National Electric Power Regulatory Authority
Islamic Republic of Pakistan

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No. NEPRA/TRF-277/QESCO-2014/5109-5111
April 7, 2015

Subject: **Determination of the Authority in the matter of Petition filed by Quetta Electric Supply Company Ltd. (QESCO) for the Determination of its Consumer end Tariff Pertaining to FY 2014-2015 [Case # NEPRA/TRF-277/QESCO-2014]**

Dear Sir,

Please find enclosed herewith the subject Determination of the Authority along with Annexure-I, II, III, IV, V, VI & VII (76 pages) in Case No. NEPRA/TRF-277/QESCO-2014.

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

3. Please note that Order part along with Annex-I, III, IV, V & VII of the Determination needs to be notified in the official Gazette.

Enclosure: As above

07.04.15

(Syed Safeer Hussain)

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

CC:

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

National Electric Power Regulatory Authority
(NEPRA)

PETITION NO: NEPRA/TRF-277/QESCO-2014

DETERMINATION

IN THE MATTER OF TARIFF PETITION FILED BY

QUETTA ELECTRIC SUPPLY COMPANY

(QESCO)

FOR THE

DETERMINATION OF ITS CONSUMER-END TARIFF

Islamabad

07th April, **2015**

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
CPPA	Central Power Purchasing Agency
DISCO	Distribution Company
DM	Distribution Margin
FY	Financial Year
GOP	Government of Pakistan
GWh	Giga Watt Hours
KV	Kilo Volt
kW	Kilo Watt
kWh	Kilo Watt Hour
MW	Mega Watt
NEPRA	National Electric Power Regulatory Authority
O&M	Operation and Maintenance
PPP	Power Purchase Price
PYA	Prior Year Adjustment
RAB	Regulatory Asset Base
RORB	Return on Rate Base
SRO	Statutory Regulatory Order
T&D	Transmission and Distribution
TOU	Time of Use
USCF	The fixed charge part of the Use of System Charges in Rs./kW/Month

PETITIONER

Quetta Electric Supply Company Limited (QESCO),
QESCO Headquarters, Zarghoon Road, Quetta.

INTERVENER

Nil

COMMENTATOR

Balochistan Zamindar Action Committee,

REPRESENTATION

1. Mr. Baligh-uz-Zaman- Engineer, Chief Executive Officer
2. Mr. Fazal Kakar Chief Engineer, Technical
3. Mr. Abdullah Jan Consumer Services Director
4. Mr. Asghar Ali Mengal, Finance Director
5. Mr. Yasir Faheem, Manager Finance

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

1/4/15

(Maj (Rtd) Haroon Rashid)
Member

3.4.15

(Himayat Ullah Khan)
Member

3/3 15

(Khawaja Muhammad Naeem)
Member

3/4/2015

(Habibullah Khilji)
Vice Chairman

6/4/15

(Brig(Rtd) Tariq Mahmod Soddozai)
Chairman

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07.04.15

1. BACKGROUND & BRIEF HISTORY

1.1 Quetta Electric Supply Company Limited (QESCO), hereinafter called "the Petitioner", being a Distribution Licensee of NEPRA filed a petition for the determination of its consumer-end tariff pertaining to the FY 2014-15.

2 GROUNDS OF PETITION

2.1 The Petitioner in its petition argued that it being a bona fide power distribution licensee, requires adequate revenue in order to perform its obligatory duties prescribed by the Authority under the NEPRA Act, NEPRA Performance Standards (Distribution) Rules 2005, NEPRA's Consumer Eligibility Criteria, 2003, Distribution License of the Petitioner and other obligations as determined by the Authority from time to time. It was further stated that the instant petition is aimed at to ensure its financial viability by timely recovery of its prudently incurred costs along with a reasonable return, to maintain its existing distribution services/network and to support the future investments for expansion of distribution services/network.

2.2 Summarizing the grounds, the Petitioner submitted following material facts as forming basis of the tariff petition for the FY 2014-15:

- Establishment of optimum consumer- end tariff for all the consumer categories, whereby the burden on the utility is reduced.
- Adjustment of Distribution Margin to meet with the operational expenses.
- Adjustment of realistic T&D losses in the end user tariffs.
- Prior year adjustment in consumer- end tariff.
- Interest on loan allocated to the Petitioner.
- To maintain consumer discipline and minimize cross subsidy.

3 RELIEF SOUGHT

3.1 The Petitioner has sought the following relief:

- Ensuring the financial viability of the Petitioner for the reliable supply of electricity to its 577,176 Consumers.
- Approving T&D losses increase from 18% to 21.50%.
- Allowing Rs. 2,849 million as Interest cost.
- Approving the investment plan of Rs. 3,956 Million.
- Allowing Rs. 8,236 million as Distribution Margin.

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- Allowing Rs. 604 million as Prior Year Adjustment for the FY 2013-14 due to non issuance of tariff notification.
- To resolve the issue of Post-Retirement Benefits pertaining to employees retired before June 30, 1998.
- Tariff may please be adjusted as per proposed schedule of electricity tariff.
- Any other relief, order or directions which the Authority may deem fit in respect of the tariff determination.

4. PROCEEDINGS:

4.1 In terms of rule 4 of the NEPRA Tariff (Standards & Procedure) Rules, 1998 (hereinafter referred as "Rules"), the Petition was admitted by the Authority on 26th August, 2014. In compliance with the provisions of sub-rules (5) & (6) of the Rule 4 and Rule 5, notices of admission and hearing were sent to the parties which were considered to be affected or interested. An advertisement in this regard was also published in the leading national newspapers with the title and brief description of the petition on 16th September, 2014 . Notices of admission and hearing were also sent to the parties which were considered to be affected and interested.

5. Filing of intervention request/comments/reply.

5.1 Comments/replies and filing of intervention requests, if any, were desired from the interested person/ parties within 7 days of the publication of notice of admission in terms of Rule 6 & 8. In response thereof, no comments or Intervention request was filed within the stipulated time. However, on the day of hearing i.e 26th September, 2014, Balochistan Zamindar Action Committee (BZAC) participated in the hearing process who was allowed to join the proceedings as commentator.

6. Balochistan Zamindar Action committee (Commentator)

6.1 The Commentator submitted that;

a. the Agricultural tariff subsidy should be given to all new 13,000 agricultural tube wells as already being granted to 15,600 tube wells in operation.

b. the non-issuance of Agricultural tariff subsidy notification from June 2010 to December 2012, an amount of Rs. 54 billion may please be waived off from receivables against agriculturalists.

c. the notification issued in December 2012, by the GOP, billed agriculture consumers an amount more than Rs.50,000. It was requested that the bills should be reverted to back to the previous practice of charging fixed bills per month.

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d. all tube wells should be solar energy based.

7. FRAMING OF ISSUES

7.1 For the purpose of hearing the following issues have been framed to be considered during the hearing and for presenting written as well as oral evidence and arguments:-

I. Whether the Petitioner has complied with the directions of the Authority given in the tariff determination for the FY 2013-14;

a) To file a separate request for excluding any connection from TOU meters.
b) To report on detection bills ought to be submitted as a regular feature on quarterly basis for consistent monitoring.
c) To submit details of new recruitments under Baluchistan Package along with justifications before March 31, 2014
d) To complete the process of legalization of illegal tube wells connections and update the Authority on quarterly basis.
e) To complete the reconciliation of receivables from GOB on account of utility bills and the reconciled amount to be recovered not later than March 31, 2104, under intimacy to the Authority.
f) To submit a comprehensive report on cases initiated category wise, names of officers/staff involved and action taken and basis of cases finalized till March 31, 2014.
g) To get a certificate from its Auditor on the reported figure of debtors (including receivables from GOB and GOP) no later than March 31, 2014.
h) To submit compliance report on joint load verification of tube well connections by March 31, 2014.
i) To submit signed verification reports to GOB as complained by it no later than March 31, 2014.
j) To submit agreed average daily supply hours and connected load of tube well connections along with future billing mechanism not later than March 31, 2014.
k) To install meters on all government connections and to submit details of number of government connections duly bifurcated into metered and un-metered connections and to submit a month-wise metering progress report till March 31, 2014.
l) To take up the matter of recovery of subsidy on agriculture tube well connections for the period from July, 2010 to November, 2012 with the GOP under intimation and progress report to the Authority not later than March 31, 2014.

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m) To create independent post retirement benefits fund by March 31, 2014 and make uniform regulations for this purpose?

n) To get the reported figures of additional recruitments verified by its auditors and submitted a certificate from auditors in respect of replacement hiring, if any till March 31, 2014.

o) To undertake a settlement mechanism of retired employees with WAPDA not later than March 31, 2014.

p) To hire independent engineers to complete the study of T&D losses as per Authority's approved TORs and submit the study no later than March 31, 2014.

q) To submit cost/benefit analysis report for the investment made during last five year and technical/financial saving achieved against investments.

r) To control its expenditures and confirm compliance with Authority's directions w.r.t., allowed O&M expenses. Further to submit detailed basis of projections and bifurcation of expenses / income along with the tariff petitions in future.

II. Whether the concerns of the commentator/intervener are justified?

III. Whether the Petitioner's projected purchases of 5,152GWhs and sales of 4,044GWhs units for the FY 2014-15, is reasonable?

IV. Whether the Petitioner's proposed transmission and distribution losses of 21.5 % for the FY 2014-15, are justified?

V. Whether the Petitioner projected power purchase cost of Rs.58,006 million (Rs.14.34/kWh) for the FY 2014-15, is justified?

VI. Whether the Petitioner projected O&M cost of Rs.4,702 million (Rs.1.16/kWh) for the FY 2014-15, is justified?

VII. Whether the Petitioner proposed depreciation charge of Rs.1,646 million (0.41 /kWh) for the FY 2014-15, is justified?

VIII. Whether the Petitioner projected Return on Regulatory Asset base of Rs.2,810 million (Rs.0.69 /kWh) for FY 2014-15, is justified?

IX. Whether the Petitioner projected other income of Rs.922 million (Rs.0.23/kWh) for the FY 2014-15, is reasonable?

X. Whether the Petitioner's proposed Investment plan of Rs.3,956 million for the FY2014-15,is justified?

XI. Whether the Proposed revenue requirements of Rs. 69,695 at an average sale rate of Rs.17.23 /kWh for the FY2014-15, is justified?

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XII. Whether the Petitioner's request to approve Rs. 604 million as prior year adjustment for the FY 2013-14 is justified?

XIII. Whether the existing service delivering structure of circles, divisions and sub-divisions etc can provide satisfactory services for supply of electric power to the consumers with the substantial expansion in the system?

XIV. Whether the existing financial, administration and technical powers concentrated at different layers of hierarchy is required to be developed in order to provide better services at the door step of the consumer?

XV. Whether the Petitioner's claim for financial charges of Rs. 2,849 million on loan obtained by Power sector for meeting fuel cost obligation towards the generation and oil companies is reasonable?

XVI. What are the concerns of Petitioner on TOU metering of cellular company connections and similar connections?

XVII. What are the concerns of Petitioner on changing terms and conditions of **lifeline consumers** and **Residential consumers**?

8. HEARING

8.1 The hearing into the matter was conducted on 26th September 2014 at Serena Hotel Quetta. During the hearing, the Petitioner was represented by its Chief Executive Officer along with his financial and technical team. The Commentators and general public also participated in the hearing.

8.2 On the basis of pleadings, evidence/record produced and arguments raised during the hearing, issue-wise discussion is given hereunder:

9. Issue #1.Whether the concerns raised by the Commentator is justified?

9.1 After careful consideration of the Commentator's submissions, the findings of the Authority are given as under;

- The issue of agricultural tariff subsidy pertains to GOP.
- The issuance of agricultural subsidy from June 2010 to December 2012, is again the prerogative of GOP , hence issue may be taken up at relevant forum.
- The concern of the commentator regarding electricity bills to agriculture consumers for an amount of more than Rs. 50,000, the commentator could not provide any rational with respect to that as why this amount should be withdrawn. Does the Commentator

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consider it overbilling or is it the issue of un accounted subsidy. If it is overbilling then the Commentator is directed to file a complaint with the NEPRA's Consumer Affair Division. If it is the issue unaccounted subsidy then the Commentator is advised to take up the matter with the concerned Authorities.

10. <u>Issue #2 . Whether the Petitioner has complied with the directions of the Authority ?</u>

10.1 <u>Direction #1. Whether the Petitioner has complied with the direction of the Authority to file separate request for excluding any connection from TOU meters?</u>

10.1.1 During the tariff determination for the FY 2008-09, the Petitioner was directed to convert all consumer categories, including Agriculture consumers having load requirement of 5 kW and above to TOU metering. In compliance thereof, the Petitioner has been continuously installing the TOU connections and updating the Authority on monthly basis as directed. During the hearing process of the tariff petition pertaining to the FY 2012-13, the Petitioner appraised the Authority that it is complying the direction of the Authority in letter and spirit but it cannot install TOU meters on Agriculture consumers because of law and order situation and severe resistance thereof. The Authority directed the Petitioner to file a separate request for the exclusion of any consumer category from TOU metering and the request has to based on proper rationale and justification. In response, the Petitioner vide letter CEO/QESCO/CE/DC-109/22517 dated 10th April, 2014 submitted a request on the aforementioned with the following justifications/arguments:-

- Installation of TOU meters on Agricultural tube wells is not feasible because of inadequate supply hours in the Petitioner's jurisdiction.
- Agri consumers are themselves creating hurdles for installation of TOU meters because they have to pay as per metered readings instead ofs subsidized tariff.
- Agri consumers do not want to install TOU meters because in this way they will be paying their bills exceeding Rs. 44,000 (as per new subsidy formula).
- TOU meters cannot be installed due to worst law and order situation in the province.
- The cost of extra material i.e. CT, Cable and MSB etc is too much expensive and an amount of Rs. 1197.85 million is required to spent by the Petitioner which is quite difficult due to the liquidity position of the Petitioner.
- The very purpose of installation of TOU meters is load management which cannot be achieved at all in the wake of energy crises.

10.1.2 During the hearing, the Petitioner informed that 2000 meters were installed on tube wells which have now been un-installed except 1% to 2%. The Petitioner stated that tube well consumers are being billed on load factor basis as there is great resistance by

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them for installation of TOU meters.

10.1.3 The Authority has carefully considered the Petitioner's rationale/justifications to exclude the TOU metering with respect to Agriculture consumers. The point wise response of the Authority is given as under ;

10.1.4 The Authority considers that load shedding is common for all the consumers categories where TOU meters have been installed. In addition to aforementioned, the issue of load shedding is prevalent across the country, where every XWDISCO is complying with the directions of the Authority. In view thereof, the load shedding cannot be considered hindrance for the installation of the TOU meters in the matter of Petitioner's agricultural consumers.

10.1.5 The petitioner's concern with respect to the hurdles and opposition by the agricultural consumers against the installation of TOU meters is valid to some extent, however this should not be used as a ground for uninstalling the TOU meters. The Authority understands that the agricultural consumers are paying fixed monthly bill; therefore resistance for installing TOU meters from the agricultural consumers does not provide strong justification for non-compliance of the Authority's decision. The Petitioner needs to launch an awareness program for the education of agricultural consumers. The Authority while not convincing on the submitted argument directs the Petitioner to launch a consumer awareness campaign exclusively for the agricultural consumers in its region. This campaign would also address the billing apprehensions of the agri consumers pertaining to the new subsidy formula.

10.1.6 The Authority is cognizant of the fact that law and order situation is not favorable in the province of Baluchistan. However, here it is pertinent to mention that PESCO is also facing a worst law and order situation yet it managed to install almost 100% TOU meters on the agricultural consumers of its region. In view of aforementioned, the Authority is constrained not to accept the argument of law and order situation in this regard. Also the concern of extra material's cost is not valid since the same is accounted for while determining the Petitioner's tariff.

10.1.7 In view of aforementioned discussion, the Authority rejects the Petitioner's request for excluding the agricultural consumers from TOU metering and directs it to expedite the process of installing TOU meters on the agricultural consumers of it distribution area.

10.2 **Direction # 2 Whether the Petitioner has complied with the direction of the Authority to report on detection bills ought to be submitted as a regular feature on quarterly basis for continuous monitoring?**

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10.2.1 In the tariff determination for FY 2012-13 under Para 7.22, the Authority on the concerns raised by GoB noted with serious concern regarding over billing on government connections. The Petitioner was directed to eliminate over-billing and not to raise excessive bills on any connection, specifically government connections in order to reduce its T&D losses. The Petitioner was further directed to initiate inquiries against Officers involved in over-billing and submit month-wise details of billing (segregated into type of billing such as normal, average, assessed, detection billing) and their corresponding recoveries. In the tariff determination for the FY 2013-14, the direction was revised from monthly to quarterly report. The Petitioner in compliance, submitted the quarter-wise details of detection billing along with its recoveries . The Authority is continuously monitoring the submitted reports and directs the Petitioner to continue submitting the quarterly reports in future so that the amount does not piles up and in case of any dispute the issue must be highlighted and addressed instantly. On the issue of proceedings against the Officers involved in the overbilling, the Petitioner submitted the complete break-up of disciplinary cases initiated & finalized against officers from July 2013 to February 2014. As per the Petitioner, 417 cases were initiated against Officers from July 2013 to February 2014 and all of them were decided in the same period.

10.3 Direction # 3 Whether the Petitioner has complied with the direction of the Authority to submit details of new recruitments under Balochistan Package along with justifications and placements before March 31, 2014?

10.3.1 During the hearing process for the tariff petition pertaining to the FY 2012-13, as discussed under para 7.14, the Authority was informed about the hiring of new employees under Balochistan Package in the FY 2011-12 and FY 2012-13. The same was requested to be allowed in tariff . The Authority while accepting the fact that the Petitioner was compelled to do the hiring on the instructions of GoB, however, the burden of these additional recruitments could not be passed on to the consumers unless the Petitioner justifies them with some credible evidence to the extent of its quantum and needs. In view thereof, the Petitioner was directed to submit details of new recruitments under Balochistan Package along with justifications and placements before 30th June, 2013. The deadline was extended till March 31, 2014 by the Authority, in the determination for the FY 2013-14.

10.3.2 The Petitioner, in compliance with the direction submitted the details vide letter No. CEO/QESCO/DC-17/23051 dated April 14, 2014. The Petitioner submitted a certificate of induction and replacement hiring issued by a firm of chartered accountants named " Nasir Javaid Maqsood Imran" dated April 4, 2014. It showed that seven employees were appointed during the FY 2013 under the " Aghaaz-e-Hukook-e-Baluchistan Package" bearing total cost of Rs. 2,500,740 (2012 Rs,143,535) exclusive of housing cost. It further stated that no replacement hiring made in the FY 2013.

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10.3.3 The Authority would adjudicate on the matter under the head of salaries and wages.

10.4 Direction # 4 Whether the Petitioner has complied with the direction of the Authority to complete the process of regularization of illegal tube well connections and update the Authority on quarterly basis?

10.4.1 In the tariff determination of FY 2012-13 at Para 7.16, the Authority has discussed findings of the steering committee formed to address the concerns raised by GoB. Subsequently, the Petitioner was directed to initiate the process of regularization of illegal tube well connections and update the Authority. In compliance, the Petitioner submitted that the progress on the subject has been submitted vide letters No. CEO/QESCO/DC-214/41493 dated May 9, 2013, No. CEO/QESCO/DC-214/66176-77 dated November 4, 2013, No. CEO/QESCO/DC-214/7765-72 dated February 20, 2014 & No. CEO/QESCO/DC-214/21063-90 dated April 2, 2014.

10.4.2 During the hearing, the Petitioner informed about the latest progress to regularize the illegal connections. The Petitioner stated that so far 13,019 illegal tube wells connections have been regularized. Further demand notes have been issued to 10,535 illegal/tube well connections out of which 8,459 consumers have paid against the issued demand notes.

10.4.3 The Authority while appreciating the efforts of the Petitioner regarding regularization of illegal connections and again expects that the same level of efforts shall be continued, in letter and spirit till all the illegal connections are regularized.

10.5 Direction # 5 Whether the Petitioner has complied with the direction of the Authority to complete the reconciliation of receivables from GoB on account of utility bills and the reconciled amount to be recovered not later than March 31, 2104, under intimacy to the Authority?

10.5.1 In the tariff determination for the FY 2012-13, the Authority directed the Petitioner to complete reconciliation of the receivables from GoB. In response, the Petitioner submitted the reconciliation statement of electricity sales / purchase with the GoB till December 2013. The reconciliation was done with the Provincial Government Departments of Central Baloshistan, Loralai, Khuzdar & Sibi. (letter No. CEO/QESCO/DC-17/23051 dated April 14, 2014). The Petitioner submitted the following updated figures ;

Name of Circle	Reconciliation %age
Central	87
Loralai	67

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Khuzdar	40
Sibi	72

10.5.2 The Petitioner stated that reconciliation of Loralai and Khudzar circles are not up to mark due to law and order situation. The Petitioner stated that it is extensively working to get it reconciled as soon as possible. The Petitioner also stated that it has not received the full payment of the reconciled amount and has only received partial payments from the Government of Baluchistan.

10.5.3 The Authority again directs the Petitioner to continue its full efforts to reconcile the pending receivables with the GoB and recover 100% of its reconciled amounts and update the Authority on regular basis.

10.6 <u>Direction # 7 Whether the Petitioner has complied with the direction of the Authority to get a certificate from its Auditor on the reported figure of debtors (including receivables from GoB and GoP) no later than March 31, 2014.</u>

10.6.1 In the tariff determination of the FY 2012-13, the Authority on the issue of receivables from GoB regarding over/excessive billing on Government connections, directed the Petitioner to get a certificate from its Auditor on the reported figure of debtor (including receivables from GoB and GoP). In response to the direction of the Authority, the Petitioner submitted that the auditor's certificate of balance due from debtors has been submitted vide letter No. CEO/QESCO/DC-17/23051 dated April 14, 2014.

10.6.2 The certificate provided by the Petitioner shows reported figure of debtors in financial statements as on 30-6-2013. It includes due from Federal Government, Government of Baluchistan and Autonomous bodies respectively. It is quite pertinent to mention here that as per the audit certificate, the auditor clearly stated that the total amount of debt for Rs.86,838 million is without any adjustment of provision for doubtful debts of Rs.21,090 million. The Auditor, in the Auditor's report has qualified its opinion on doubtful debt and also mentioned that management has not carried out any assessment of recovery of the electricity bills from agriculture consumers or recovery of subsidy from Government of Pakistan (GoP) & Government of Baluchistan (GoB).

10.6.3 On the basis of certificate provided by the Petitioner along with audit report, the Authority considers that once the reconciliation of receivables with the GoB is complete , it would clarify the picture of doubtful debts. However, keeping in view the Auditor's concern on the receivables from the GOP , the Authority directs the Petitioner to take up the matter of recovery of subsidy from the GOP at earliest and report back accordingly.

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10.7 Direction # 8 Whether the Petitioner has complied with the direction of the Authority to submit compliance report on joint load verification of tube well connections by March 31, 2014.

10.7.1 In the determination of FY 2011-12, the Petitioner was directed to undertake joint load verification of tube well connections with the representatives of GoB in order to establish actual load on these connections. It was further directed that the joint verification reports must be signed and submitted to the GoB.In compliance, the Petitioner submitted its compliance report and mentioned that joint load verification of Agriculture Subsidized connections of central & khuzdar circles have been completed however sibi & loralai is under progress. It was further stated that a signed copy of joint load verification of central & loralai circles has already been submitted to GoB vide SE central letter No. 3611-16 dated April 11, 2014. During the hearing, the Petitioner explained that the sibi & loralai circles have not been completed due to the worst law & order situation and it will be completed as and when the situation improves.

10.7.2 The Authority is cognizant of the fact that law and order situation has considerably affected the operations of the Petitioner, although the Petitioner is making effort for its compliance, in view thereof, the Authority extends the date for its compliance to submit the report by 30th June,2015.

10.8 Direction # 10 Whether the Petitioner has complied with the direction of the Authority to submit agreed average daily supply hours and connected load of tube well connections along with future billing mechanism not later than March 31, 2014.

10.8.1 During tariff determination the for FY 2012-13, the Petitioner was directed to prepare a report on average power supply of electricity to tube wells as there were conflicting statements by the Petitioner and GoB in this regard. In order to resolve the issue, both parties agreed to share documentary evidences with each other, substantiating their claims with respect to the average supply hours of electricity per day and the Authority directed the Petitioner to submit an agreed average daily supply hours and connected load of tube wells connections along with future billing mechanism. The aim of the direction was to streamline the current situation, so that the chances of arising a future dispute may be mitigated.

10.8.2 In compliance with the direction, the Petitioner submitted that the grid/feeder-wise daily supply hours report has been furnished to energy department of GoB. The Petitioner further stated that billing of subsidized Agri consumers is being carried out in accordance with the restoration of subsidy in Baluchistan vide finance division GoP (C.F. Wing) notification No. F-I (8) CF/2011-12/1873 dated November 28, 2012 effective from December 1, 2012.

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10.8.3 The Authority considers that the Petitioner could not understand the direction as there was a dispute between the Petitioner and GoB on the issue of average supply hours, connected load and billing mechanism. Therefore to resolve the matter, the Authority directed the Petitioner to submit a joint/agreed report regarding average supply hours, connected load and billing mechanism. The Petitioner in fact did not comply with the direction to submit report. The Authority shows its serious concern on its non-compliance and directs the Petitioner to comply with the direction within one month from the date of the issuance of this determination.

10.9 **<u>Direction # 11 Whether the Petitioner has complied with the direction of the Authority to install meters on all government connections and to submit details of number of government connections duly bifurcated into metered and un-metered connections and to submit a month-wise metering progress report till March 31, 2014.</u>**

10.9.1 The Petitioner was directed to install TOU meters on all government connections, having load 5KW and above. Further, the Petitioner was directed to submit details of number of government connections duly bifurcated into metered and un-metered connections. The Petitioner submitted that meters have been installed on all Govt. connections, the monthly progress report thereof has been submitted vide letter No. CEO/QESCO/DC-17/23051 dated April 14, 2014.

10.9.2 The Authority considers that the Petitioner has complied with its direction.

10.10 **<u>Direction # 12 Whether the Petitioner has complied with the direction of the Authority to take up the matter of recovery of subsidy on agriculture tube well connections for the period from July, 2010 to November, 2012 with the GoP under intimation and progress report to the Authority not later than March 31, 2014.</u>**

10.10.1 The Petitioner submitted that the matter has already been taken up with the Secretary Water & Power, Secretary Finance GoP, M.D. PEPCO but the response is still awaited. The matter is also forwarded to the Authority vide letter No. CEO/QESCO/DC-204/20069-73 dated March 28, 2013 during the review hearing dated March 26, 2014.

10.10.2 Considering the quality of compliance the Authority again directs the Petitioner to expedite the matter and follow and update the Authority on the issue.

10.11 **<u>Direction # 17 Whether the Petitioner has complied with the direction of the Authority to submit cost/benefit analysis report for the investment made during last five year and technical/financial saving achieved against investments?</u>**

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10.11.1 The Petitioner stated that cost/benefit analysis report has been submitted vide letter No. CEO/QESCO/DC-17/41957 dated August 7, 2014.

10.11.2 Cost/benefit analysis of investments is discussed under the relevant head .

10.12 Direction # 18 Whether the Petitioner has complied with the direction of the Authority To control its expenditures and confirm compliance with Authority's directions w.r.t., allowed O&M expenses. Further to submit detailed basis of projections and bifurcation of expenses / income along with the tariff petitions in future?

10.12.1 This direction has been discussed under the relevant head.

11. Issue#2 Whether the Petitioner's projected purchases of 5,152GWhs and sales of 4,044GWhs units for the FY 2014-15, is reasonable?

11.1 The Petitioner in its petition projected to procure 5,152 GWh during the FY 2014-15, and a sales of 4,044 GWhs. In order to justify its claim the Petitioner presented the historic data in this regard;

Description	2011-12 Actual	2012-13 Actual	2013-14 Provisional	2013-14 Determined	2014-15 Projected
Purchases (GWh)	5,143	4,929	4,950	**5,067**	**5,152**
Sales (GWh)	4,086	3,812	3,744	**4,155**	**4,044**
T & D Losses (%)	20.56%	22.67%	24.35%	**18%**	**21.50%**

11.2 During the hearing , the Petitioner explained that although its projected sales are 2.67% less than the last year's Authority's determined target, however a growth of 8% has been assumed from the last year's actual sales.

11.3 Although, there is an inbuilt mechanism for adjusting actual variation in sales against the estimated sales, yet in order to avoid unnecessary fluctuations in the consumer-end tariff it is appropriate to make realistic assessment of the purchases and sales. Moreover, it is also important for the realistic assessment of monthly reference fuel cost for making monthly fuel cost adjustment pursuant to Section 31(4) of Regulation of Generation, Transmission and Distribution Act (XL 1997). In view thereof, the Authority has carried out a detailed exercise for estimating station wise generation pertaining to the FY 2014-15. An increase of 0.78% has been assumed over the actual generation pertaining to the FY 13-14, as generation growth. Here it is pertinent to mention that the actual generation for the FY 2013-14 was 9% more than the actual generation for the FY 2012-13. After incorporating all the upcoming additional generation, it is estimated that in the FY 2014-15 the overall system generation

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will be about 95,892 GWh. After adjusting for the permissible transmission losses of 3.0% about 93,015 GWh are expected to be delivered to the distribution companies; the estimated share for the Petitioner from the pool for the FY 2014-15, is accordingly assessed as 4,992 GWh as against 5,152 GWh projected in the instant case. After incorporating the T&D losses target for the FY 2014-15 (discussed below) the sales target for the same period worked out as 4,118 GWhs.

12. **Issue # 3. Whether the Petitioner's proposed transmission and distribution losses of 21.50 % for the FY 2014-15, are justified?**

12.1 The Petitioner submitted that it has projected T&D losses as 21.50% for the FY 2014-15 against the Authority's determined 18% for the FY 2013-14. As per the Petitioner, the T&D loss for the year 2013- 14 stood at 24.35%. The actual T&D losses of Petitioner during the FY 2011-12 and FY2012-13 remained as 20.56% and 22.67% respectively. It was further stated that an improvement of 2.85% from the actual results of the last year, has been assumed by it.

12.2 While requesting the T&D losses level of 21.50% , the Petitioner has assumed technical losses of 19% and administrative losses of 2.50%. [Form 7(A)]. During the hearing the Petitioner presented the following data;

ROGRESSIVE LINE LOSSES
JUNE 14 Vs JUNE 13

Circles	Units Received		Units Billed		Units Lost		% Losses	
	Jul-Jun 14	Jul-Jun 13	Jul-Jun 14	Jul-Jun 13	Jul-Jun 14	Jul-Jun 13	Jul-Jun 14	Jul-Jun 13
Central	1137.9	1089.5	880.2	874.4	257.6	215.2	22.6	19.7
Loralai	1502.7	1453.5	1272.7	1224.9	230.1	228.6	15.3	15.7
Khuzdar	1592.7	1621.8	1269.3	1344.7	323.4	277.1	20.3	17.1

12.3 During the hearing, it was observed that the T&D losses in Sibi Circle are abnormally high. The Petitioner stated that the higher T&D losses in Sibi Circle is due to the extra load on the existing distribution network. The same observation was also made the past by the Authority

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and accordingly the Petitioner was directed to submit cost benefit analysis of the investments under taken by the Petitioner in the last five years. In response, the following information was submitted by the Petitioner;

SAVING ACHIEVED AGAINST (ELR) INVESTMENT DURING LAST FIVE YEARS

Sr. No	Year	Budget Approved Rs.(Mln)	Expenditure Rs.(Mln)	Balance Rs.(Mln)	Saving MKWH
1	2009-10	156	195.906	(39.906)	31
2	2010-11	157	140.774	16.226	66
3	2011-12	181	79.211	101.789	13
4	2012-13	221	78.597	142.403	11
5	2013-14	250	105.833	144.167	40

12.4 The Authority has observed that the Petitioner , has only provided one segment of the investment whereby considering the issue of overloading, the Petitioner must have provided an overall picture of benefits achieved through total investments carried out in the last five years. The Petitioner submitted partial information which cannot be accepted as the total compliance of Authority's direction. In view thereof, the Authority again directs the Petitioner to submit the cost benefit analysis of total investments carried out during the last five years. Further, the Petitioner is directed to carry out appropriate investments in Sibi Circle which would result in reduction of T&D losses at an acceptable level. The Petitioner must submit a comprehensive investment plan on this regard to the NEPRA's Technical Division not later than 30th June , 2015. On the direction of the study of T&D losses, the Petitioner appraised the Authority that M/s Power Planner International has been for the study. In view thereof the Petitioner is again directed to complete the study of its complete system including 11 KV and below .

12.5 The Authority has carefully considered the Petitioner's request of assessing the level of T&D losses as 21.50% for the FY 2014-15. The Authority considers that its last year's assessment of 18% (whereby 15% was allowed as technical loss and 3% as cushion for law and order situation) was a well considered decision of the Authority. However, since the Petitioner has itself requested 2.50% as administrative losses, in view thereof, the Authority has decided to revise the margin for law and order to the tune of 2.50% for the FY 2014-15. As regard the technical losses are concerned, the Authority cannot rely on the Petitioner's claim of 19%. In addition, the required independent study in this regard is also not available, therefore the Authority is constraint to base its assessment on its own working, which is 15%.

12.6 In view of aforementioned, the Authority has decided to assess the level of T&D losses in the matter of Petitioner to the tune of 17.50% for the FY 2014-15. The target is comprised of 15% of technical loss and 2.50% as a margin for law and order situation. The Authority

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again directs the Petitioner to complete its study of T&D losses at earliest. The Authority in the light of the findings of the study may reconsider its assessment for future periods.

13. **Issue#4 Whether the Petitioner projected power purchase cost of Rs.58,006 million (Rs.14.34/kWh) for the FY 2014-15, is justified?**

13.1 The matter has been discussed under relevant issue.

14. **Issue#5 Whether the Petitioner's proposed Investment plan of Rs.3,956 million for the FY2014-15,is justified?**

14.1 The Petitioner has requested Rs. 3,956 million to execute its development/ investment plan for the FY 2014-15 in the areas of Distribution of Power (DOP), Energy Loss-Reduction (ELR), Secondary Transmission & Grid (STG), Enterprise Resource Planning (ERP), Power Distribution Enhancement Investment Program (PDEIP) and consumer Financing. The break-up of proposed investment provided by the Petitioner is as under:

DESCRIPTION	DETERMINED 2013-14	PROJECTED 2014-15
INVESTMENT PLAN		
DOP	250	300
ELR	300	400
STG	1,000	1,000
CONSTRUCTION OF G/S & T/L	0	0
POWER DISTRIBUTION ENHANCEMENT PROJECT	550	1,200
DEPOSIT WORK	1,500	1,056
TOTAL	**3,600**	**3,956**
FINANCING		
CASH DEVELOPMENT LOAN		
OWN RESOURCES	1,660	1,940
GRANTS	1,425	1,003.2
CONSUMERS CONTRIBUTION	75	52.8
ASIAN DEVELOPMENT BANK	440	960
TOTAL	**3,600**	**3,956**

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14.2 The Authority after careful consideration of the Petitioner's submitted information is of the view that the Petitioner has failed to provide a concrete reconciliation whereby the Petitioner would claim in advance that after carrying out the aforementioned investments, it would achieve a certain efficiency level with respect to T&D losses and customer service in terms of meeting Authority's set Performance standards.

14.3 Despite the aforementioned, the Authority cannot ignore the importance of the investments which ensures smooth and reliable supply of electricity to the consumers. The Authority while allowing the return on Regulatory Asset Base had taken an impact of investments to the tune of Rs. 3,600 million for the FY 2013-14. However, based on the draft accounts of the Petitioner, it has incurred a capital expenditure of of Rs. 4,211 million & Rs. 3,301 million during the FY 2012-13 and FY 2013-14 respectively . The aforementioned amounts include the impact of consumer contribution to the extent of Rs. 1,543 million & Rs. 925 million respectively. Thus, net capital expenditure carried out through loans and own resources, works out as Rs. 2,688 million and Rs. 2,376 million during the FY 2012-13 and FY 2013-14 respectively.

14.4 Based on the available record, arguments, evidence and the fact that these allowed investments indirectly affect the annual Return on Rate Base (RORB) for a DISCO, hence, while allowing investments for any control period the Authority has to keep in view the past trend of investment made by the Petitioner along with its funding arrangements and its previous trend of closing CWIP and transferring of useful assets from CWIP to operating assets. Based on the discussions in preceding paragraphs, it is expected that the Petitioner would be able to undertake the investment of Rs. 3,956 million during the FY 2014-15 (including the impact of consumer contributions of Rs. 960 million). Here it is pertinent to mention that the existing mechanism of determining RORB is self adjusting with respect to the benefits of investments, thus any investments beyond Authority's assessment, carried out by the Petitioner during the FY 2014-15 (which is desirable), would be catered for in next year's returns.

15. <u>Issue#6 Whether the prior year adjustment of Rs.604 million calculated by QESCO for the FY 2013-14 is Accurate?</u>

15.1 In the tariff determination pertaining to FY 2013-14, the Authority approved Rs. 901 million on account of Prior Year Adjustment (PYA).

15.2 The Petitioner in its petition has requested an overall Prior Period Adjustment of Rs. 604 million. The break-up of request is given as under;

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Rs in Million

Particulars	Amount	Amount
Less recovery of tariff due to adverse sales mix		**(1,122.02)**
Un-recovered amount of Distribution margin due to non issuance of tariff notification		
Distribution margin determined by NEPRA for 2013-14	0.97	
Distribution margin billed due to non issuance of notification (2012-13)	0.91	
Difference	0.06	
Units sold	3,744.41	
Un-recovered amount of Distribution margin due to non issuance of tariff notification		**224.66**
Power Purchase price		
Target losses	18%	
Actual EPP	8.24	
Ref EPP (for 2013-14)	8.24	
Difference	-	
Units received	4,949.82	
Units to be sold	4,058.85	
Under/ (over recovered) amount	-	
Actual CpGenCap	2.11	
Ref CpGenCap	1.77	
Difference	**0.34**	
Units received	4,949.82	
Units to be sold	4,058.85	
Under/ (over recovered) amount	**1,375.14**	
Actual USCF	0.20	
Ref USCF	0.16	
Difference	**0.03**	
Units received	4,949.82	
Units to be sold	4,058.85	
Under/ (over recovered) amount	**125.82**	
Under recovered amount of PPP		**1,500.96**
Prior year adjustment		**603.61**

15.3 The Authority after careful consideration of the Petitioner's provided calculation is of the view that while calculating the PYA, the Petitioner has ignored the impact of PYA built in

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the notified tariff and the impact of quarterly adjustment already built in the notified tariff . Further , the Petitioner while calculating the PYA has also ignored the monthly references mentioned in annex -IV of the notified decision. In view thereof, the Authority has decided to assess the PYA in the matter of Petitioner as below;

Description	Rs. Million
Notified reference PPP during the FY 2012-13	53,934
Assessed Distribution Margin for the FY 2013-14	4,191
Assessed PYA for the FY 2013-14	(901)
Add; 1st Qrt's PPP adjustment pertaining to the FY 2013-14	347
Add; 2nd Qrt's PPP adjustment pertaining to the FY 2013-14	287
Add; 3rd Qrt 's PPP adjustment pertaining to the FY 2013-14	(1426)
Add; 4th Qrt's PPP adjustment pertaining to the FY 2013-14	(2,347)
Less; Regulated PPP recovery on notified rates during the FY 2013-14	50,226
Less; Regulated DM recovery on notified rates during FY 2013-14	3,693
Less; Regulated PYA recovery on notified rates during FY 2013-14	(2,867)
Less; Net impact of assessed & actual Other Income for the FY 2013-14	605
Add; Impact of Consumer — Mix Variance for the FY 2013-14	1,112
Total Uncovered Costs for the FY 2013-14	**3,540**

16. <u>Issue#7 Whether the Petitioner projected O&M cost of Rs.4,702 million (Rs.1.16/kWh) for the FY 2014-15, is justified?</u>

16.1 The Petitioner requested an amount of Rs.4,702 million on account of Operations and Maintenance (O&M) expenses for FY 2014-15. It was stated that the actual O&M expenses during the FY 2013-14 remained as Rs. 4,515 million with the following breakup;

Accounts Head	2011-12 Actual Audited	2012-13 Actual Audited	2013-14 Actual Audited	2013-14 Determined	2014-15 Projected
Salaries, Wages & Benefits	2,098	2,373	2,624	3,074	3,158
Post Retirement Benefits	426	1,027	926		353
Repair & Maintenance	620	525	755	484	561

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Travelling Expenses	152	172	193	152	180
Vehicle Running Expenses	230	231	265	223	250
Other Expenses	197	182	161	180	200
TOTAL	**3,723**	**4,510**	**4,924**	**4,113**	**4,702**

16.2 For making fair assessment of the O&M expenses, the head wise analysis is given in the following paragraphs.

16.3 Salaries, Wages & Other Benefits

16.3.1 The Petitioner requested an amount of Rs. 3,511 million for Salaries, Wages & other benefits against the actual amount of Rs.3,550 million for the FY 2013-14. The actual amount of salaries , wages & Other benefits include an amount of Rs. 926 million as a provision of post retirement benefits for the same period. The analysis of the draft accounts of the Petitioner reveals that the actual amount under this head has increased by 4% from the last year's figure and the requested amount is 10% in excess of the Authority's determination in this regard.

16.3.2 The Petitioner submitted that requested amount of Rs 3,511 million includes estimated amount of new hiring to be made during the year, disallowed expense by the Authority in previous year and increments as announced by GoP. During the hearing, the Petitioner explained that the projected increase in Salaries, Wages & other benefits, it has taken into account the notification issued by GoP w.e.f 1st July 2014, The GoP announced an increase of 10% Adhoc Relief Allowance, Cash Medical Allowance @ 15% , Conveyance Allowance by 5% from BPS-1 to 15 and Annual Increment of 5%.

16.3.3 The Authority approved Rs. 3,074 million in the tariff determination for FY 2013-14 under the instant head in the matter of the Petitioner. In the decision, the Authority discussed in detail the basis for approved expense and disallowed cost associated with additional recruitments. The Petitioner was directed to submit detailed recruitment plan along with justification and additional financial impact to claim cost in this regard. Consistent with other DISCOs the Petitioner was also directed to create a separate post retirement benefits fund no later than March 31 June, 2014.

16.3.4 While justifying its contention the Petitioner submitted that it has submitted the certificate vide its letter No. CEO/QESCO/DC-17/23051 dated April 14, 2014 against the additional recruitment it made. Certificate provided by the Petitioner as issued by a firm of chartered accountant named Nasir Javaid Maqsood Imran mentioned that the Petitioner incurred a

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total cost of Rs. 2.50 million in the FY 2012-13 against Rs. 143,535 incurred in the FY 2011-12 against appointments made under **"Aghaaz-e-Hukook-e-Baluchistan Package"**. The Auditor clearly stated that this hiring cost does not include housing cost and no replacement hiring made in the said financial year.

16.3.5 On the issue of replacement hiring, as the Petitioner's work force is retiring each year and if their replacements are not made, the Company would not be able to meet the emerging growth and work efficiently and effectively, the Authority principally allowed the replacement hiring in the Petitioner's tariff determination pertaining to the FY 2012-13. In this particular scenario no additional / incremental cost would be incurred by the Petitioner. The Petitioner intimated the Authority, that as on 30th June, 2012, the financial impact of recruitments carried out during FY 2009-10 and onwards is Rs. 159 million [accumulated effect is Rs. 184 million , as on 30th June , 2014]. Since the Petitioner's request was without any supported evidence therefore the Authority directed the Petitioner to get the reported figure verified by its Auditor and if it plans to carryout replacement hiring, a certificate from the Auditor of the Petitioner, certifying that the recruitment is done as replacement hiring with no additional/incremental cost impact. Any other recruitment, over and above the aforementioned, would only be allowed if it is substantiated with proper working and justifications, up to the satisfaction of the Authority.

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

16.3.7 The Authority had been deducting this cost in the last two tariff determinations, however, considering the fact that as per the approved future tariff methodology the Petitioner's reference/base expense would be established for a period of three years, the Authority consider it unjust on the part of the Petitioner if the same cost is disallowed again this year. In view thereof , the Authority has decided to allow this cost this year on a provisional basis. At the same time the Authority directs the Petitioner that if the required certificate is not provided before the finalization of the tariff determination pertaining to the FY 2015-16, the referred cost would be disallowed permanently and no further directions would be given to the Petitioner in this regard. As regard the recruitments under " Balochistan Package" , the Authority directs the Petitioner to include those as part of replacement hiring and while submitting the required certificate, these recruitments must be treated as replacement hiring in the calculations.

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16.3.8 Considering the overall liquidity position in the power sector and in order to ensure that the Petitioner fulfils its legal liability with respect to the post retirement benefits, the Authority directed the Petitioner to create a separate fund in this regard before 30th June 2012 . Subsequently , this deadline was extended by the Authority. The rationale was that the creation of funds would ensure that the Petitioner records it liability more prudently since the funds would be transferred to a separate legal entity. In addition to that these independent funds would generate their own profits, if kept separate from the company's routine operations and in the longer run reducing the Distribution Margin and eventually consumer-end tariff. The Petitioner submitted that consultant Zahid & Zahid was hired for creation of post retirement benefits funds. Draft trust deed has been sent by the consultant but the Petitioner requires Rs. 3,085 million for initial investment. The Petitioner is facing severe financial crunch so it is difficult for the Petitioner to invest said amount. During the hearing, the same argument of liquidity crunch was repeated by the Petitioner.

16.3.9 The Authority has considered the Petitioner's argument of liquidity crunch carefully and is of the view that it had been allowing provision for post-retirement benefits as a part of O&M cost till FY 2011-12 . The direction of creating independent post retirement fund was passed during the FY 2011-12. Since the Distribution Companies were not creating independent fund therefore, the actual amount on account of pension fund was allowed for the last two years only. The Petitioner in the past and even currently is keeping the Authority's allowed O&M cost to itself and then paying the remaining amount to CPPA. In view thereof , the argument of short liquidity is not relevant to the extent of investment in the post retirement fund.

16.3.10Since the Petitioner is again non compliant on the direction of the Authority , hence it has again decided not to allow provision in this regard and has decided to take actual payments as a base expense for future increases. Once the amount equivalent to the provision or otherwise, is transferred to the fund, the same shall be considered and allowed to the Petitioner on actual basis.

16.3.11 On the issue of retired WAPDA employees before 1998, the Authority in its determination dated Jan 10, 2012, decided to hold separate meeting on the subject whereby the arguments of the Petitioner and WAPDA could be heard in the light of available evidences. Pursuant to which a presentation on the subject was given by the Petitioner on 30th May, 2013 and WAPDA's point of view was also heard separately. Subsequently, a final meeting on the subject was held on 22nd January, 2013. The following concluding and implementations points were emerged out of a long brain storming session;

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- The matter not only pertains to the Petitioner but also to all the XWDISCOs, and GENCOs.
- In the light of Business Transfer Agreement (BTA) and subsequent Supplementary Business Agreement (SBTA), Pension SOPs 2002 and subsequent changes thereafter, the issue solely pertains between WAPDA , XWDISCOs and GENCOS.
- The issue has two components, one is the accumulated effect till 30th June, 2012 and the other is the subsequent ownership of these retired employees as the SBTA is not clear on it.
- Since aforementioned agreements were signed mutually between WAPDA and Others hence the Authority directed the WAPDA and Other (including Petitioner) to come up clearly on the settlement modality of accumulated costs in this regard till 30th June 2012 and a way forward for the future payments of these retired employees not later than 30th June, 2013.

16.3.12 During the last year's tariff determination the Petitioner along with other XDWDISCOs did not show any progress in this regard . In view thereof, the Authority decided to take the initiative at its own. In order to thrash out the issue, the Authority reviewed the documents (Business Transfer Agreement, Supplemental Business Transfer Agreement, Pension SOPs, Actuarial valuations at the time of unbundling of WAPDA etc) and held a consultative meeting with the representatives of WAPDA, Executive Director Legal, PEPCO and representatives of Ex-WAPDA DISCOs on 26th June, 2014. During the meeting, WAPDA maintained the stance that this cost needs to be borne by XWDISCOs from whose jurisdiction the pensioner is claiming pension, whereas DISCOs pleaded otherwise. During the meeting, representative of WAPDA and PEPCO referred to an Operation & Development Agreement (ODA) which was submitted vide letter no. MF/56/259 on 1st July, 2014.

16.3.13 After reviewing the submitted ODA and the documents mentioned above the Authority identified the following key facts ;

16.3.14 **Key Facts of the Case**

The Key Facts of the case are as below;

- That as per the 'Restructuring Reforms and Privatization of WAPDA- Executive Order' 24th October, 1998, WAPDA would only be in charge of water wing and the shares in the companies being set up to control WAPDA's power assets would be in the name of the President of Pakistan. Thus, WAPDA won't be having any interest in the XWDISCOs in the form of investment , once they are privatized.
- That upon unbundling of WAPDA, all the assets were transferred to DISCOs alongwith all related liabilities **with the exception of** post retirement benefit liability. The Accounting standard relevant to this liability, i.e., IAS-19, was not being implemented by WAPDA at the time of unbundling and its financial statements did

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not reflect any related obligation. Nevertheless, at the time of unbundling, an actuarial valuation was conducted to determine this post retirement liability of employees. The obligation related to existing WAPDA employees was transferred to XWDISCOs, however, the obligation related to retired employees was missed out and not shown in the financial statements of any XWDISCOs or WAPDA (Hydel).

16.3.15 Based on the principles of natural justice and on the fact that had WAPDA adopted IAS-19 at the time of unbundling , the liability of the retired employees would have been transferred to the XWDISCOs as the referred retired employees have served in the formations that are currently part of XWDISCOs. Further , in future WAPDA won't be having any interest in the form of investments, from where it would be generating any additional revenues. In view thereof , it can be fairly concluded that this cost needs to be borne by XWDISCOs.

16.3.16 Here it is pertinent to mention that since XWDISCOs has not booked the said cost in their financial statements. In view thereof, the Authority has principally decided that all cost of the XWAPDA retired employees up to 30th June, 2014, would be borne by WAPDA. However, any cost after 30th June, 2014 would be borne by XWDISCOs. Thus, the Petitioner is directed to submit its next tariff petition accordingly.

16.3.17 While assessing the Salaries, wages & other benefits (including post retirement benefits as discussed above), the GOP's recent announcement of 10% increase as adhoc allowance, the impact of replacement hiring carried out during FY 2009-10 and onwards (as discussed above), 5% annual increment, increase in Medical Allowance by 20% for employees in BPS 1-15 and the increase in Conveyance Allowance by 5% for employees in BPS 1-15, along with its effect on other benefits like inflationary increase on free electricity supply to employees has been accounted for.

16.3.18 Based on the discussion made in the preceding paragraphs, incorporating all the aforementioned increases, the Authority has assessed Rs. 3,207 million on account of salaries, wages and other benefits for the FY 2014-15.

16.4 Maintenance Expenses

16.4.1 The Petitioner requested Rs. 561 million on account of repair and maintenance for FY 2014-15 against the actual/provisional amount of Rs. 755 million for FY 2013-14. The Petitioner in its submission calculated the amount of R&M at 2.54% of Net Value of Fixed Assets less Revaluation (if any). The Petitioner submitted the basis for R&M as per following table:-

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Description	Actual FY 2012-13	Provisional FY 2013-14	Projected FY 2014-15
Net Value of Fixed Assets	18,900	20,320	22,095
Repair & Maintenance	480	755	561
% age	**2.54%**	**3.72%**	**2.54%**

16.4.2 The Petitioner stated that repair & maintenance expense is directly related with the assets of the company being maintained therefore on the average the amount works out to be at 2.54% of the net value of fixed assets.

16.4.3 The Authority determined Rs. 484 million in the year 2013-14 against which the Petitioner incurred actual/provisional amount of Rs. 755 million in the same year. The Authority showed a great concern that the Petitioner is always exceeding the allowed/determined limit assessed. The Authority already issued various directions to the Petitioner to control O&M expenditures but the Petitioner could not justify the excess amounts being incurred.

16.4.4 The Authority takes serious notice of the claim raised by the Petitioner regarding R&M expenditures. The Authority does take into account realistic basis provided by the Petitioner, while making assessment but the Petitioner always base its projections on mere estimate without working out the cost drivers of the expenses being incurred/claimed. The Petitioner's request has not been duly supported with the verifiable documentary evidence without which the authenticity of the claim cannot be substantiated. Despite the aforesaid the fact remains that the Petitioner has to incur some expenses on the repair & maintenance which are not only affected by the inflation but also with the variation in the gross assets in operation due to addition of new consumers in the system and new investments.

16.4.5 The Petitioner's request has been examined on the basis of its past trend and it is observed that the requested amount of Rs. 561 million is on the higher side therefore needs to be rationalized. Keeping in view, past trend and comparison with other DISCOs, the repair and maintenance cost of Rs. 557 million has been assessed for the FY 2014-15 in the instant case.

16.5 Traveling Expenses

16.5.1 The Petitioner in its Petition requested an amount of Rs. 180 million for the FY 2014- 15. The requested amount is 6.73% less than the actual/provisional cost Rs. 193 million on this account as per the data provided in petition for the FY 2013-14. The Petitioner has given the following comparative table/basis for the projection.

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Description	Actual FY 2012-13	Provisional FY 2013-14	Projected FY 2014-15
T.A/D.A Officers	35.73	44.15	40.48
T.A/D.A Officials	122.73	144.79	135.31
T.A/D.A on transfer Officers	2.15	2.42	2.22
T.A/D.A on transfer Officials	1.77	2.02	1.98
TOTAL	**162.38**	**193.37**	**179.99**

16.5.2 The Petitioner worked out travelling expense on the basis of decreasing trend in fuel prices, but it could not establish the correlation in terms of decrease in oil prices with travelling expense being incurred.

16.5.3 The Petitioner in fact did not adopt the realistic approach while claiming travelling expense and just painted the overall picture without going into details and producing reliable evidence thereof. The Authority always stresses the Petitioner to present its claim in an appropriate manner so that the assessment of the claim is based on its reality rather assumptions.

16.5.4 Based on the submission, arguments and discussion along with comparison with other DISCOs, the Authority has decided to allow this cost to the tune of Rs. 168 million for the FY 2014-15.

16.6 Vehicle Expenses

16.6.1 The Petitioner requested Rs. 250 million under the head of Vehicle maintenance for the FY 2014-15. The actual/provisional cost on this account as per the petition forms for the FY2013-14 is Rs. 265 million, which turns out to be 5.67% less than provision amount. The Petitioner submitted the following comparative table regarding Vehicle Expenses.

Description	Actual FY 2012-13	Provisional FY 2013-14	Projected FY 2014-15
Repairs	32.60	42.26	41.52
Tyres &Tubes	4.95	6.42	5.55
Routine Service	0.34	0.4	0.34

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Fuel Oil	183.36	216.09	202.81
TOTAL	**221.26**	**265.18**	**250.23**

16.6.2 The Petitioner has submitted the break-up of vehicle expenses as above. The Petitioner submitted that vehicle expense comprise on routine repairs, replacement of tyres & tubes, routine service and fuel oil etc. The Petitioner mentioned that there is a fleet of 471 vehicles in operation and 9 new vehicles are being added in the fleet during the year. It calculated an amount of expense Rs. 480,000/-per vehicle. An impact of CPI of 8.7% has also been taken into consideration.

16.6.3 The matter of the fact is that the Vehicle maintenance cost is not only affected by the fuel prices but also with the variation in the number of vehicles of the Petitioner, which in turn is dependent on the distribution area of the Petitioner, further it will be quite pertinent to mention that fuel prices in the recent months fell up to 40% internationally therefore the projection in this regard is not realistic. The Petitioner on the other hand did not take any efficiency measure it had taken to control/limit the expenditure as per the direction of the Authority.

16.6.4 In view of the aforementioned arguments, available evidence/information, past trend, decreasing fuel prices and comparison with other DISCOs, the Authority has decided to allow this cost to the tune of Rs. 245 million under the head of vehicle running cost for FY 2014-15.

16.7 Other Expenses

16.7.1 The Petitioner requested Rs. 200 million for the FY 2014-15, pertaining to the expenses like rent, rates & taxes, power, light and water, bills collection charges, postage, telephone, office supplies, insurance expense, overhead expenses, Auditor's remuneration, NEPRA fee and charges, advertisement & publicity, provision of obsolete stores, miscellaneous expenses etc. The Petitioner has requested this amount based on terms & conditions of respective heads of accounts i.e. Annual Rent as per agreement, taking into account Consumer Price Index (CPI) etc. Apart from aforementioned, no further rationale or evidences has been provided by the Petitioner in order to substantiate its claim. The actual Other expenses as per the draft FY 2013-14 remained as Rs.106 million.

16.7.2 In response to the direction to control its expenditures and confirm compliance with Authority's directions w.r.t., allowed O&M expenses. Further to submit detailed basis of projections and bifurcation of expenses / income along with the tariff petitions in future. The Petitioner submitted that as per the direction of the Authority, detail of projection & bifurcation of expenses and income has been filed along with tariff petition for FY 2014-15 as

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a summary of evidence. In view of the submission, the Authority considers that the Petitioner keeps on establishing control of its expenditures accordingly.

16.7.3 In view thereof, considering the past trend and comparison with the other DISCOs, it could be observed that the request of the Petitioner on this account is not justified and needs to be rationalized. Hence, the Authority has decided to assess the cost of Rs. 117 million on the account of Other expenses for FY 2014-15.

17. **Issue# 8 Whether the Petitioner proposed depreciation charge of Rs.1,646 million (0.41 /kWh) for the FY 2014-15 as against the Actual/ provisional cost of Rs.1,667 million (Rs.0.41/kWh) for FY 2013-14 after accounting for projected additions to fixed Assets, is justified?**

17.1 The Petitioner in its petition requested a depreciation charge of Rs. 1,646 million for the FY 2014-15 against the allowed depreciation for Rs. 836 million for FY 2013-14. The Petitioner has calculated the depreciation expense on the basis of the value of existing Assets plus the additions in assets during the FY 2014-15. The assets are depreciated on straight line method as per utility practice i.e. land @ 0 %, buildings and civil works @ 2%, Plant and machinery @ 3.50%, office equipment @ 10% and other assets @ 10%.

17.2 Having analyzed the audited accounts of the Petitioner the actual expense in the head of Depreciation for FY 2013-14 works out as Rs.1,517million. The requested expense is 97% excess of the determined figure by the Authority in FY 2013-14.

17.3 In order to make fair assessment, the Authority keeps in view the investments approved by it for the year. The Authority considers that after taking into account new investments, the Gross Fixed Assets in Operation for the FY 2014-15 will be Rs. 33,916 million. Accordingly the assessed depreciation charge for the FY 2014-15 would be Rs. 2,010 million.

17.4 After carefully examining the relevant details and information pertaining to the deferred credit and amortization as per the accounts for the FY 2013-14, the Authority has projected amortization of deferred credit to the tune of Rs.328 million for the FY 2014-15. Accordingly, the consumers would bear net depreciation of Rs. 1,682 million.

18. **Issue# 9 Whether the Petitioner projected Return on Regulatory Asset base of Rs.2,810 million (Rs.0.69 /kWh) for FY 2014-15 as against the Authority's approved return of Rs.1,951 million (Rs.0.47 /kWh) for FY 2013-14, is justified?**

18.1 The rate of return requested by the Petitioner for FY 2014-15 is Rs. 2,810 million using a Rate of Return of 10.73% against the determined amount of Rs. 1,951 for FY 2013-14. The Petitioner has adopted the rate of return of 10.73% as determined by the Authority in its

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last determination for FY 2013-14. The Petitioner worked out return after taking into account the revaluation surplus due to which its RORB has increased resulting an increase of 44% from the last determined amount by the Authority. Whereas the Authority calculates the RORB based on the historic cost of assets and the re-valued amount is ignored at the time of computation of RORB and depreciation charge. Although the Petitioner did not show any concern on the calculation of WACC and rate of return being used but other DISCOs' did raise this issue that according to NEPRA tariff regime, taxes are a pass through item and are not absorbed by the Company and therefore, there is no tax shield effect and they are paying the same cost of debt as given before.

18.2 However the Authority revisited the calculation of WACC for all DISCOs as allowed in the previous years and because of significant changes in the secondary market which had a greater impact on already determined WACC. According to Rule 17(3)(iii) of the Tariff Standards and Procedure Rules 1998, tariffs should allow licensee a rate of return which promotes continued reasonable investment in equipment and facilities for improved and efficient service. For reliable supply of electricity the company has to be made viable for which the company should be allowed comparable return of similar business. In the earlier tariff determinations, the Rate of Return allowed to the Petitioner was the Weighted Average Cost of Capital (WACC) comprising of two components (i) Cost of debt & (ii) Cost of Equity. The Authority revised its assumptions in the instant year i.e. FY 2014-15. Risk free rate has been assumed as 9.45% as against the Authority's determined rate of 9.2% for FY 2013-14. The Authority is reassessing the risk free rate of return based on rate of return of Market Treasury bills having a maturity of one year as published by State Bank of Pakistan. The revised rate is 9.45%. The Authority has accepted the request made by other DISCOs' and re-worked the cost of debt based on the weighted average cost of debt of all the loans appearing in the financial statements of the Petitioner. Furthermore, the Authority had been taking post tax cost of debt based on the fact that any tax to be paid by Petitioner will be considered as pass through and would be adjusted as per actual payments made on this account. However, since the Petitioner is not taking any benefit of tax shield, as pointed out by other DISCOs, the cost of debt to be taken in working shall be pretax basis.

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

$$ke = RF + (RM - RF) \times \beta$$
$$= 9.45\% + (8\% \times 1.33)$$
$$= 20.09\%$$

The cost of debt is taken as pre tax;

$$kd = 13.84\%$$
$$WACC = [ke \times (E / V)\} + [kd \times (D / V)]$$

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Where E / V and D / V are equity and debt ratios respectively taken as 20% and 80%;

WACC = {20.09% x 20%} + {13.84% x 80%} = 15.09%

18.4 The Authority reiterates that in its opinion the Rate of Return should be reasonable enough to assure the confidence in the financial soundness of the utility company, and should be adequate to maintain and support its credit and enable it to raise money necessary for the proper discharge of public service. From the investor's or the company's point of view it is important that there be enough revenue not only for operating expenses but also for the capital cost of the business including the service of its debt. The Authority further considers that return to the equity should be commensurate with the return on investment of other enterprises having comparable risks. Thus, using Post tax rate of return, the Authority has assessed Rs. 3,188 million as return on rate base as per the following calculations:

Description	Rupees in Million	
	FY 2013-14 Actual	FY 2014-15 Assessed
Opening fixed assets in operation	27,498.86	30,633.44
Assets Additions during the year	3,134.59	3,282.67
Closing Fixed Assets in Operation	**30,633.44**	**33,916.12**
Less: Accumulated Depreciation	9,600.44	11,610.21
Net Fixed Assets in operation	**21,033.00**	**22,305.91**
+ Capital Work in Progress (Closing)	10,712.53	11,385.86
Total Fixed Assets	31,745.53	33,691.76
Less: Deferred Credit	11,279.29	11,911.24
Deposit W.I.P		
Total	**20,466.24**	**21,780.52**
Average Regulatory Assets Base		**21,123.38**
Return on Rate Base @ 15.09%		**3,187.88**

19. <u>Issue#10 Whether the Petitioner projected other income of Rs.922 million (Rs.0.23/kWh) for the FY 2014-15 as against the Actual/ provisional income of Rs.3,277 million (Rs.0.88 /kWh) for the FY 2013-14, is reasonable?</u>

19.1 The Petitioner has projected other income of Rs. 922 million for the FY 2014-15 against the determined amount of Rs. 2,709 million for FY 2013-14. Actual/Provisional other income for FY 2013-14 was Rs. 3,277 million (including late payment surcharge). The Petitioner stated that other income includes amortization of deferred credit, meter rental income, late

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payment surcharge, profit on bank deposit, sale of scrap, income from non-utility operations and commission on PTV fees and miscellaneous. To justify the break up, the Petitioner submitted the following table:-

Description	Actual FY 2012-13	Provisional FY 2013-14	Projected FY 2014-15
Surcharge on Late Payment	2,107.375	2,364	0
Profit on Bank Deposit	80.837	96	88.4
Sale of Scrap	36.517	29	36.517
Miscellaneous	465	500	465
Amortization	-	288	331.72
TOTAL	**2,689.73**	**3,277**	**921.63**

19.2 The XWDISCOs have been requesting to eliminate Late Payment charges from other income in the assessment. The request was based on the rational that the Authority has been disallowing markup on delayed payments to IPPs, at CPPA level, yet on the other hand late payment charges were included in the DISCO's other income passing on the benefit to this extent to the consumers affecting the DISCOs liquidity adversely. XWDISCOs requested to offset the two markups against each other. The Authority declined the request on the grounds that each company is different legal entity and in the absence of any bilateral agreements which govern the issue, the request cannot be accepted. Accordingly XWDISCOs were directed to enter into bilateral agreements with CPPA. The set deadline was passed and nothing concrete was on the ground. The Authority took an initiative whereby GEPCO was directed to draft a proposed agreement which was complied with by GEPCO and the same was sent to all the XWDISCOs for their comments. XWDISCOs rather than giving their comments on the draft submitted the Electricity Supply Agreement signed between DISCOs and WAPDA on 29th June, 1998. As per XWDISCOs , a novation of the same agreement was also signed between individual DISCOs and NTDC. The Authority after going through the claimed agreement observed some clauses which were required to be revisited.

19.3 In view of aforementioned, the Authority decided to nominate a committee to be constituted from NEPRA professionals in order to conduct a brain storming session on draft PSA in the tariff determinations for FY 2013-14. Two brain storming sessions were conducted during the current year. The brain storming sessions were attended by nominees of XWDISCOs and CPPA and it was mutually agreed by CPPA and XWDISCOs in the final session that the existing Electricity supply agreement dated 29th June, 1998 is valid and the same shall be implemented in letter and spirit. As regard the improvements if any, the same would be

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incorporated at a later stage. As per the clause 9.3(d) of the agreement, the XWDISCOs shall be obliged to pay CPPA late payment charge on delay payments of invoice.

19.4 The clause 9.3 (d) of the agreement deals with Late Payment charge as below:

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

19.5 In view of aforementioned, the Authority hereby decides that the late payment charge recovered from the consumers on utility bills shall be offset against the late payment invoices raised by CPPA against respective DISCO only .i.e. CPPA cannot book late charge over and above what is calculated as per the relevant clause of the agreement to a respective DISCO only. The Petitioner is, therefore, directed to share the details of late payment charges recovered from consumers and any invoice raised by CPPA under the head of mark up on delayed payments for the FY 2014-15. The information must be submitted before the next tariff petition is filed. Here it is pertinent to mention that any remaining LPC, (i.e. after the off set) shall be adjusted from the revenue requirement of FY 2015-16 and in the event of non-submission of evidence of payment to CPPA, the entire amount of Late Payment charge recovered from consumers shall be made part of other income (and deducted from revenue requirement) in the FY 2015-16. As regard the cost of working capital shown by the Petitioner as deduction from other income, the same is discussed under the relevant head .

19.6 In view thereof, the Authority has assessed Rs. 950 million as Other Income which does not include late payment charge includes amortisation of deferred credit.

20. Issue#11 Whether the Proposed revenue requirements of Rs. 69,695 at an average sale rate of Rs.17.23 /kWh for the FY2014-15, is justified as against Authority's approved average sale rate of Rs. 58,252 million (Rs. 14.019/kWh) for the FY2013-14?

20.1 Annual Revenue Requirement comprises of the following:

1. Power Purchase Price
2. Impact of T&D Losses
3. Distribution Margin
    - i) O&M Expenses
    - ii) Depreciation, RORB and Other Income
4. Prior Year Adjustment

20.2 For the assessment of annual revenue requirement the each components of average tariff is discussed in detail in the previous paragraphs. However, the remaining components are discussed below;

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20.3 Power Purchase Price (PPP)

20.3.1 The Petitioner has requested for a Power Purchase Price (PPP) of Rs. 11.26/kWh. As per the Petitioner, the projection is based on an increase of 9% over previous financial year 2013-14 being no clear trend found in past few years. The Petitioner also submitted the component wise detail as below:

Description	Amount (Rs. In Million)	Rate Rs. /kWh*
Energy transfer Charges	46,155	8.96
Capacity Transfer Charges	10,857	2.11
Use of System Charges	995	.19
	58,006	**11.26**

* Rate is un-adjusted price /kWh

20.3.2 All the power generated from different sources is procured by the Central Power Purchasing Agency (CPPA) on behalf of DISCOs at the rates as per the Power Purchase Agreements (PPAs) as per the Authority's determination. The overall power purchase cost constitutes a pool price which is transferred to the DISCOs according to a mechanism prescribed by the Authority and notified by the Federal Government in the Official Gazette. The Power Purchase Price has been projected, which in turn formulates the reference values for the monthly fuel adjustments & quarterly adjustments with respect to Capacity and Transmission Charges.

20.3.3 From all the available sources i.e. hydel, thermal-gas, RFO, nuclear, coal and imports, a total gross of 95,892 GWh power is expected to be generated during the FY 2014-15. The estimated/projected source-wise generation and cost of electricity is given in the following table:

Description	Generation		Energy Charges	
	GWh	Share	Rs. Million	Share
Hydel	32,294	34%	3,224	0.46%
Coal	112	0.12%	419	0.06%
HSD	1,653	2%	32,888	5%
Thermal - RFO	37,277	39%	541,622	77%

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Thermal - Gas	18,341	19%	101,684	14.50%
Nuclear	4,402	5%	5,820	0.83%
Mixed	1,108	1%	11,283	1.61%
Import from Iran	419	0.44%	4,416	0.63%
Wind	263	0.27%	0.5879	0.0001%
Bagasse	23	0.02%	143	0.02%
Total	95,892	100%	701,499	100%
		Capacity Charge	228,145	
		Total Generation Cost	929,644	

20.3.4 Here it is pertinent to mention that the aforementioned energy charge includes variable O&M charges. But as per the tariff methodology, variable O&M charges would not be made part of monthly fuel adjustment and would be adjusted as part of quarterly adjustment. From the above table it is clear that 39% of total generation is expected on Residual Fuel oil (RFO) but its share in overall energy cost is expected to be around 77%, which means that variation in generation mix and oil prices will have great impact on the cost of generation and will ultimately affect the consumer-end tariff. The RFO prices over the last year have shown a highly decreasing trend. During the FY 2013-14, the RFO price was projected at an average of Rs. 80,748 [excluding Sales Tax and including freight] per metric ton, whereby the RFO prices during the five months of the FY 2014-15 have remained an average of Rs. 69,610 [excluding Sales Tax and including freight] per metric ton and touched a low of Rs. 59,392 per metric ton. The RFO prices in Pakistan are not only affected by the international market but also by the Pak Rupee devaluation. Based on the international market condition, it can be presumed that this lower trend shall continue in the next seven months to come, consequently, for the FY 2014-15, RFO prices have been assumed on an average of Rs. 65,769 per metric ton [excluding Sales Tax and including freight] after incorporating the possible determinants of RFO prices. Following the previous generation trend, approximately 2% generation is expected to be generated on HSD due to the ongoing shortage of gas supply. The aforementioned generation is assumed in the light of ECC decision in the matter of Sapphire, Halmore, Orient and Saif whereby one turbine of these plants would run on HSD throughout the year. For the FY 2014-15, the HSD prices are being assumed on an average of Rs. 93.45 per litre [excluding Sales Tax]. The actual HSD price in first five months of FY 2014-15 remained on average Rs. 93.17 per litre. The gas prices are projected to increase by 30% w.e.f., July, 2014 based on an upcoming notification of OGRA that has been delayed due to unrest political situation in the Country. Consequently, the gas prices have been increased by 30% to Rs. 634.70/MMBTU for the entire FY 2014-15.

20.3.5 The generation cost is transferred to the DISCOs according to the Transfer Price Mechanism (TPM) as prescribed by the Authority in its latest determination with respect to NTDC.

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20.3.6 NTDC shall charge the DISCOs formed consequent to the unbundling of WAPDA (termed as XWDISCOs) and K-Electric a transfer charge for procuring power from approved generating companies (termed as CPGENCOs) and its delivery to DISCOs for a billing period as under:

XTC = XCTC + XETC

Where:

XTC	=	Transfer charge to XWDISCOs & KESC
XCTC	=	Capacity Transfer Charge to XWDISCOs & KESC
XETC	=	Energy Transfer Charge to XWDISCOs & KESC

$$XCTC = \frac{CpGenCap + USCF}{XWD}$$

Where:

(i)	CPGenCap	=	the summation of the capacity cost in respect of all CPGencos in Rs for a billing period minus the amount of liquidated damages received during the month.
(ii)	XWD	=	the sum of the maximum demand of the XWDISCOs & KESC in kW recorded during a billing period at all the delivery metering points at which power is received by the XWDISCOs & KESC.
(iii)	USCF	=	the fixed charge part of the use of system charges in Rs per kW per month.

$$XETC = \frac{CpGenE\ (Rs)}{XWUs\ (kWh)}$$

Where:

(i)	CPGenE	=	the summation of the variable charge rate (Rs per kWh) approved for each of the CPGenCOs times the energy in kWh procured from the respective CPGENCO during the billing period.
(ii)	XWUs	=	the summation of the energy units (kWh) recorded at the delivery metering point of all the XWDISCOs & KESC during a billing period.

20.3.7 Energy transfer charge shall be calculated on the basis of units delivered after adjusting target transmission losses up to a maximum of 3%. NTDC shall, for the purpose of clarity intimate to

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all DISCOs the generation part of the Transfer Charge during a billing period by deducting from the Transfer Charge the Transmission Charge or Use of System Charges.

20.3.8 According to the above mechanism Rs. 11,164 million and Rs. 1,002 million is the share of the Petitioner on account of CpGenCap and USCF respectively for the FY 2014-15. The overall fixed charges comprising of CpGenCap and USCF in the instant case works out as Rs. 12,165 million, which translate into Rs.2.437/kWh.

20.3.9 The annual PPP for the FY 2014-15 in the instant case works out as Rs. 50,261 million. With the projected purchase of 4,992 GWh for the same period the average PPP turns out to be as Rs. 10.07/ kWh (Annex – IV). On the basis of 17.50% T&D losses, the PPP per kWh is assessed as Rs. 12.21/kWh.

20.4. Distribution Margin (DM)

20.4.1 The DM in the instant case has been assessed as Rs. 8,540 million on the basis of assessment of O&M cost, other income, depreciation and RORB in the preceding paragraphs.

20.5 Revenue Requirement

20.5.1 Based on the assessments made in the preceding paragraphs the Revenue Requirement for the FY 2014-15 is assessed as per the following details;

1.	Power Purchase Price		Rs. 50,261Million
	CpGenE	Rs. 38,096Million	
	CpGenCap	Rs. 11,164Million	
	USCF	Rs. 1,002Million	
2.	Distribution Margin		Rs. 8,540 Million
	O&M Cost	Rs. 4,293Million	
	Depreciation	Rs. 2,010Million	
	RORB	Rs. 3,188Million	
	Gross DM	Rs. 9,490Million	
	Less: Other Income	Rs. (950) Million	
	Net DM	**Rs. 8,540 Million**	
3.	Prior Year Adjustment		Rs. 3,540 Million
4.	1st Quarter Adjustment		Rs. 419
	Total Assessed Revenue Requirement		**Rs. 62,760 Million**

20.5.2 Based on the targeted sales of 4,118 GWh for the FY 2014-15, the Petitioner's average sale

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rate works out Rs. 15.2403/kWh, consisting of Rs. 12.21/kWh of adjusted PPP, Rs.2.07/kWh of DM, Rs. 0.10/kWh of 1st Quarter Adjustment and Rs. 0.86/Kwh of Prior Year Adjustment.

20.5.3 This revenue would be recovered from the consumers during the FY 2014-15, through the projected units of 4,118 GWh, as per Annex – II.

21. Issue#12 Whether the existing service delivering structure of circles, divisions and sub-divisions etc can provide satisfactory services for supply of electric power to the consumer with the substantial expansion in the system?

21.1 The Petitioner submitted that the present service structure is satisfactory to provide services to the consumers. The Petitioner could not substantiate its submission by providing detail etc.

21.2 It is quite pertinent to mention here that Faisalabad Electric Supply Company (FESCO) and Lahore Electric Supply Company (LESCO) raised requests for creation of new circles, divisions and sub-divisions in the tariff petitions for FY 2013-14. The Authority directed both the DISCOs to take appointments for a separate presentation on this issue and deferred the decision till that time. Also, the Authority made this issue a matter for discussion for all XWDISCOs in the tariff petition for the FY 2014-15. All the XWDISCOs including the Petitioner were directed to file comments on the matter vide letter no.NEPRA/R/SAT-I/TRF-100-DISCOs/13653-61 dated 31st October, 2014.

21.3 The Petitioner has not responded to the letter as yet and consequently, the Petitioner is directed to submit comments and proposal on this issue along with the expansion plan if any for consideration of the Authority along with next tariff petition.

22. Issue#13 Whether the existing financial, administration and technical powers concentrated at different layers of hierarchy is required to be developed in order to provide better services from the door step of the consumer?

22.1 FESCO presented its request for new circles in a meeting held on 9th July, 2014, and additionally requested the Authority to consider its proposal for dissolution of powers to lower hierarchy of employees so that responsibility can be shared and delays in processing can be avoided.

22.2 Consequently, the Authority directed FESCO to bring forward its proposal in writing and made this proposal a separate issue in the tariff petition hearings of all DISCOs for the FY 2014-15 to get comments of DISCOs and other stakeholders.

22.3 The Petitioner stated that existing financial, administrative and technical powers need to be reviewed/enhanced. The Petitioner could not provide any detail or weaknesses encountered in its current power structure.

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22.4 Consequently, FESCO has forwarded its proposal in writing, the same is under consideration and comments are sought from other XWDISCOs to decide on the matter in the next year's tariff determination.

23. Issue#14 Whether the Petitioner's claim for financial charges for Rs. 2,849 million on loan obtained by Power sector for meeting fuel cost obligation towards the generation and oil companies is reasonable?

23.1 The Petitioner has requested the Authority to allow financial charges due on the loan approved by Ministry of Finance, Government of Pakistan through Power Holding Private Limited amounting to Rs. 22 billion. As per the Petitioner, this loan carries interest of Kibor plus a spread of 1% and 2% in case of default. Consequently the financial charges amounting to Rs. 2,849 million be allowed for FY 2014-15 that includes interest charges of loan from ADB / ERRA.

23.2 The Authority while deciding the tariff petition for the FY 2012-13 & FY 2013-14 has already adjudicated on the matter, after a comprehensive discussion. The Authority considers that the Petitioner has not submitted any new rationale or evidence on which the Authority can adjudicate.

23.3 Since the same amount has not been recorded by any other XWDISCOs, the Authority considers that this a serious matter and requires more deliberation with the stakeholders particularly PEPCO, CPPA and NTDC. In view thereof this adjustment is not being considered in the instant case.

24. Issue#15 What are the concerns of Petitioner on TOU metering of cellular company connections and similar connections?

24.1 The Petitioner could not grasp the very purpose of the issue raised by the Authority regarding concerns on TOU metering of cellular company connections and similar connections. The Petitioner submitted the working of revenue lost for all categories of the consumers as against the direction of the Authority to work out any adverse financial impact on its revenue because of specific connections i.e. cellular companies and similar connections, therefore the Petitioner could not reply as directed.

24.2 The matter of TOU Metering of cellular companies and the resulting losses claimed by DISCOs was raised by IESCO in the tariff petition for the FY 2012-13 and the Authority took comments of all XWDISCOs on the matter in the tariff determination hearings of FY 2013-14. All the XWDISCOs agreed to the concern of IESCO and consequently, the Authority decided to conduct a separate hearing on this issue, ensuring that all the stakeholders are taken on board.

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24.3 Based on the Authority's decision, a hearing was held on 8th July, 2014, under a suo motto proceedings, inviting all the stakeholders. The hearing was attended by representatives of IESCO and legal representatives of Cellular Companies. The representatives of IESCO reiterated their stance and requested the Authority to discontinue the installation of TOU meters on these connections. Whereas, the legal representatives of Cellular companies objected to the proceedings and demanded that evidence of losses being faced by XWDISCOs should be produced and reviewed by cellular companies before they give any justification / evidence on the matter. The legal representatives further objected to the suo motto proceedings and named it as a brain storming session which needs to be followed by examination of evidence by cellular companies and further hearing opportunity. The legal representatives of IESCO objected to the concerns of cellular companies' representatives and offered to present all the facts to the Authority. The Authority, during the hearing, directed both XWDISCOs and cellular companies to provide their evidences in this regard to the Authority for consideration.

24.4 The parties to the proceedings have failed to submit any evidence before the Authority in support of their claim both during and after the hearing. The Cellular companies like Telenor, Mobilink and Ufone through their Counsel, M/s Aqlal Advocates later on submitted Motions in the matter of Suo moto proceedings vide letter dated 25th July, 2014 and made the following submissions;

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

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precludes the Respondents from meaningful participation in the proceedings by presenting their case properly and effectively.

24.5 Based on aforementioned , the Petitioner sought the following relief;

- A detailed schedule for the orderly disposition of the proceeding, inter alia, for filing of interrogatories, discovery motions, objections and responses to objections and other procedural matters be established before further proceedings;

- After collection of all requisite evidence and giving adequate opportunities to the parties to consider and, if required, object to such evidence, declare close of evidence before the next hearing.

24.6 Although some initial information was provided by one on the Telecom sector company, however most of them went to the higher courts against the suo motto proceeding initiated by the Authority. The Honorable Islamabad High Court, dismissed their petition and the same was challenged before the Supreme Court of Pakistan. The decision of the Honorable Supreme Court is reproduced as here under given as hereunder;

" This petition is, therefore, converted into appeal and is allowed. Consequently the impugned judgment dated 22.07.2014 is set aside. This however shall not prevent NEPRA from furnishing the information relevant to the notice issued in the press and to proceed with the hearing after adhering to the National Electric Power Regulatory Authority (Tariff Standards and Procedure) Rule, 1980."

24.7 In view of aforementioned, the Authority would proceed separately in the matter.

25. <u>Issue#16 What are the concerns of Petitioner on changing terms and conditions of lifeline consumers and Residential consumers?</u>

25.1 The matter of changing terms and conditions of lifeline and residential consumers was raised by Islamabad Electric Supply Company (IESCO) in the tariff petition for the FY 2012-13 and the Authority took comments of all XWDISCOs on the matter during the tariff determination process for the FY 2013-14. All the XWDISCOs agreed to the concern of IESCO and consequently, the Authority decided to conduct a separate hearing on this issue, ensuring that all the stakeholders are taken on board.

25.2 The hearing on this matter was scheduled on 8th July, 2014, inviting all the stakeholders, under a suo motto proceedings initiated by the Authority . The hearing was attended by representatives of IESCO and LESCO. The representatives of IESCO reiterated their stance and requested the Authority to modify the terms and conditions in the interest of well being

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of the consumers. No comments / intervention against the proposal were received. Consequently, the Authority proposes following modification to the terms and conditions of lifeline and residential consumers in Annex-V;

- The criteria for Lifeline consumers is modified to only those residential consumers having single phase electric connection with a limited sanctioned load upto 1 kW and consumption of less than 50 units.
- A floating average of six months consumption of lifeline consumers should not exceed 50 units.
- In case of detection billing under the category of lifeline consumers 1 year average floating billing must be less than 50 units.
- All government offices, educational institutes and mosques should be removed from the category of residential consumers.

25.3 Although the Authority has completed its consultative process but it still feels that before modifying the Terms & Conditions further analysis as to how much consumers will be reduced on monthly basis along with it financial implication from the Petitioner needs to be obtained. Accordingly the Petitioner is directed to give comments on the proposal before the next year's tariff petition for the settlement of this issue and also to share the financial impact of revision of criteria of lifeline consumers on its revenue.

26. Issue #17. Future tariff determination methodology with respect to the consumer end tariffs of XWDISCOs.

26.1 Tariff Methodology for the FY 2014-15.

26.1.1 As per the Petitioner's petition and existing Tariff Methodology, the Authority has decided to continue with the determining of revenue requirement on annual basis and continue with the practice of projecting monthly PPP references, for the FY 2014-15 as;

- lesser revenue is generated in winter which is compensated by higher revenue generated in the summer;
- changes in generation mix resulting in lower PPP in wet seasons (with greater hydel generation) compensating high PPP in winter (with greater generation reliance on RFO);
- there is huge variation in T&D Losses due to seasonal fluctuation.

26.1.2 However, certain adjustments like impact of losses, variation in capacity transfer price and UoSC, impact of extra or lesser purchases of units would be made on quarterly basis for the

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FY 2014-15, as per the existing practice. Thus, following components of tariff are subject to annual assessment for the FY 2014-15;

- Assessment of T&D losses target.
- Assessment of Sales target.
- Impact of Consumer mix variance.
- Month wise assessment of reference values with respect to PPP (including energy, capacity & transmission charges).
- Impact of extra and lesser units purchased.
- Assessment of Distribution Margin, and ;
- Assessment of prior period assessment, if any.

26.1.3 The Petitioner may file a review on the Authority's assessment as per Rules.

26.2 Quarterly Adjustments

26.2.1 The quarterly adjustments would also be done for the FY 2014-15 as per the following scope. Thus, the scope of quarterly adjustments would be limited to;

1. The adjustments pertaining to the capacity and transmission charges.
2. The impact of T&D losses on the components of PPP.
3. Adjustment of Variable O&M as per actual.

26.3 Monthly Fuel Adjustments

26.3.1 The existing practice with respect to the adjustments on account of variation in fuel cost component of PPP on monthly basis would continue for the FY 2014-15. This adjustment reflects in the consumers' monthly bill as Fuel Adjustment Charge.

26.3.2 In view of any abnormal changes the Authority may review these references along with any quarterly adjustment. Here it is pertinent to mention that PPP is pass through for all the DISCOs (variable cost) and its monthly references would continue to exist irrespective of the financial year, unless the new Schedule of Tariff (SOT) is notified by the GOP. The recovery of fixed cost Distribution Margin & Prior Year Adjustment (DM & PYA) would also be done on the currently notified regulated sales.

26.4 Future Tariff Methodology for the FY 2015-16 and onwards .

26.4.1 The Authority is in the process of notifying the future tariff methodology pertaining to the FY 2015-16 and onwards. The Authority, while devising the aforementioned , has used a participatory approach whereby the process was started in December, 2013 . The first draft of

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the methodology was uploaded on the website for comments on 20th February, 2014 inviting all the stakeholders to submit their comments. After incorporating the relevant comments, the Authority again uploaded the revised version of the draft on 12th August , 2014 for any additional comments/concerns . An advertisement in this regard was also published on 12th August, 2014, intimating all the stakeholders about the uploading of the document on NEPRAs website. Further, individual letters were also send to all the stakeholders considered to be affected, seeking their comments on the document.

26.4.2 The Authority after going through all the available documents and record , has finalized the aforementioned document and is in the process of notifying it , All the XWDISCOs are directed to submit their future tariff petition in accordance with the notified tariff methodology.

27. Summary of Directions

27.1 The summary of all the directions passed in this determination are reproduced hereunder;

- To submit its investment requirements for the implementation of Hand Handled Units (HHU) along with its completion timelines with its next tariff petition.
- The Authority had directed DISCOs vide Registrar's letter dated 21.12.2012 to submit their plans regarding introduction and expansion of Automatic Meter Reading System (AMR). DISCOs were also required to submit progress reports on NEPRA's directions. Subsequently vide letter No. NEPRA/R/L/LAD-21/9016-26 Dated 7th August 2014, the Authority also directed DISCOs to install AMR and Automatic Metering Infrastructure (AMI) at all of their Common Delivery Points (CDPs). It is noted that except for initiating certain pilot projects, DISCOs have not been able to show serious efforts on the installation of AMR and AMI systems.
    - The Authority considers that one of the key reasons for high transmission and distribution losses in DISCOs is absence of any mechanism for tracking of electricity flow from the points of their electricity purchases (CDP) down to the final consumer. A reliable metering and recording system at every voltage level starting with the 132 kV grid, at the 11 kV and to 400 and 230 volts is therefore critical for not only elimination of theft, unaccounted for electricity and diagnosing technical problems, such systems would also enable NEPRA in analyzing DISCOs genuine investment requirements. Consequently reduction in losses would help save billion of rupees annually and support GOP's efforts in eliminating circular debt. Reportedly the results through the model projects have been quite encouraging and noticeable reductions in the losses have been observed.
    - The Authority therefore directs all DISCOs as follows:

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

- To provide break-up of receivables with aging and nature of receivables and a concrete plan of their recovery not later than 30th June, 2015.
- To get its strength yard stick approved by the Authority based on proper justifications and its quantified benefits
- To share the details of late payment charges recovered from consumers and any invoice raised by CPPA under the head of mark up on delayed payments for the FY 2014-15. The information must be submitted before the next tariff petition is filed
- The Petitioner is directed to give comments on the proposal of lifeline consumers before the next year's tariff petition. and also to share the financial impact of revision of criteria of lifeline consumers on its revenue.
- To complete study of its Transmission and Distribution losses on 132 KV , 11KV and below .
- To submit the details of investment expense undertaken in the FY 2013-14 with future investment plan to technical division not later than 30, June 2015.
- To transfer amount in the post retirement benefit fund and claim the amount so transferred from the Authority in the next year's tariff determination by submission of evidence of transfer of amount.
- To submit a recruitment plan for the requested hiring of staff containing cost/benefit analysis based on best practices.
- To submit the certificate of replacement hiring before the finalization of the tariff determination pertaining to the FY 2015-16
- To submit its investment requirements for the implementation of the said plan along with the completion timelines along with its next tariff petition.
- To provide break-up along with the nature of receivables and a concrete plan of their recovery not later than 30th June, 2015.

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- to submit comments and proposal along with the expansion plan for consideration of the Authority regarding existing service delivering structure of circles, divisions and sub-divisions etc with next tariff petition.
- To complete installations of TOU metering and the Authority, based on Petitioner's non-seriousness in implementation of its decisions, has decided to initiate proceedings against the Petitioner under the penal sections of the relevant Regulations.
- To adopt the software and print bills with reading snapshot as directed vide letter dated 17th October, 2014. The same should be implemented not later than 30th June , 2015 and sample bills should also be shared with the Authority not later than 30th June, 2015.
- To recover the remaining amount of Subsidy from GoP and GoB.
  To share evidence of losses incurred by it post TOU metering of cellular company connections to strengthen its case.
- To launch a consumer awareness campaign exclusively for the agricultural consumers in its region.
- To submit compliance report on joint load verification of tube well connections not later than June 30,2015.
- To submit agreed average daily supply hours and connected load of tube well connections along with future billing mechanism not later than one month from issuance of this determination.
- To implement the Electricity Supply Agreement dated 29th June, 1998 (Agreement) signed between WAPDA and QESCO and a notation to this agreement is signed on 28th February, 1999 with NTDC in letter and spirit. The Petitioner must now be obliged to pay CPPA late payment surcharge on delay payments of invoice and mutually settle the old outstanding dues in this regard.

28. ORDER

From what has been discussed above, the Authority hereby determines the tariff of the Petitioner Company for the Financial Year 2014-15 as under:-

I. Quetta Electric Supply Company (QESCO) is allowed to charge its consumers such tariff as set out in the schedule of tariff for QESCO annexed to the determination.

II. The actual variation in fuel cost component of power purchase price against the reference fuel cost component shall be adjusted on monthly basis without taking into account the T&D losses. The monthly fuel price adjustment shall be based on the actual information submitted by CPPA.

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III. QESCO is allowed to charge the users of its system a "Use of system charge" (UOSC) equal to:

i) Where only 132kV system is involved

$$UOSC = DM \times \frac{(1-L)}{(1-0.01)} \quad Paisa/kWh$$

ii) Where only 11 kV distribution system is involved

$$UOSC = DM \times \frac{(1-L)}{(1-0.05)} \quad Paisa/kWh$$

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

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

Where:

Distribution Margin for FY 2014-15 is set at Rs 2.07/kWh. 'L' will be the overall percentage loss assessment for the year set at 17.50% or FY 2014-15.

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

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

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Annex-I

FUEL PRICE ADJUSTMENT MECHANISM

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

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

Where:

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

Actual fuel cost component is the fuel cost component in the pool price on which the DISCOs will be charged by CPPA 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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Quetta Electric Supply Company (QESCO)
Estimated Sales Revenue on the Basis of New Tariff

1

Description	Sales GWh	Tariff (NEPRA) Fixed Charge Rs./kW/ Month	Tariff (NEPRA) Variable Charge Rs./ kWh	Revenue (as per NEPRA) Fixed Charge Rs.Million	Revenue (as per NEPRA) Variable Charge Rs.Million	Revenue (as per NEPRA) Total Rs. Million
Residential						
Up to 50 Units	15		4.00	-	62	62
For peak load requirement less than 5 kW						
01-100 Units	273		12.50	-	3,408	3,408
101-300 Units	96		15.00	-	1,447	1,447
301-700Units	26		17.00	-	434	434
Above 700 Units	89		19.00	-	1,691	1,691
For peak load requirement 5 kW & above	-					-
Time of Use (TOU) - Peak	2		19.00		33	33
Time of Use (TOU) - Off-Peak	16		13.00		206	206
Total Residential	**517**			**-**	**7,281**	**7,281**
Commercial - A2						
For peak load requirement less than 5 kW	56		19.00	-	1,067	1,067
For peak load requirement 5 kW & above						
Regular	3	400.00	15.00	17	46	63
Time of Use (TOU) - Peak	7		19.00		134	134
Time of Use (TOU) - Off-Peak	33	400.00	13.00	219	428	646
Total Commercial	**99**			**236**	**1,674**	**1,910**
Industrial						
B1	8		14.50		111	111
B1 - TOU (Peak)	2		19.00	-	30	30
B1 - TOU (Off-peak)	9		13.00	-	122	122
B2	0	400.00	14.00	1	5	6
B2 - TOU (Peak)	8		19.00		150	150
B2 - TOU (Off-peak)	52	400.00	12.80	118	659	777
B3 - TOU (Peak)	3		19.00		50	50
B3 - TOU (Off-peak)	42	380.00	12.70	43	537	580
B4 - TOU (Peak)	-		19.00		-	-
B4 - TOU (Off-peak)	-	360.00	12.60	-	-	-
Total Industrial	**123**			**162**	**1,664**	**1,826**
Single Point Supply for further distribution						
C1(a) Supply at 400 Volts-less than 5 kW	0		15.00	-	6	6
C1(b) Supply at 400 Volts- 5 kW &	8	400.00	14.50	8	121	130
Time of Use (TOU) - Peak	1		19.00		26	26
Time of Use (TOU) - Off-Peak	8	400.00	13.00	9	99	108
C2 Supply at 11 kV	18	380.00	14.30	24	255	280
Time of Use (TOU) - Peak	10		19.00		184	184
Time of Use (TOU) - Off-Peak	41	380.00	12.80	46	526	572
C3 Supply above 11 kV	-	360.00	14.20	-	-	-
Time of Use (TOU) - Peak	-		19.00		-	-
Time of Use (TOU) - Off-Peak	-	360.00	12.70	-	-	-
Total Single Point Supply	**86**			**88**	**1,218**	**1,306**
Agricultural Tube-wells - Tariff D						
Scarp	218		15.20		3,321	3,321
Agricultual Tube-wells	3,005	200.00	14.70	1,984	44,171	46,154
Time of Use (TOU) - Peak	5		19.00		90	90
Time of Use (TOU) - Off-Peak	57	200.00	12.70	41	727	768
Total Agricultural	**3,285**			**2,024**	**48,308**	**50,332**
Public Lighting - Tariff G	8		14.00	-	106	106
Tariff H - Residential Colonies attached to industries	0		14.00	-	1	1
Tariff I- Railway Traction	-					
Sub-Total				**5**	**5**	**5**
Total Revenue	**4,118**			**2,509.46**	**60,252**	**62,761**

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SCHEDULE OF ELECTRICITY TARIFFS FOR QUETTA ELECTRIC SUPPLY COMPANY LTD (QESCO)

A-1 GENERAL SUPPLY TARIFF - RESIDENTIAL

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	
a)	For Sanctioned load less than 5 kW			
i	Up to 50 Units	-	4.00	
	For Consumption exceeding 50 Units			
ii	1 - 100 Units	-	12.50	
iii	101 - 300 Units	-	15.00	
iv	301 - 700 Units	-	17.00	
v	Above 700 Units	-	19.00	
b)	For Sanctioned load 5 kW & above			
			Peak	Off-Peak
	Time Of Use	-	19.00	13.00

As per the Authority's decision residential consumers will be given the benefits of only one previous
Under this tariff, there shall be minimum monthly charges at the following rates even if no energy is consumed.

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

A-2 GENERAL SUPPLY TARIFF - COMMERCIAL

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	
a)	For Sanctioned load less than 5 kW		19.00	
b)	For Sanctioned load 5 kW & above	400.00	15.00	
			Peak	Off-Peak
c)	Time Of Use	400.00	19.00	13.00

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

a) Single Phase Connections; Rs. 175/- per consumer per month
b) Three Phase Connections: Rs. 350/- per consumer per month

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SCHEDULE OF ELECTRICITY TARIFFS FOR QUETTA ELECTRIC SUPPLY COMPANY LTD (QESCO)

B INDUSTRIAL SUPPLY TARIFFS

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	
B1	Upto 25 kW (at 400/230 Volts)	-		14.50
B2(a)	exceeding 25-500 kW (at 400 Volts)	400.00		14.00
	Time Of Use		Peak	Off-Peak
B1 (b)	Up to 25 KW		19.00	13.00
B2(b)	exceeding 25-500 kW (at 400 Volts)	400.00	19.00	12.80
B3	For All Loads up to 5000 kW (at 11,33 kV)	380.00	19.00	12.70
B4	For All Loads (at 66,132 kV & above)	360.00	19.00	12.60

For B1 consumers there shall be a fixed minimum charge of Rs. 350 per month.
For B2 consumers there shall be a fixed minimum charge of Rs. 2,000 per month.
For B3 consumers there shall be a fixed minimum charge of Rs. 50,000 per month.
For B4 consumers there shall be a fixed minimum charge of Rs. 500,000 per month.

C - SINGLE-POINT SUPPLY FOR PURCHASE IN BULK BY A DISTRIBUTION LICENSEE AND MIXED LOAD CONSUMERS NOT FALLING IN ANY OTHER CONSUMER CLASS

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	
C -1	For supply at 400/230 Volts			
a)	Sanctioned load less than 5 kW	-		15.00
b)	Sanctioned load 5 kW & up to 500 kW	400.00		14.50
C -2(a)	For supply at 11,33 kV up to and including 5000 kW	380.00		14.30
C -3(a)	For supply at 66 kV & above and sanctioned load above 5000 kW	360.00		14.20
	Time Of Use		Peak	Off-Peak
C -1(c)	For supply at 400/230 Volts 5 kW & up to 500 kW	400.00	19.00	13.00
C -2(b)	For supply at 11,33 kV up to and including 5000 kW	380.00	19.00	12.80
C -3(b)	For supply at 66 kV & above and sanctioned load above 5000 kW	360.00	19.00	12.70

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SCHEDULE OF ELECTRICITY TARIFFS FOR QUETTA ELECTRIC SUPPLY COMPANY LTD (QESCO)

D - AGRICULTURE TARIFF

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	
D-1(a)	SCARP less than 5 kW	-	15.20	
D-2	Agricultural Tube Wells	200.00	14.70	
			Peak	Off-Peak
D-1(b)	SCARP and Agricultural 5 kW & above	200.00	19.00	12.70

Under this tariff, there shall be minimum monthly charges Rs.2,000/- 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
E-1(i)	Residential Supply	-	19.00
E-1(ii)	Commercial Supply	-	19.00
E-2	Industrial Supply	-	14.50

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

F - SEASONAL INDUSTRIAL SUPPLY TARIFF

125% of relevant industrial tariff

Note:

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

G- PUBLIC LIGHTING

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh
	Street Lighting		14.00

There shall be a minimum monthly charge of Rs.500/- per month per kW of lamp capacity installed.

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SCHEDULE OF ELECTRICITY TARIFFS
FOR QUETTA ELECTRIC SUPPLY COMPANY LTD (QESCO)

H - RESIDENTIAL COLONIES ATTACHED TO INDUSTRIAL PREMISES

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh
	Residential Colonies attached to industrial premises	-	14.00

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Annex-IV

QESCO Power Purchase Price

Name	July	August	September	October	November	December	January	February	March	April	May	June	Total
Units Purchased by DISCOs (GWh)	436	365	461	441	464	446	362	402	414	402	386	411	4,992

kWh

Name	July	August	September	October	November	December	January	February	March	April	May	June	Total
Fuel Cost Component	6.4933	6.4562	6.4326	7.3369	7.3040	8.1037	9.8670	7.2603	8.0985	7.6273	6.7764	6.8283	**7.360**
Variable O & M	0.2436	0.2429	0.2295	0.2574	0.2667	0.2961	0.3118	0.2901	0.3050	0.2977	0.2762	0.2621	**0.272**
CpGenCap	2.2531	2.6029	1.7880	2.0692	2.1243	2.3039	2.5273	2.0860	2.3492	2.4073	2.4237	2.0650	**2.2365**
USCF	0.2160	0.2551	0.1725	0.1945	0.1901	0.2023	0.2166	0.1758	0.1898	0.1975	0.2195	0.1913	**0.2007**
Total PPP in Rs. /kWh	**9.2060**	**9.5571**	**8.6226**	**9.8580**	**9.8851**	**10.9060**	**12.9227**	**9.8123**	**10.9426**	**10.5298**	**9.6957**	**9.3467**	**10.0693**

-

Rs in Million

Name	July	August	September	October	November	December	January	February	March	April	May	June	Total
Fuel Cost Component	2,834	2,354	2,968	3,237	3,389	3,618	3,574	2,921	3,354	3,067	2,614	2,806	**36,736**
Variable O & M	106	89	106	114	124	132	113	117	126	120	107	108	**1,360**
CpGenCap	983	949	825	913	986	1,029	915	839	973	968	935	849	**11,164**
USCF	94	93	80	86	88	90	78	71	79	79	85	79	**1,002**
PPP	**4,018**	**3,484**	**3,978**	**4,349**	**4,587**	**4,869**	**4,681**	**3,948**	**4,532**	**4,235**	**3,740**	**3,842**	**50,261**

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 Quetta Electric Supply Company Ltd.,(QESCO) engaged in the business of distribution of electricity within the territory mentioned in the licence granted to it for this purpose.

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

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

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

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11. "Supply", means the supply for single-phase/three-phase appliances inclusive of both general and motive loads subject to the conditions that in case of connected or sanctioned load exceeding 4 kW supply shall be given at three-phase.
12. "Consumer" means a person of his successor-in-interest as defined under Section 2(iv) of the Regulation of Generation, Transmission and Distribution of Electric Power Act (XL of 1997).
13. "Charitable Institution" means an institution, which works for the general welfare of the public on no profit basis and is registered with the Federal or Provincial Government as such and has been issued tax exemption certificate by Federal Board of Revenue (FBR).
14. NTDC means the National Transmission and Dispatch Company.
15. CPPA means Central Power Purchasing Agency (CPPA).
16. The "Authority" means "The National Electric Power Regulatory Authority (NEPRA)" constituted under the Regulation of Generation, Transmission and Distribution of Electric Power Act (XL of 1997).

GENERAL CONDITIONS

1. "The Company shall render bills to the consumers on a monthly basis or less on the specific request of a consumer for payment by the due date.
2. The Company shall ensure that bills are delivered to consumers at least seven days before the due date. If any bill is not paid by the consumer in full within the due date, a Late Payment Surcharge of 10% (ten percent) shall be levied on the amount billed excluding Govt. tax and duties etc. In case bill is not served at least seven days before the due date then late payment surcharge will be levied after 7th day from the date of delivery of bill.
3. The supply provided to the consumers shall not be available for resale.
4. In the case of two-part tariff average Power Factor of a consumer at the point of supply shall not be less than 90%. In the event of the said Power factor falling below 90%, the consumer shall pay a penalty of two percent increase in the fixed charges determined with reference to maximum demand during the month corresponding to one percent decrease in the power factor below 90%.

PART-II

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

A-1 RESIDENTIAL AND GENERAL SERVICES

1. This Tariff is applicable for supply to;

   i) Residences,
   ii) Places of worship,
   iii) Approved religious and charitable institutions,
   iv) Government and Semi-Government Offices and institutions,
   v) Government Hospitals and Dispensaries,
   vi) Educational institutions.

2. Consumers having sanctioned load less than 5 kW shall be billed on single-part kWh rate i.e. A-1 (a) tariff.

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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 no later than 31st March 2012.

A-2 COMMERCIAL

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

2. Consumers under tariff A-2 having sanctioned load of less than 5 kW shall be billed under a Single-Part kWh rate A-2(a)
3. All existing consumers under tariff A-2 having sanctioned load 5 kW and above shall be billed on A-2(b) tariff till such time that they are provided T.O.U metering arrangement; thereafter such consumers shall be billed on T.O.U tariff A-2(c).
4. The existing and prospective consumers having load of 5 kW and above can opt for T.O.U metering arrangement and A-2(c) tariff.
5. All existing consumers under tariff A-2 shall be provided T.O.U metering arrangement by the Company-and converted to-A-2 (c) Tariff no later than 31st March 2012.
6. All new connections having load requirement 5 kW and above shall be provided T.O.U meters and shall be billed under tariff A-2(c).

B INDUSTRIAL SUPPLY

Definitions

1. "Industrial Supply" means the supply for bona fide industrial purposes in factories including the supply required for the offices and for normal working of the industry and also for water pumps and tube-wells operating on three phase 400 volts, other than those meant for the irrigation or reclamation of agricultural land.
2. For the purposes of application of this tariff an "Industry" means a bona fide undertaking or establishment engaged in manufacturing, value addition and/or processing of goods.
3. This Tariff shall also be available for consumers having single-metering arrangement such as;
   - i) Poultry Farms
   - ii) Fish Hatcheries and Breeding Farms and
   - iii) Software houses

Conditions

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

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

1. This tariff is applicable for supply to Industries having sanctioned load upto a 25 kW.
2. Consumers having sanctioned load less than 25 kW shall be billed on single-part kWh rate.

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 no later than 31st March 2012.
3. All new applicants i.e. prospective consumers applying for service to the Company shall be provided T.O.U metering arrangement and charged according to the applicable T.O.U tariff.

B-3 SUPPLY AT 11 kV AND 33 kV

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

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

1. This tariff is applicable for supply to Industries for all loads of more than 5000 kW receiving supply at 66 kV, 132 kV and above and also for Industries having load of 5000 kW or below who opt to receive supply at 66 kV or 132 kV and above.
2. If, for any reason, the meter reading date of a consumer is altered and the acceleration/retardation in the date is up to 4 days, no notice shall be taken of this acceleration or retardation. But if the date is accelerated or retarded by more than 4 days, the fixed charges shall be assessed on proportionate basis for the actual number of days between the date of the old reading and the new reading.
3. If the Grid Station required for provision of supply falls within the purview of the dedicated system under the NEPRA Eligibility Criteria, the supply under this Tariff shall not be available to such a prospective consumer unless he provides, to the satisfaction and approval of the Company, an independent grid station of his own including Land, Building,

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Transformers, Circuit Breakers and other necessary equipment and apparatus as part of the dedicated distribution system for receiving and controlling the supply, or, alternatively, pays to the Company for all such Land, Building, Transformers, Circuit Breakers and other necessary equipment and apparatus if so provided and installed by the Company. The recovery of cost of service connection shall be regulated by NEPRA Eligibility Criteria.

4. All B-4 Industrial Consumers shall be billed on the basis of two-part T.O.U tariff.

C SINGLE POINT (SINGLE-METERING) SUPPLY

"Single-Point Supply" for the purpose of this Tariff, means the supply given at one point:

i) To a licensee converted from a bulk supply status (who was procuring power from QESCO as a consumer prior to grant of license to QESCO) for the purpose of further distribution within its respective exclusive territory and jurisdiction.

ii) To a mix-load consumer not reselling 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 mix-load at a single 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-l(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 by 31st March 2012.

C-2 SUPPLY AT 11 kV AND 33 kV

1. This tariff is applicable to consumers receiving supply at 11 kV or 33 kV at one-point metering arrangement and having sanctioned load of up to and including 5000 kW.
2. The supply under this Tariff shall not be available to a prospective consumer unless he provides, to the satisfaction and approval of the Company, his own Transformer, Circuit Breakers and other necessary equipment as part of the dedicated distribution system for receiving and controlling the supply, or, alternatively pays to the Company for all apparatus and equipment if so provided and installed by the Company. The recovery of the cost of service connection shall be regulated by the NEPRA eligibility criteria.
3. All new consumers shall be provided TOU metering arrangement and shall be billed on the basis of tariff C-2(b) as set out in the Schedule of Tariff.
4. Existing consumers governed by this tariff shall be provided with T.O.U metering arrangement and converted to C-2(b) by 31st March 2012.

C-3 SUPPLY AT 66 kV AND ABOVE

1. This tariff is applicable to consumers having sanctioned load of more than 5000 kW receiving supply at 66 kV and above.
2. If the Grid Station required for provision of supply falls within the purview of the dedicated system under the NEPRA Eligibility Criteria, the supply under this Tariff shall not be

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available to such a prospective consumer unless he provides, to the satisfaction and approval of the Company, an independent grid station of his own including Land, Building, Transformers, Circuit Breakers and other necessary equipment and apparatus as part of the dedicated distribution system for receiving and controlling the supply, or, alternatively, pays to the Company for all such Land, Building, Transformers, Circuit Breakers and other necessary equipment and apparatus if so provided and installed by the Company. The recovery of cost of service connection shall be regulated by NEPRA Eligibility Criteria.

3. Existing consumers governed by this tariff shall be provided with T.O.U metering arrangement and converted to C-3(b) by 31st March 2012.
4. All new consumers shall be provided TOU metering arrangement and shall be billed on the basis of tariff C-3(b) as set out in the Schedule of Tariff.

D AGRICULTURAL SUPPLY

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

Special Conditions of Supply

1. This tariff shall apply to:

   i) Reclamation and Drainage Operation under Salinity Control and Reclamation Projects (SCARP):
   ii) Bona fide forests, agricultural tube-wells and lift irrigation pumps for the irrigation of agricultural land.
   iii) Tube-wells meant for aqua-culture, viz. fish farms, fish hatcheries and fish nurseries.
   iv) Tube-wells installed in a dairy farm meant for cultivating crops as fodder and for upkeep of cattle.

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

3. The lamps and fans consumption in the residential quarters, if any, attached to the tube-wells shall be charged entirely under Tariff A-1 for which separate metering arrangements should be installed.

4. The supply under this Tariff shall not be available to consumer using pumps for the irrigation of parks, meadows, gardens, orchards, attached to and forming part of the residential, commercial or industrial premises in which case the corresponding Tariff A-1, A-2 or Industrial Tariff B-1, B-2 shall be respectively applicable.

D-1 (a)

1. This tariff is applicable to all Reclamation and Drainage Operation pumping under SCARP related installation having sanctioned load of less than 5 kW.

2. Consumers having sanctioned load less than 5 kW shall be billed on single-part kWh rate i.e. D-1(a) tariff given in the Schedule of Tariff.

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D-1 (b)

1. This tariff is applicable to all Reclamation and Drainage Operation pumping under SCARP related installation and other consumers falling under Agriculture Supply having sanctioned load of 5 kW and above.
2. 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.
3. All the existing consumers having sanctioned load 5 kW and above shall be provided T.O.U metering arrangements by 31st March 2012 and shall be governed by D-1(a) for SCARP and D2 for Agricultural Supply, till that time.

D-2

1. This tariff is applicable to consumers falling under Agriculture Supply having sanctioned load less than 5 kW excluding SCARP related installations.
2. The fixed charges under this Tariff shall be recovered on the basis of sanctioned load in kilowatt as the billing demand and such charges will be applicable even if no energy is consumed during a month.

E -1 TEMPORARY RESIDENTIAL/COMMERCIAL SUPPLY

Temporary Residential/Commercial Supply means a supply given to persons temporarily on special occasions such as ceremonial, religious gatherings, festivals, fairs, marriages and other civil or military functions. This also includes supply to touring cinemas and persons engaged in construction works for all kinds of single phase loads. For connected load exceeding 4 kW, supply may be given at 400 volts (3 phase) to allow a balanced distribution of load on the 3 phases. Normally, temporary connections shall be allowed for a period of 3 months which can be extended on three months basis subject to clearance of outstanding dues.

Special Conditions of Supply

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

E -2 TEMPORARY INDUSTRIAL SUPPLY

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

SPECIAL CONDITIONS OF SUPPLY

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

F SEASONAL INDUSTRIAL SUPPLY

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

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one or more seasonal industries, against one connection, in a manner that the former works in one season while the latter works in the other season (thus running throughout the year) will not be classified as a seasonal industry for the purpose of the application of this Tariff.

Definitions

1. "Year" means any period comprising twelve consecutive months.
2. All "Definitions" and "Special Conditions of Supply" as laid down under the corresponding Industrial Tariffs shall also form part of this Tariff so far as they may be relevant.

Special Conditions of Supply

1. This tariff is applicable to seasonal industry.
2. Fixed Charges per kilowatt per month under this tariff shall be levied at the rate of 125% of the corresponding regular Industrial Supply Tariff Rates and shall be recovered only for the period that the seasonal industry actually runs subject to minimum period of six consecutive months during any twelve consecutive months. The condition for recovery of Fixed Charges for a minimum period of six months shall not, however, apply to the seasonal industries, which are connected to the Company's Supply System for the first time during the course of a season.
3. The consumers falling within the purview of this Tariff shall have the option to change over to the corresponding industrial Supply Tariff, provided they undertake to abide by all the conditions and restrictions, which may, from time to time, be prescribed as an integral part of those Tariffs. The consumers under this Tariff will have the option to convert to Regular Tariff and vice versa. This option can be exercised at the time of obtaining a new connection or at the beginning of the season. Once exercised, the option will remain in force for at least one year.
4. All seasonal loads shall be disconnected from the Company's Supply System at the end of the season, specified by the consumer at the time of getting connection, for which the supply is given. In case, however, a consumer requires running the non-seasonal part of his load (e.g., lights, fans, tube-wells, etc.) throughout the year, he shall have to bring out separate circuits for such load so as to enable installation of separate meters for each type of load and charging the same at the relevant Tariff.
5. Where a "Seasonal Supply" consumer does not come forward to have his seasonal industry re-connected with the Company's Supply System in any ensuing season, the service line and equipment belonging to the Company and installed at his premises shall be removed after expiry of 60 days of the date of commencement of season previously specified by the consumer at the time of his obtaining new connection/re-connection. However, at least ten clear days notice in writing under registered post shall be necessary to be given to the consumer before removal of service line and equipment from his premises as aforesaid, to enable him to decide about the retention of connection or otherwise. No Supply Charges shall be recovered from a disconnected seasonal consumer for any season during which he does not come forward to have his seasonal industry re-connected with the Company's Supply System.

G PUBLIC LIGHTING SUPPLY

"Public Lighting Supply" means the supply for the purpose of illuminating public lamps.

Definitions

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

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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.

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Annex-VI

Summary of Directions for QESCO:

The summary of all the directions passed in this determination are reproduced hereunder;

- To submit its investment requirements for the implementation of Hand Handled Units (HHU) along with its completion timelines with its next tariff petition.
- The Authority had directed DISCOs vide Registrar's letter dated 21.12.2012 to submit their plans regarding introduction and expansion of Automatic Meter Reading System (AMR). DISCOs were also required to submit progress reports on NEPRA's directions. Subsequently vide letter No. NEPRA/R/L/LAD-21/9016-26 Dated 7th August 2014, the Authority also directed DISCOs to install AMR and Automatic Metering Infrastructure (AMI) at all of their Common Delivery Points (CDPs). It is noted that except for initiating certain pilot projects, DISCOs have not been able to show serious efforts on the installation of AMR and AMI systems.
  - The Authority considers that one of the key reasons for high transmission and distribution losses in DISCOs is absence of any mechanism for tracking of electricity flow from the points of their electricity purchases (CDP) down to the final consumer. A reliable metering and recording system at every voltage level starting with the 132 kV grid, at the 11 kV and to 400 and 230 volts is therefore critical for not only elimination of theft, unaccounted for electricity and diagnosing technical problems, such systems would also enable NEPRA in analyzing DISCOs genuine investment requirements. Consequently reduction in losses would help save billion of rupees annually and support GOP's efforts in eliminating circular debt. Reportedly the results through the model projects have been quite encouraging and noticeable reductions in the losses have been observed.
  - The Authority therefore directs all DISCOs as follows:
    - To install AMR and AMI at all of their CDPs by December 31, 2015.
    - To install AMR and AMI on the receiving end of at least 30% of their 11 kV feeders (as existing on 30 June 2014) by 31st December 2015 and remaining 70% till June, 2016.
    - To initiate and install AMR/AMI at the consumer level in at least 10 of their high loss making subdivisions by 31st December, 2015 and remaining 70% by 30th June 2016.
- To provide break-up of receivables with aging and nature of receivables and a concrete plan of their recovery not later than 30th June, 2015.
- To get its strength yard stick approved by the Authority based on proper justifications and its quantified benefits

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- To share the details of late payment charges recovered from consumers and any invoice raised by CPPA under the head of mark up on delayed payments for the FY 2014-15. The information must be submitted before the next tariff petition is filed
- The Petitioner is directed to give comments on the proposal of lifeline consumers before the next year's tariff petition. and also to share the financial impact of revision of criteria of lifeline consumers on its revenue.
- To complete study of its Transmission and Distribution losses on 132 KV , 11KV and below .
- To submit the details of investment expense undertaken in the FY 2013-14 with future investment plan to technical division not later than 30, June 2015.
- To transfer amount in the post retirement benefit fund and claim the amount so transferred from the Authority in the next year's tariff determination by submission of evidence of transfer of amount.
- To submit a recruitment plan for the requested hiring of staff containing cost/benefit analysis based on best practices.
- To submit the certificate of replacement hiring before the finalization of the tariff determination pertaining to the FY 2015-16
- To submit its investment requirements for the implementation of the said plan along with the completion timelines along with its next tariff petition.
- To provide break-up along with the nature of receivables and a concrete plan of their recovery not later than 30th June, 2015.
- to submit comments and proposal along with the expansion plan for consideration of the Authority regarding existing service delivering structure of circles, divisions and sub-divisions etc with next tariff petition.
- To complete installations of TOU metering and the Authority, based on Petitioner's non-seriousness in implementation of its decisions, has decided to initiate proceedings against the Petitioner under the penal sections of the relevant Regulations.
- To adopt the software and print bills with reading snapshot as directed vide letter dated 17th October, 2014. The same should be implemented not later than 30th June , 2015 and sample bills should also be shared with the Authority not later than 30th June, 2015.
- To recover the remaining amount of Subsidy from GoP and GoB.
  To share evidence of losses incurred by it post TOU metering of cellular company connections to strengthen its case.
- To launch a consumer awareness campaign exclusively for the agricultural consumers in its region.
- To submit compliance report on joint load verification of tube well connections not later than June 30,2015.

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- To submit agreed average daily supply hours and connected load of tube well connections along with future billing mechanism not later than one month from issuance of this determination.
- To implement the Electricity Supply Agreement dated 29th June, 1998 (Agreement) signed between WAPDA and QESCO and a notation to this agreement is signed on 28th February, 1999 with NTDC in letter and spirit. The Petitioner must now be obliged to pay CPPA late payment surcharge on delay payments of invoice and mutually settle the old outstanding dues in this regard.

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Annex — VII

List of Interested / Affected Parties to send the Notices of Admission /Hearing Regarding Tariff Petition filed by Quetta Electric Supply Co. Ltd. (QESCO) for the Determination of Consumer-end Tariff for the FY 2014-15 based on Actual/Estimated Results of FY 2013-14 as Test Year.

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A. ***Secretaries of various Ministries***

1. Secretary
Cabinet Division
Cabinet Secretariat
Islamabad

2. Secretary
Ministry of Industries & Production
'A' Block, Pak Secretariat
Islamabad

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

4. Secretary
Ministry of Finance
'Q' Block, Pak Secretariat
Islamabad

5. Secretary
Ministry of Commerce
A-Block, Pak Secretariat
Islamabad

6. Secretary
Privatization Commission
EAC Building
Islamabad

7. Secretary
Planning and Development Division
'P' Block, Pak Secretariat
Islamabad

8. Secretary
Ministry of Petroleum & Natural Resources
\`A\` Block, Pak Secretariat
Islamabad

9. Secretary
Irrigation & Power Department,
Government of Balochistan
Balochistan Sectt. No. 7,
Quetta

10. Director General
National Tariff Commission
Ministry of Commerce
State Life Building No. 5,
Blue Area Islamabad

11. Secretary
Department of Energy
Government of Balochistan
Balochistan Sectt.
Quetta

B. Chambers of Commerce and Industry & General Public

1. President
The Federation of Pakistan
Chamber of Commerce and Industry
Federation House, Main Clifton
Karachi – 5675600

2. Chief Capital Office
The Federation of Pakistan
Chamber of Commerce & Industry
Aiwan-e-Sanat-o-Tijarat Road,
Sector G-8/1, Islamabad.

3. President
Quetta Chamber of Commerce & Industry
Zarghoon Road, P.O. Box 117
Quetta

4. President,
Hyderabad Chamber of Commerce & Industry
Aiwan-e-Tijarat Road, Saddar
Hyderabad

5. President
Senior Citizen Foundation of Pakistan
5-P, Markaz G-7, Sitara Market
Islamabad

6. Chairman

All Pakistan Textile Mills Association (APTMA)
APTMA House, 44-A, Lalazar P.O. Box 5446
Moulvi Tamizuddin Khan Road
Karachi

7. Chairman
S.I.T.E. Association of Industry
H-16, S.I.T.E.
Karachi

8. SHEHRI
206-G, Block – 2, P.E.C.H.S
Karachi – 75400

9. President
Institute of Electrical & Electronics Engineers of Pakistan (IEEEP)
4 – Lawrence Road
Lahore

10. President
The Institute of Engineers Pakistan
IEP Roundabout Engineering Centre
Gulberg – III
Lahroe – 54660

11. Chairman
Pakistan Engineering Council
Attaturk Avenue (East), G-5/2
Islamabad

12. Textile Working Group
97-A, Aziz Avenue, Canal Bank off Gulberg Road,
Lahore

13. Central Chairman
All Pakistan CNG Association
Suite No. 229-B, St.No. 35
F-10/1, Islamabad

14. TheNetwork for Consumer Protection
Flat No. 5, 40-A, Ramzan Plaza
G-9 Markaz, Islamabad

15. PTCL
Corporate Head Quarters, Block – E
G-8/4, Islamabad-44000

16. Chief Executive Officer
Mobilink

Mobilink House 1-A
Kohistan Road, F-8 Markaz
Islamabad

17. Chief Executive Officer
Ufone (Emirates Telecommunication Corporation Group)
13-B, F-7 Markaz
Jinnah Super, Islamabad

18. Chief Executive Officer
Telenor Pakistan (Pvt) Limited
13-K, Moaiz Centre Bhittai Road
F-7 Markaz, Islamabad

19. Chief Executive Officer
Zong
CMPak Limited
Kohistan Road, F-8, Markaz
Islamabad

20. Chief Executive Officer
Warid Telecom (Pvt) Limited
P.O. Box 3321
Lahore

21. Chairman
Pakistan Telecommunication Authority (PTA)
PTA Headquarters building
F-5/1, Islamabad

22. Mr. Anwar Kamal
1-Turner Road, Lahore,
Pakistan

C. Power Companies

1. Member Power
WAPDA
738 – WAPDA House
Shahra-e-Quaid-e-Azam
Lahore

2. Managing Director
Pakistan Electric Power Company (PEPCO)
721-WAPDA House
Shahrah-e-Quaid-e-Azam
Lahore

3. Chief Operating Officer

CPPA
Room 107 WAPDA House
Shaharah-e-Qauid-e-Azam
LAHORE

4. Managing Director
Private Power and Infrastructure Board (PPIB)
House No. 50, Sector F-7/4
Nazimuddin Road
Islamabad

5. Chief Executive Officer
Karachi Electric Supply Corporation Ltd.
7th Floor, State Life Building No. 11
Abdullah Haroon Road
Karachi

D. <u>Petitioner</u>

1. Chief Executive Officer
Quetta Electric Supply Co. Ltd.
QESCO Complex,
Zarghoon Road, Quetta .

The News 16-09-14

National Electric Power Regulatory Authority (NEPRA)

NOTICE OF ADMISSION / PUBLIC HEARING

PETITION FILED BY QUETTA ELECTRIC SUPPLY COMPANY LIMITED (QESCO) FOR THE DETERMINATION OF ITS CONSUMER-END [illegible] BASED ON THE ACTUAL / [illegible] THE FY 2013-14 AS TEST YEAR

All stakeholders, interested / affected persons and the general public are notified that Quetta Electric Supply Company Limited (QESCO) has filed a petition with the National Electric Power Regulatory Authority (NEPRA) for the determination of its consumer-end tariff pertaining to the FY 2014-15 based on actual / estimated results of the FY 2013-14 as test year.

SALIENT FEATURES OF THE PETITION

1. The petitioner has prayed for the determination of its consumer-end tariff pertaining to the Financial Year 2014-15, approval of Distribution Margin @ 2.04/kWh, Investment for Rs.3.956 Million, line losses @ 21.50% and average sales rate / tariff at Rs.17.23/kWh with the following category-wise tariff:-

Description	Requested Tariff for the FY 2014-15		NEPRA Determined Tariff Pertaining to the FY 2013-14	
	Fixed Charges Rs./kW/M	Var. Charges Rs./kWh	[illegible] Charges Rs./kW/M	[illegible] Charges Rs./kWh
Residential -A1				
For Peak Load Requirement less than 5 kW				
Up to 50 Units		4.00		4.00
1-100 Units		12.10		10.50
101-300 Units		16.80		12.50
301-700 Units		19.20		15.00
Above 700 Units		21.60		17.50
For Peak Load Requirement 5 kW & above				
Time of Day (TOU) - Peak		19.80		17.50
Time of Day (TOU) - Off-Peak		13.75		11.50
Total Domestic				
Commercial - A2				
For Peak load requirement less than 5 kW		21.60		17.50
Commercial (< 100)	400	19.20		
For Peak load requirement 5 kW & above				
Regular	-	-	400	15.00
Time of Day (TOU) - Peak	400	21.60		17.50
Time of Day (TOU) - Off-Peak	400	15.00	400	11.50
Total Commercial				
Industrial				
B1 upto 25 kW (400/230 Volts)		17.40		14.50
B1(b) upto 25 kW (Peak)		21.60		17.50
B1(b) upto 25 kW (Off-Peak)		15.00		11.50
B2 (a) exceeding 25-500 kW (400 Volts)	400	16.80	400	14.00
B2 (b) - TOU (Peak) (400 Volts)	400	21.60		17.50
B2 (b) - TOU (Off-Peak) (400 Volts)	400	14.76	400	11.30
B3 - TOU (Peak) all loads upto 5000 kW (11/33 kV)	380	21.60		17.50
B3 - TOU (Off-Peak) all loads upto 5000 kW (11/33 kV)	380	14.64	380	11.20
B4 - TOU (Peak) all loads 66/132 kV and above	-	-		17.50
B4 - TOU (Off-Peak) all loads 66/132 kV and above	-	-	360	11.10

Continue on next page

Total Industrial				
Single Point Supply (Bulk)				
C1 (a) Supply at 400 Volts less than 5 kW		16.50		15.00
C1(b) Supply at 400 Volts - 5 kW & up to	400	15.95	400	14.50
Time of use (TOU) Peak	400	19.80		17.50
Time of use (TOU) Off-Peak	400	13.75	400	11.50
C2 Supply at 11 kV	380	15.73	380	14.30
Time of use (TOU) Peak	380	19.80		17.50
Time of use (TOU) Off-Peak	380	13.53	380	11.30
C3 Supply above 11 kV	-	-	360	14.20
Time of use (TOU) Peak	-	-		17.50
Time of use (TOU) Off-Peak	-	-	360	11.20
Total Bulk Supply				
Agricultural Tube Wells - Tariff D				
Scarp D-1(a) less than 5 kW		14.31		14.00
D-2 Agricultural Tube Well	200	17.27	200	13.61
Time of use (TOU) Peak D-2(i)	200	18.70		-
Scrap and Agriculture more than 20 kW Time of use (TOU) Peak	200	11.00		17.50
Scrap and Agriculture more than 20 kW Time of use (TOU) Off-Peak	200	-	200	11.20
Total Agricultural Tube-wells - Tariff D				
Public Lighting - Tariff - G		16.50		15.00
Housing Colonies - H		16.50		15.00
Railway Traction-I	-	-		-
Company Total				

2. In terms of Rules 6 of NEPRA (Tariff Standards & Procedures) Rules, 1998, any interested person who desires to participate in the proceedings may file an intervention request within **seven days** from the date of publication of this notice. Such intervention request shall state the name and address of the person filing the same, objections and the manner in which such person is or is likely to be substantially and specifically affected by any determination in the proceedings. The intervention request may also contain the contentions of the person making the same, the relief sought and the evidence, if any, in support of the case. In the intervention request, the intervener may specifically admit, deny or explain the facts stated in the petition and may also state additional facts which are relevant and necessary for reaching a just and informed decision in the proceedings. The intervention request shall be signed verified and supported by means of an affidavit in the same manner as in the case of the petition. The intervener shall also serve a copy of the intervention request duly attested as true copy on the petitioner or his authorized representative and the petitioner may file a rejoinder to the intervention request which shall be filed before the commencement of the hearing.

3. Any person may also file the comments in the matter within **7 days** of the publication and the Authority, if deemed fit, may permit participation of such person into the proceedings and also may consider those comments in the final determination.

4. All stakeholders and interested / affected persons are also informed that in order to arrive at a just and informed decision, the Authority has also decided to hold a hearing in the subject matter according to the date, time and venue as mentioned below:

Date:	**September 29, 2014**
Time:	**10.30 a.m.**
Venue:	**Serena Hotel, Quetta**

All communications should be addressed to:

PID(I)1122 14

Registrar NEPRA

NEPRA Tower, Attaturk Avenue (East), Sector G-5/1, Islamabad
Phone: 051-920 6500, Fax: 051-921 0215, E-mail: office@nepra.org.pk

For further information and to download the petition please visit: www.nepra.org.pk