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National Electric Power Regulatory Authority Islamic Republic of Pakistan


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No. NEPRA/R/Dir(Tech)/TRF-570/QESCO-2021/591-593
January 16, 2023

Subject: **Decision of the Authority in the matter of Motion for Leave for Review filed by Quetta Electric Supply Company Limited (QESCO) dated 9-6-2022 against Multi-Year Consumer-end Tariff (MYT) Determination of the Authority dated 2-6-2022 [CASE # NEPRA/TRF-570/QESCO-2021]**

Dear Sir,

Please find enclosed herewith subject Decision of the Authority (04 Pages) in the matter of Motion for Leave for Review filed by Quetta Electric Supply Company Limited (QESCO) dated 9-6-2022 against Multi-Year Consumer-end Tariff (MYT) Determination of the Authority dated 2-6-2022 in Case No. NEPRA/TRF-570/QESCO-2021 for information.

 Enclosure: As above


(Engr. Mazhar Iqbal/Ranjha)

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

CC:

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



Decision of the Authority in the matter of motion for leave for review petition filed by Quetta Electric Supply Company Limited (QESCO) dated 9-6-2022 against Multi Year Consumer End Tariff (MYT) determination of the Authority dated 2-6-2022

Introduction of the Case:

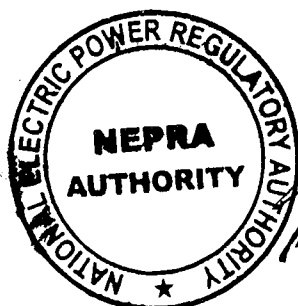
1. Quetta Electric Supply Company Limited (herein referred to as "QESCO" or "the petitioner") filed a motion for leave for review (MLR) petition dated 9-6-2022 for revision of T&D losses targets as determined by the Authority in Multi Year Consumer End Tariff dated 2-6-2022. The instant petition was filed by QESCO under the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (the "NEPRA Act") and NEPRA (Tariff Standards and Procedure) Rules, 1998 ("the Tariff Rules").
2. The Authority determined Multi Year Consumer End Tariff of QESCO for Distribution Business on 2-6-2022 for five years starting from FY 2020-21-16 to FY 2024-25. The Authority approved following T&D losses targets and Investment for QESCO for the 5 year tariff control period:

A. T&D Losses Requested & Approved Numbers

Description		2020-21	2021-22	2022-23	2023-24	2024-25
Transmission	Requested	1.30	1.30	1.30	1.30	1.30
	Assessed	1.30	1.30	1.30	1.30	1.30
H.T (11 kV)	Requested	21.16	20.70	20.20	19.70	19.20
	Assessed	10.10	9.99	9.87	9.74	9.61
L.T (400/220 Volts)	Requested	2.50	2.50	2.50	2.50	2.50
	Assessed	1.90	1.90	1.90	1.90	1.90
Law & Order Margin	Requested	3.0	3.0	3.0	3.0	3.0
	Allowed	1.40	1.30	1.20	1.10	1.00
Overall	Requested	28.00	27.50	27.00	26.50	26.00
	Assessed	14.70	14.49	14.27	14.04	13.81

B. Investment Requested and Approved (Million Rs.)

Sr.	Description	2020-21	2021-22	2022-23	2023-24	2024-25	Total
	Requested	4,243	20,571	26,379	12,885	12,433	76,511
	Recommended	4,243	20,571	26,379	12,885	12,433	76,511
Break-up of Approved Investment							
1	STG	1,910	13,455	19,054	6,171	6,075	46,663
2	DOP	57	1,275	1,478	1,048	930	4,789
3	ELR	126	1,001	1,195	1,243	1,341	4,906
4	Village Electrification	1,619	2,938	3,029	2,900	3,035	13,521





5	Deposit works	300	1,002	902	764	323	3,291
6	AMR Meters	30	235	262	362	402	1291
7	ERP	43	122	17	14	30	227
8	Safety equipment	43	253	223	220	183	921
9	Civil Works	115	274	200	145	114	848
10	Training Centre	-	15	20	20	-	55
	TOTAL	4,243	20,571	26,379	12,885	12,433	76,511

3. QESCO against the above determination of the Authority filed the MLR petition dated 9-6-2022. The petitioner raised following grounds in its review petition:

- Adjustment of realistic Transmission and Distribution losses in the end user tariffs. Authority allowed 14.70%, 14.49% and 14.27% target losses for the FY 2020-21, FY 2021-22 and FY 2022-23 which cannot be achieved because of low voltage profile; scattered and lengthy network and majority of the consumers are at tail end i-e far away from generation units. Transmission and Distribution (T&D) Losses may be reconsidered as 28% for 2020-21, 27% for 2021-22, 27% for 2022-23, 26.5% for 2023-24 & 26% for 2024-25.
- Investments made for ELR are to maintain current level of losses as QESCO's network is lengthy and scattered, and requires huge size of investment to reduce the T&D losses within the determined target.

Proceeding:

4. The Authority admitted the subject petition and decided to provide an opportunity of hearing to the petitioner and other stakeholders. Hearing in the matter was held on October 18, 2022 which was attended by CEO QESCO along with it team.
5. For the purpose of hearing, and based on the pleadings, following issues were framed to be considered during the hearing and for presenting written as well as oral evidence and arguments.

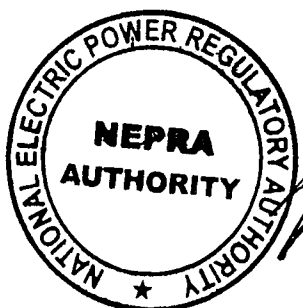
- ***Whether the request of QESCO for revision in its targeted T&D Losses for tariff control period from FY 2020-21 to FY 2024-25 is justified?***

6. The submissions, discussion and decision of the Authority is given hereunder:

- **Issue: Whether the request of QESCO for revision in its targeted T&D Losses for tariff control period from FY 2020-21 to FY 2024-25 is justified?**

Submissions of QESCO:

7. The petitioner has claimed that the target of losses determined by Authority are un achievable because of the fact that:
- QESCO is geographically the largest DISCO (43% area of Pakistan)
 - QESCO's transmission & distribution network is radial, lengthy and majority of the consumers are at tail ends i.e. away from generation units.
 - QESCO's network is scattered in far flung & mountainous areas; more than 50% of 11 kV feeders mainly in rural areas have lengths beyond technical preferences/limits.



- Perpetuity of illegal load growth of Agri tube well, illegal load extension and illegal abstraction.
- Law & order in the province is not conducive
- Frequent resentment from general public due to low writ of government
- Insecurity / non-assistance from law enforcement agencies

8. QESCO during the course of hearing further briefed the Authority that more than 50% 11 kV feeders mainly in rural areas have lengths beyond technical limits with average length at 68 km.
9. The petitioner further revealed that one of major reason for higher feeder lengths are unplanned village electrification program.
10. Moreover, QESCO provided following details of investments carried out by under the head of Energy Loss Reduction (ELR) program.

(Million Rs.)

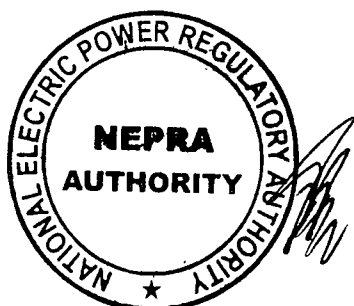
YEAR	INVESTMENT ALLOWED BY NEPRA	EXPENDITURE
2017-18	598	15
2018-19	57	100
2019-20	389	22
TOTAL	1,044	22

Discussion and Decision of the Authority:

11. Regarding revision of Technical and Administrative losses Authority noted that QESCO requested 1.30% transmission loss in its Tariff Petition for MYT Tariff Control period. The requested losses were allowed by the Authority without any change being lower than third party assessment i.e. 7.90% and also lower than Authority approved earlier number of 3.75% for FY 2019-20.
12. Regarding the request of QESCO to revise 11 kV feeder losses up to 21.16%, 20.70%, 20.20%, 19.70% and 19.20% for FY 2020-21, FY 2021-22, FY 2022-23, FY 2023-24 and FY 2024-25 respectively, the Authority observed that as per the third party losses evaluation report conducted by third party consultant and submitted by QESCO, the 11 kV loss is evaluated as 11.30%.
13. Moreover, Authority also noted that QESCO during hearing admitted that village electrification program funded by provincial and federal governments is increasing the average feeder length and thus resulting in increase of distribution Losses. The comparison of QESCO's feeder length for past years is given below:

Description	2014	2015	2016	2017	2018	2019	2020	2021	2022
11 kV Feeders	550	570	613	628	641	642	652	688	711
Length of 11 kV	33,425	34,179	35,086	36,088	37,779	38,679	39,745	40,822	46,652
Length of L.T Line	14,373	14,654	14,958	15,577	16,155	16,404	16,681	17,476	18,715
Average length 11 kV Feeder	60.77	59.96	57.24	57.46	58.94	60.25	60.96	59.33	65.61
HT/LT Ratio	2.33	2.33	2.35	2.32	2.34	2.36	2.38	2.34	2.49

Note: Statistics are from SIR except for year 2022 as provided by QESCO during hearing.



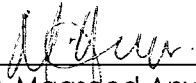
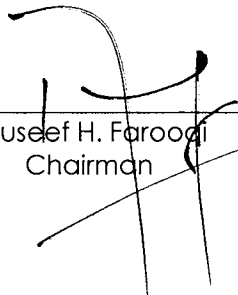
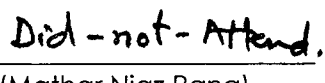
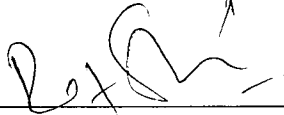


14. As evident from above stats that average feeder length of QESCO is constantly increasing and has reached around 66 km which is in violation of NEPRA standards and international best practices. During the course of the hearing, the Authority also conveyed its displeasure for violation of Standards and directed QESCO to conduct extensive technical and commercial evaluations before under taking any village electrification.
15. Regarding L.T loss , the Authority in its determination maintained the same level of L.T loss as allowed to QESCO in FY 2019-20 i.e. 1.90%. Moreover, no new grounds/basis have been submitted by QESCO.
16. With regards to admin losses, it is important to mention that the Authority has never considered request of any DISCO for allowing administrative losses, however, a margin for law & order has been allowed to various DISCOs including the Petitioner which was allowed a margin for law & order of 1.40% for from FY 2020-21 and with gradual decrease of 0.1% for every preceding year. The points raised by QESCO are same as agitated at the time of filing the MYT petition and subsequent hearing and no new grounds have been raised for revision in administrative losses.

Order:

The Authority considers that the grounds and basis raised by petitioner in instant review petition are same as mentioned in MYT tariff petition and subsequent hearing. Moreover, the Authority while making the determination has already considered these facts and after detailed deliberations passed the determination dated 2-6-2022. Therefore, the plea of QESCO for revision of T&D losses has not been considered by the Authority and the Authority maintains its MYT loss targets which are already made part of the Authority determination dated 2-6-2022.

AUTHORITY

 Engr. Maqsood Anwar Khan Member	 Tauseef H. Farooqi Chairman	 <i>Did - not - Attend.</i> (Mathar Niaz Rana) Member
	 Rafique Ahmad Shaikh Member	

