.21	(0.02)	(0.02)	28.57	21.19

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

As per Authority's decision, residential life line consumer will not be given any slab benefit.
Under tariff A-1, there shall be minimum monthly customer charge at the following rates even if no energy is consumed.

a) Single Phase Connections: Rs. 75/- per consumer per month
b) Three Phase Connections: Rs. 150/- per consumer per month

A-2 GENERAL SUPPLY TARIFF - COMMERCIAL

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh		PYA 2021 Rs/kWh		Total Variable Charges Rs/kWh	
		A	B		C		D	
a)	For Sanctioned load less than 5 kW		25.57		(0.02)		25.55	
b)	For Sanctioned load 5 kW & above	500.00	23.59		(0.02)		23.57	
			Peak	Off-Peak	Peak	Off-Peak	Peak	Off-Peak
c)	Time Of Use	500.00	28.59	22.49	(0.02)	(0.02)	28.57	22.47
d)	Electric Vehicle Charging Station		25.00		(0.02)		24.98	

Under tariff A-2 (a), there shall be minimum monthly charges at the following rates even if no energy is consumed.
a) Single Phase Connections; Rs. 175/- per consumer per month

Fixed Charges shall be billed based on 50% of sanctioned Load or Actual MDI for the month which ever is higher. In such case there would be no minimum monthly charges even if no energy is consumed.

A-3 GENERAL SERVICES

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	PYA 2021 Rs/kWh	Total Variable Charges Rs/kWh
		A	B	C	D
a)	General Services	-	25.65	(0.02)	25.63

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

a) Single Phase Connections; Rs. 175/- per consumer per month

b) Three Phase Connections: Rs. 175/- per consumer per month

B INDUSTRIAL SUPPLY TARIFFS

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh		PYA 2021 Rs/kWh		Total Variable Charges Rs/kWh	
		A	B		F		D	
B1	Upto 25 kW (at 400/230 Volts)	-	24.57		(0.02)		24.55	
B2(a)	exceeding 25-500 kW (at 400 Volts)	500.00	24.46		(0.02)		24.44	
	Time Of Use		Peak	Off-Peak	Peak	Off-Peak	Peak	Off-Peak
B1 (b)	Up to 25 KW		28.46	22.36	(0.02)	(0.02)	28.44	22.34
B2(b)	exceeding 25-500 kW (at 400 Volts)	500.00	28.46	21.86	(0.02)	(0.02)	28.44	21.84
B3	For All Loads up to 5000 kW (at 11,33 kV)	460.00	28.46	23.26	(0.02)	(0.02)	28.44	23.24
B4	For All Loads (at 66,132 kV & above)	440.00	28.46	23.06	(0.02)	(0.02)	28.44	23.04

For B1 & B1(b) consumers there shall be a fixed minimum charge of Rs. 350 per month.
Fixed Charges shall be billed based on 50% of sanctioned Load or Actual MDI for the month which ever is higher. In such case there would be no minimum monthly charges even if no energy is consumed.

C - SINGLE-POINT SUPPLY

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh		PYA 2021 Rs/kWh		Total Variable Charges Rs/kWh	
		A	B		C		D	
C -1	For supply at 400/230 Volts							
a)	Sanctioned load less than 5 kW	-	25.20		(0.02)		25.18	
b)	Sanctioned load 5 kW & up to 500 kW	500.00	25.00		(0.02)		24.98	
C -2(a)	For supply at 11,33 kV up to and including 5000 kW	460.00	24.90		(0.02)		24.88	
C -3(a)	For supply at 66 kV & above and sanctioned load above 5000 kW	440.00	24.79		(0.02)		24.77	
	Time Of Use		Peak	Off-Peak	Peak	Off-Peak	Peak	Off-Peak
C -1(c)	For supply at 400/230 Volts 5 kW & up to 500 kW	500.00	28.59	21.99	(0.02)	(0.02)	28.57	21.97
C -2(b)	For supply at 11,33 kV up to and including 5000 kW	460.00	28.59	23.39	(0.02)	(0.02)	28.57	23.37
C -3(b)	For supply at 66 kV & above and sanctioned load above 5000 kW	440.00	28.59	23.19	(0.02)	(0.02)	28.57	23.17

Fixed Charges shall be billed based on 50% of sanctioned Load or Actual MDI for the month which ever is higher.

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SCHEDULE OF ELECTRICITY TARIFFS
FOR MULTAN ELECTRIC POWER COMPANY (MEPCO)

D - AGRICULTURE TARIFF

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh		PYA 2021 Rs/kWh		Total Variable Charges Rs/kWh	
		A	B		C		D	
D-1(a)	SCARP less than 5 kW	-	25.20		(0.02)		25.18	
D-2 (a)	Agricultural Tube Wells	200.00	25.20		(0.02)		25.18	
			Peak	Off-Peak	Peak	Off-Peak	Peak	Off-Peak
D-1(b)	SCARP 5 kW & above	200.00	28.59	21.99	(0.02)	(0.02)	28.57	21.97
D-2 (b)	Agricultural 5 kW & above	200.00	28.59	21.99	(0.02)	(0.02)	28.57	21.97

Under this tariff, there shall be minimum monthly charges Rs.2000/- per consumer per month, even if no energy is consumed.
Note:- The consumers having sanctioned load less than 5 kW can opt for TOU metering.

E - TEMPORARY SUPPLY TARIFFS

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	PYA 2021 Rs/kWh	Total Variable Charges Rs/kWh
		A	B	C	D
E-1(i)	Residential Supply	-	29.59	(0.02)	29.57
E-1(ii)	Commercial Supply	-	25.57	(0.02)	25.55
E-2	Industrial Supply	-	27.46	(0.02)	27.44

For the categories of E-1(i&ii) above, the minimum bill of the consumers shall be Rs. 50/- per day subject to a minimum of Rs.500/- for the entire period of supply, even if no energy is consumed.

F - SEASONAL INDUSTRIAL SUPPLY TARIFF

125% of relevant industrial tariff

Note: Tariff-F consumers will have the option to convert to Regular Tariff and vice versa. This option can be exercised at the time of a new connection or at the beginning of the season. Once exercised , the option remains in force for at least one year.

G- PUBLIC LIGHTING

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	PYA 2021 Rs/kWh	Total Variable Charges Rs/kWh
		A	B	C	D
	Street Lighting	-	28.89	(0.02)	28.87

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

H - RESIDENTIAL COLONIES ATTACHED TO INDUSTRIAL PREMISES

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	PYA 2021 Rs/kWh	Total Variable Charges Rs/kWh
		A	B	C	D
	Residential Colonies attached to industrial premises	-	29.19	(0.02)	29.17

H -RAILWAY TRACTION

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	PYA 2021 Rs/kWh	Total Variable Charges Rs/kWh
		A	B	C	D
	Railway Traction	-	29.19	(0.02)	29.17

Note: The PYA 2021 column shall cease to exist after One (01) year of notification of the instant decision.

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Description	July	August	September	October	November	December	January	February	March	April	May	June	Total
Units Purchased by DISCOs (GWh)	2,644	2,835	2,335	1,687	1,034	1,015	1,084	1,052	1,486	1,857	2,428	2,440	21,897

Rs./kWh

Fuel Cost Component	9.7441	9.8934	9.9114	9.1705	6.0762	9.3193	10.5541	7.2120	8.7122	8.3875	7.8281	7.5084	8.8160
Variable O&M	0.2198	0.2179	0.2288	0.2350	0.1599	0.2032	0.2433	0.1906	0.1935	0.2069	0.2031	0.2013	0.2110
Capacity	6.4949	5.9038	7.1589	9.9110	15.3605	14.2972	14.8632	15.9109	11.6071	10.9912	8.9533	8.5064	9.6243
UoSC	0.7013	0.6329	0.7451	0.9631	1.3445	1.2518	1.3303	1.3295	1.0800	0.8681	0.7530	0.7277	0.8830
Total PPP in Rs./kWh	17.1600	16.6480	18.0442	20.2796	22.9411	25.0715	26.9910	24.6430	21.5928	20.4537	17.7375	16.9437	19.5343

Rs. in million

Fuel Cost Component	25,762	28,051	23,141	15,469	6,281	9,459	11,444	7,589	12,946	15,572	19,008	18,322	193,045
Variable O&M	581	618	534	396	165	206	264	201	287	384	493	491	4,621
Capacity	17,172	16,740	16,715	16,719	15,878	14,511	16,117	16,742	17,247	20,406	21,740	20,757	210,743
UoSC	1,854	1,794	1,740	1,625	1,390	1,271	1,443	1,399	1,605	1,612	1,829	1,776	19,335
Total PPP in Rs./kWh	45,369	47,203	42,130	34,209	23,715	25,446	29,267	25,930	32,085	37,975	43,070	41,345	427,744

It is clarified that PPP is pass through for all the DISCOs and its monthly references would continue to exist irrespective of the financial year, unless the new SOT is revised and notified by the GoP

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Annex-V

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

PART-I

GENERAL DEFINITIONS

The Company, for the purposes of these terms and conditions means Multan Electric Power Company (MEPCO) engaged in the business of distribution/supply of electricity within the territory mentioned in the licence granted to it for this purpose.

1. "Month or Billing Period", unless otherwise defined for any particular tariff category, means a billing month of 30 days or less reckoned from the date of last meter reading.
2. "Minimum Charge", means a charge to recover the costs for providing customer service to consumers even if no energy is consumed during the month.
3. "Fixed Charge" means the part of sale rate in a two-part tariff to be recovered on the basis of "Billing Demand" in kilowatt on monthly basis.
4. "Billing Demand" means the 50% of the sanction load or Actual maximum demand recorded in a month, whichever is higher, except in the case of agriculture tariff D2 where "Billing Demand" shall mean the sanctioned load.
5. "Variable Charge" means the sale rate per kilowatt-hour (kWh) as a single rate or part of a two-part tariff applicable to the actual kWh consumed by the consumer during a billing period.
6. "Maximum Demand" where applicable, means the maximum of the demand obtained in any month measured over successive periods each of 30 minutes' duration except in the case of consumption related to Arc Furnaces, where "Maximum Demand" shall mean the maximum of the demand obtained in any month measured over successive periods each of 15 minutes' duration.
7. "Sanctioned Load" where applicable means the load in kilowatt as applied for by the consumer and allowed/authorized by the Company for usage by the consumer.
8. "Power Factor" means the ratio of kWh to KVAh recorded during the month or the ratio of kWh to the square root of sum of square of kWh and kVARh,.
9. Point of supply means metering point where electricity is delivered to the consumer.
10. Peak and Off Peak hours for the application of Time Of Use (TOU) Tariff shall be the following time periods in a day:

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

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

11. "Supply", means the supply for single-phase/three-phase appliances inclusive of both general and motive loads subject to the conditions that in case of connected or sanctioned load 5 kW and above supply shall be given at three-phase.
12. "Consumer" as defined in NEPRA Act.

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13. “Charitable Institution” means an institution, which works for the general welfare of the public on no profit basis and is registered with the Federal or Provincial Government as such and has been issued tax exemption certificate by Federal Board of Revenue (FBR).

14. NTDC means the National Transmission and Despatch Company.

15. CPPA(G) means Central Power Purchasing Agency Guarantee Limited (CPPA)(G).

16. The “Authority” means “The National Electric Power Regulatory Authority (NEPRA)” constituted under the Regulation of Generation, Transmission and Distribution of Electric Power Act.

GENERAL CONDITIONS

1. “The Company shall render bills to the consumers on a monthly basis or less on the specific request of a consumer for payment by the due date.

2. The Company shall ensure that bills are delivered to consumers at least seven days before the due date. If any bill is not paid by the consumer in full within the due date, a Late Payment Charge of 10% (ten percent) shall be levied on the amount billed excluding Govt. tax and duties etc. In case bill is not served at least seven days before the due date then late payment surcharge will be levied after 7th day from the date of delivery of bill.

3. The supply provided to the consumers shall not be available for resale.

4. In the case of two-part tariff average Power Factor of a consumer at the point of supply shall not be less than 90%. In the event of the said Power factor falling below 90%, the consumer shall pay a penalty of two percent increase in the fixed charges determined with reference to maximum demand during the month corresponding to one percent decrease in the power factor below 90%.

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PART-II

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

A-1 RESIDENTIAL

Definition

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

The lifeline consumers to include residential Non-Time of Use (Non-ToU) consumers having maximum of last twelve months and current month's consumption $\leq$100 units; two rates for $\leq$ 50 and $\leq$100 units will continue.

"Protected consumers" mean Non-ToU residential consumers consuming $\leq$ 200 kWh per month consistently for the past 6 months.

Residential Non-ToU consumers not falling under the protected category would be categorized under "Un-protected consumer category".

1. This Tariff is applicable for supply to;
   i) Residences,
   ii) Places of worship,
2. Consumers having sanctioned load less than 5 kW shall be billed on single-part kWh rate i.e. A-1(a) tariff.
3. All new consumers having sanctioned load 5 kW and above shall be provided T.O.U metering arrangement and shall be billed on the basis of tariff A-l(b) as set out in the Schedule of Tariff.
4. All existing consumers having sanctioned load 5 kW and above shall be provided T.O.U metering arrangement and converted to A- 1(b) Tariff by the Company.

A-2 COMMERCIAL

1. This tariff is applicable for supply to commercial offices and commercial establishments such as:
   i) Shops/Flower Nurseries/Cold Storage
   ii) Hotels, Hostels and Restaurants,
   iii) Petrol Pumps and Service Stations,
   iv) Compressed Natural Gas filling stations,
   v) Private Hospitals/Clinics/Dispensaries,
   vi) Places of Entertainment, Cinemas, Theaters, Clubs;
   vii) Guest Houses/Rest Houses,
   viii) Office of Lawyers, Solicitors, Law Associates and Consultants etc.
   ix) Electric Vehicle Charging Stations (EVCS)
2. 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.

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3. 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.
4. Consumers under tariff A-2 having sanctioned load of less than 5 kW shall be billed under a Single-Part kWh rate A-2(a)
5. All existing consumers under tariff A-2 having sanctioned load 5 kW and above shall be billed on A-2(b) tariff till such time that they are provided T.O.U metering arrangement; thereafter such consumers shall be billed on T.O.U tariff A-2(c).
6. The existing and prospective consumers having load of 5 kW and above shall be provided T.O.U metering arrangement and shall be billed under tariff A-2(c).

A-3 GENERAL SERVICES

1. This tariff is applicable to;

i. Approved religious and charitable institutions

ii. Government and Semi-Government offices and Institutions

iii. Government Hospitals and dispensaries

iv. Educational institutions

v. Water Supply schemes including water pumps and tube wells other than those meant for the irrigation or reclamation of Agriculture land.

Consumers under General Services (A-3) shall be billed on single-part kWh rate i.e. A-3(a) tariff.

B INDUSTRIAL SUPPLY

Definitions

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

   i) Poultry Farms

   ii) Fish Hatcheries, fish farms, fish nurseries & Breeding Farms and

   iii) Software houses

Conditions

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

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

1. This tariff is applicable for supply to Industries having sanctioned load upto 25 kW.
2. Consumers having sanctioned load upto 25 kW shall be billed on single-part kWh rate.
3. Consumers under tariff B-1 having sanctioned load of less than 5 kW shall be billed under a Single-Part kWh rate. However, B-1 consumers having sanctioned load of less than 5 kW may opt for ToU meter
4. The existing and prospective consumers having load of 5 kW and above shall be provided T.O.U metering arrangement and shall be billed under tariff B1(b).

B-2 SUPPLY AT 400 VOLTS

1. This tariff is applicable for supply to Industries having sanctioned load of more than 25 kW up to and including 500 kW.
2. All existing consumers under tariff B-2 shall be provided T.O.U metering arrangement by the Company and converted to B-2(b) Tariff.
3. All new applicants i.e. prospective consumers applying for service to the Company shall be provided T.O.U metering arrangement and charged according to the applicable T.O.U tariff.

B-3 SUPPLY AT 11 kV AND 33 kV

1. This tariff is applicable for supply to Industries having sanctioned load of more than 500 kW up to and including 5 MW and also for Industries having sanctioned load of 500 kW or below who opt for receiving supply at 11 kV or 33 kV.
2. The consumers may be allowed extension of load beyond 5MW upto 7.5MW from the DISCO's owned grid station subject to availability of load in the grid and capacity in the 11kV existing dedicated feeder. In such a case the consumer will bear 100% grid sharing charges including transmission line charges and 100% cost of land proportionate to load. However, only such consumers be allowed extension of load beyond 5MW upto 7.5MW whose connection is at least three (3) years old. 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.
3. If, for any reason, the meter reading date of a consumer is altered and the acceleration/retardation in the date is up to 4 days, no notice shall be taken of this acceleration or retardation. But if the date is accelerated or retarded by more than 4 days, the fixed charges shall be assessed on proportionate basis for the actual number of days between the date of the old reading and the new reading.
4. The supply under this Tariff shall not be available to a prospective consumer unless he provides, to the satisfaction and approval of the Company, his own Transformer, Circuit Breakers and other necessary equipment as part of the dedicated distribution system for receiving and controlling the supply, or, alternatively pays to the Company for all apparatus and equipment if so provided and installed by the Company. The recovery of the cost of service connection shall be regulated by the Eligibility Criteria laid down by the Authority read with Consumer Service Manual (CSM).
5. All B-3 Industrial Consumers shall be billed on the basis of T.O.U tariff given in the Schedule of Tariff.

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

This tariff is applicable for supply to Industries for all loads of more than 5MW receiving supply at 66 kV, 132 kV and above and also for Industries having load of 5MW or below who opt to receive supply at 66 kV or 132 kV and above.

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

C BULK SUPPLY

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

General Conditions

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

C-I SUPPLY AT 400/230 VOLTS

1. This Tariff is applicable to a consumer having a metering arrangement at 400 volts, having sanctioned load of up to and including 500 kW.
2. Consumers having sanctioned load less than 5 kW shall be billed on single-part kWh rate i.e. C-I(a) tariff.
3. All new consumers having sanctioned load 5 kW and above shall be provided T.O.U metering arrangement and shall be billed on the basis of Time-of-Use (T.O.U) tariff C-1(c) given in the Schedule of Tariff.
4. All the existing consumers governed by this tariff having sanctioned load 5 kW and above shall be provided T.O.U metering arrangements.

C-2 SUPPLY AT 11 kV AND 33 kV

1. This tariff is applicable to consumers receiving supply at 11 kV or 33 kV at one-point metering arrangement and having sanctioned load of more than 500 kW up to and including 5 MW.
2. The consumers may be allowed extension of load beyond 5MW upto 7.5MW from the DISCO's owned grid station subject to availability of load in the grid and capacity in the 11kV existing dedicated feeder. In such a case the consumer will bear 100% grid sharing charges including transmission line charges and 100% cost of land proportionate to load. However, only such consumers be allowed extension of load beyond 5MW upto 7.5MW whose connection is at least three (3) years old. While allowing extension in load, the

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DISCOs shall ensure that no additional line losses are incurred and additional loss, if any, shall be borne by the respective consumers.

3. The supply under this Tariff shall not be available to a prospective consumer unless he provides, to the satisfaction and approval of the Company, his own Transformer, Circuit Breakers and other necessary equipment as part of the dedicated distribution system for receiving and controlling the supply, or, alternatively pays to the Company for all apparatus and equipment if so provided and installed by the Company. The recovery of the cost of service connection shall be regulated by the Eligibility Criteria laid down by the Authority read with CSM.
4. All new consumers shall be provided TOU metering arrangement and shall be billed on the basis of tariff C-2(b) as set out in the Schedule of Tariff.
5. Existing consumers governed by this tariff shall be provided with T.O.U metering arrangement and converted to C-2(b).

C-3 SUPPLY AT 66 kV AND ABOVE

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

D AGRICULTURAL SUPPLY

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

Special Conditions of Supply

1. This tariff shall apply to:
   i) Reclamation and Drainage Operation under Salinity Control and Reclamation Projects (SCARP):
   ii) Bona fide forests, agricultural tube-wells and lift irrigation pumps for the irrigation of agricultural land.
   iii) Tube-wells meant for aqua-culture.
   iv) Tube-wells installed in a dairy farm meant for cultivating crops as fodder and for upkeep of cattle.
2. If, for any reason, the meter reading date of a consumer is altered and the acceleration/retardation in the date is up to 4 days, no notice shall be taken of this

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acceleration or retardation. But if the date is accelerated or retarded by more than 4 days, the fixed charges shall be assessed on proportionate basis for the actual number of days between the date of the old reading and the new reading.

3. The lamps and fans consumption in the residential quarters, if any, attached to the tube-wells shall be charged entirely under Tariff A-1 for which separate metering arrangements should be installed.
4. The supply under this Tariff shall not be available to consumer using pumps for the irrigation of parks, meadows, gardens, orchards, attached to and forming part of the residential, commercial or industrial premises in which case the corresponding Tariff A-1, A-2 or Industrial Tariff B-1, B-2 shall be respectively applicable.

D-1

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

D-2

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

E -1 TEMPORARY RESIDENTIAL/COMMERCIAL SUPPLY

Temporary Residential/Commercial Supply means a supply given to persons temporarily on special occasions such as ceremonial, religious gatherings, festivals, fairs, exhibitions, political gathering, marriages and other civil or military functions. This also includes supply to touring cinemas and persons engaged in construction of house/buildings/plazas of single phase loads. A temporary electric power supply connection for the construction shall be provided by Distribution company initially for a period of six months which is further extendable on three month basis up to completion of the specific job/project for which the temporary connection was obtained. However, there is no minimum time period for provision of temporary connection. The temporary connection for illumination, lighting, weddings, festivals, functions, exhibitions, political gatherings or national and religious ceremonies, civil or military functions etc., testing of industrial equipment or any other emergent requirement of temporary nature, can be provided for specific time period not exceeding two weeks. The sanctioning officer shall ensure that the temporary connection will be utilized for temporary purpose only.

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Special Conditions of Supply

1. This tariff shall apply to Residential and Commercial consumers for temporary supply.

2. Ordinarily the supply under this Tariff shall not be given by the Company without first obtaining security equal to the anticipated supply charges and other miscellaneous charges for the period of temporary supply.

E -2 TEMPORARY INDUSTRIAL SUPPLY

"Temporary Industrial Supply" means the supply given to an Industry for the bonafide purposes mentioned under the respective definitions of "Industrial Supply", during the construction phase prior to the commercial operation of the Industrial concern.

SPECIAL CONDITIONS OF SUPPLY

1. Ordinarily the supply under this Tariff shall not be given by the Company without first obtaining security equal to the anticipated supply charges and other miscellaneous charges for the period of temporary supply.
2. Normally, temporary connections shall be allowed for a period of 3 months, which may be extended on three months basis subject to clearance of outstanding dues.

F SEASONAL INDUSTRIAL SUPPLY

"Seasonal Industry" for the purpose of application of this Tariff, means an industry which works only for part of the year to meet demand for goods or services arising during a particular season of the year. However, any seasonal industry running in combination with one or more seasonal industries, against one connection, in a manner that the former works in one season while the latter works in the other season (thus running throughout the year) will not be classified as a seasonal industry for the purpose of the application of this Tariff.

Definitions

"Year" means any period comprising twelve consecutive months.

1. All "Definitions" and "Special Conditions of Supply" as laid down under the corresponding Industrial Tariffs shall also form part of this Tariff so far as they may be relevant.

Special Conditions of Supply

1. This tariff is applicable to seasonal industry.
2. Fixed Charges per kilowatt per month under this tariff shall be levied at the rate of 125% of the corresponding regular Industrial Supply Tariff Rates and shall be recovered only for the period that the seasonal industry actually runs subject to minimum period of six consecutive months during any twelve consecutive months. The condition for recovery of Fixed Charges for a minimum period of six months shall not, however, apply to the seasonal industries, which are connected to the Company's Supply System for the first time during the course of a season.
3. The consumers falling within the purview of this Tariff shall have the option to change over to the corresponding industrial Supply Tariff, provided they undertake to abide by all the conditions and restrictions, which may, from time to time, be prescribed as an integral part of those Tariffs. The consumers under this Tariff will have the option to convert to Regular Tariff and vice versa. This option can be exercised at the time of obtaining a new connection or at the beginning of the season. Once exercised, the option will remain in force for at least one year.
4. All seasonal loads shall be disconnected from the Company's Supply System at the end of the season, specified by the consumer at the time of getting connection, for which the supply is given. In case, however, a consumer requires running the non-seasonal part of his load (e.g., lights, fans, tube-wells, etc.) throughout the year, he shall have to bring out

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separate circuits for such load so as to enable installation of separate meters for each type of load and charging the same at the relevant Tariff.

5. Where a "Seasonal Supply" consumer does not come forward to have his seasonal industry re-connected with the Company's Supply System in any ensuing season, the service line and equipment belonging to the Company and installed at his premises shall be removed after expiry of 60 days of the date of commencement of season previously specified by the consumer at the time of his obtaining new connection/re-connection. However, at least ten clear days notice in writing under registered post shall be necessary to be given to the consumer before removal of service line and equipment from his premises as aforesaid, to enable him to decide about the retention of connection or otherwise. No Supply Charges shall be recovered from a disconnected seasonal consumer for any season during which he does not come forward to have his seasonal industry re-connected with the Company's Supply System.

G PUBLIC LIGHTING SUPPLY

"Public Lighting Supply" means the supply for the purpose of illuminating public lamps. The supply under this tariff shall also be applicable for lamps used in public playgrounds and public parks.

Definitions

"Month" means a calendar month or a part thereof in excess of 15 days.

Special Conditions of Supply

The supply under this Tariff shall be used exclusively for public lighting installed on roads or premises used by General Public.

H RESIDENTIAL COLONIES ATTACHED TO INDUSTRIES

This tariff is applicable for one-point supply to residential colonies attached to the industrial supply consumers having their own distribution facilities.

Definitions

"One Point Supply" for the purpose of this Tariff, means the supply given by one point to Industrial Supply Consumers for general and domestic consumption in the residential colonies attached to their factory premises for a load of 5 Kilowatts and above. The purpose is further distribution to various persons residing in the attached residential colonies and also for perimeter lighting in the attached residential colonies.

"General and Domestic Consumption", for the purpose of this Tariff, means consumption for lamps, fans, domestic applications, including heated, cookers, radiators, air-conditioners, refrigerators and domestic tube-wells.

"Residential Colony" attached to the Industrial Supply Consumer, means a group of houses annexed with the factory premises constructed solely for residential purpose of the bonafide employees of the factory, the establishment or the factory owners or partners, etc.

Special Conditions of Supply

The supply under this Tariff shall not be available to persons who meet a part of their requirements from a separate source of supply at their premises.

TARCTION

Supply under this tariff means supply of power in bulk to Railways for Railway Traction only.

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Annex-A

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.

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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.	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. 1. Full Face Shield (polycarbonate or similar non-melting type) 2. Insulated gloves with sleeves rated for the voltage involved. 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). Arrange training at each subdivision and Grid station for these special PPE for authorized employees/ contractors. Ensure use of these special PPE in each subdivisions.	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.	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. 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,	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.

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No.	Objective/Target	Key Performance Indicator
	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. Arrange training at each subdivision and Grid station for these special PPE for authorized employees/ contractors. Ensure use of these special PPE in each subdivision and Grid station.	

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