



Registrar

National Electric Power Regulatory Authority

Islamic Republic of Pakistan

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No .NEPRA/R/ADG(Trf)/TRF-619 & TRF-620/ 464-71

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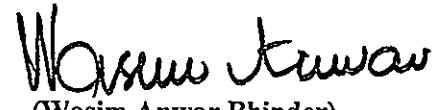
Subject: Decision of the Authority in the matter of Motion for Leave for Review filed by Gujranwala Electric Power Company (GEPCO) against decision of the Authority dated 14.06.2025 in the matter of Annual Adjustment/Indexation of tariff for FY 2024-25

Dear Sir,

Please find enclosed herewith the subject Decision of the Authority (total 05 pages).

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

Enclosure: As above



(Wasim Anwar Bhinder)

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

Copy to:

1. Secretary, Ministry of Finance, 'Q' Block, Pak Secretariat, Islamabad
2. Mr. Shehriyar Abbasi, Deputy Secretary, Cabinet Division, Cabinet Secretariat, Islamabad
3. Secretary, Energy Department., Government of the Punjab, 8th Floor, EFU House, Main Gulberg, Jail Road, Lahore
4. Managing Director, National Grid Company (NGC) of pakistan, 414 WAPDA House, Shaharah-e-Qauid-e-Azam, Lahore
5. Chief Executive Officer, Central Power Purchasing Agency Guarantee Limited (CPPA-G), Shaheen Plaza, 73-West, Fazl-e-Haq Road, Islamabad.
6. Chief Executive Officer, Gujranwala Electric Power Company Ltd. (GEPCO), 565/A, Model Town, G.T. Road, Gujranwala
7. Chief Executive Officer, Independent System and Market Operator (ISMO) of pakistan, Pitras Bukhari Road, Sector H-8/1, Islamabad



Decision of the Authority in the matter of Motion for Leave for Review filed by Gujranwala Electric Power Company (GEPCO) against decision of the Authority's dated 14.06.2025 in the matter annual adjustment/ indexation of Tariff for the FY 2024-25

1. The Authority determined Multi Year Tariffs (MYT) of Gujranwala Electric Power Company Limited (GEPCO) (herein referred to as "Petitioner") for a period of five years i.e., from FY 2020-21 to FY 2024-25, separately for both its Distribution and Supply of power functions vide tariff determinations dated 02.06.2022. The tariff so determined was notified by the Federal Government vide SRO dated 25.07.2022. The Authority subsequently, under the allowed MYT framework, determined GEPCO's annual adjustment / indexation for the FY 2024-25 vide decision dated 14.06.2025 (Impugned Decision).
2. The Petitioner being aggrieved with the said decision of the Authority, filed a Motion for Leave for Review (MLR) , which was subsequently admitted by the Authority. To proceed further in the matter, the Authority decided to conduct a hearing in the matter. Notice of hearing was accordingly issued to the Petitioner, to present its case before the Authority. The hearing was held on 04.11.2025, at NERPA Tower, Islamabad.
3. The Petitioner raised following issues in the MLR:
 - i. Determination of PYA & DM relating to RORB is on the lower side caused by the erroneous deduction made from Revised-RAB i.e., Rs.884 million.
 - ii. Less determination of Salaries, Wages & Other Benefits due to 15% Ad-hoc allowance, instead of 20% & 25% respectively of Rs.374 million.
 - iii. Erroneous calculation of Provision for Post-Retirement Benefits by ignoring the compliance made by GEPCO of Rs.4,764 million.
 - iv. Omission of replacement Cost of Meters as "expense" relating to FY 2020-21 & 2021-22 as PYA of Rs.885 million.
 - v. Sales Mix Variance for FY 2022-23 has not been allowed despite compliance made with respect to provision of requisite data.
4. The Petitioner's submission on each issue is as under;
5. **Determination of PYA & DM relating to RoRB is on the lower side**

For FY 2022-23

- ✓ The Authority while determining RORB for FY 2022-23 of Rs.6,076 erroneously deducted an amount of Rs.6,916 million representing Plan Assets (Investment in Employees Retirement Benefits Fund) from the total amount of Revised-RAB. Similarly, Meters Cost Capitalized of Rs.1,314 million for the FY 2022-23 has also not been included in Revised-RAB. Due to the above, a reduction in RORB amounting to Rs. 702 million has occurred.

For FY 2024-25

- ✓ The Authority while determining RORB for FY 2024-25 of Rs. 10,501 has taken Opening Balance of Fixed Assets incorrectly as Rs. 93,533 million instead of Rs. 95,295 million causing a composite reduction in RORB amounting to Rs. 1,926 million.





Similarly, the quantum of "Deferred Credits" for the FY 2024-25, has not been determined correctly, over-determination of Rs.1,744 million.

- ✓ Detailed calculations are shown below with complete workings

Mln. Rs.

Description	NEPRA Calculation			GEPCO Calculation		
	2022-23	2023-24	2024-25	2022-23	2023-24	2024-25
Fixed Assets O/B	83,756	92,383	93,533	83,756	92,383	95,295
Addition	8,627	2,912	4,503	8,627	2,912	4,503
Fixed Assets C/B	92,383	95,295	98,036	92,383	95,295	99,798
Depreciation	30,978	33,798	36,961	30,978	33,798	36,961
Net Fixed Assets	61,405	61,497	61,074	61,405	61,497	62,837
Capital WIP C/B	2,640	11,995	18,551	10,870	20,224	26,781
Fixed Assets Inc. WIP	64,046	73,491	79,626	72,276	81,721	89,618
Less: Deferred Credits	29,004	35,137	18,639	29,004	35,137	18,639
Total	35,042	38,355	60,986	43,272	46,584	70,978
Revised - RAB	35,586	36,698	49,670	39,701	44,928	58,781
WACC	17.07%		21.14%	17.07%		21.14%
RORB on Assets	6,076		10,501	6,778		12,427

Calculation of Capital WIP

Mln. Rs.

Description	NEPRA Calculation			GEPCO Calculation		
	2022-23	2023-24	2024-25	2022-23	2023-24	2024-25
Capital WIP (OB)	8,452	2,640	11,994	8,452	10,870	20,224
Addition Capital WIP	9,683	12,266	11,060	9,683	12,266	11,060
Less Capitalization	-3,542	-2,912	-4,503	-3,542	-2,912	-4,503
Capital WIP (CB)	14,593	11,994	18,551	14,593	20,224	26,781
Less Excess Investment	11,953	-	-	3,723	-	-
Capital WIP (CB)	2,640	11,994	18,551	10,870	20,224	26,781

Calculation of Excess Investment

Mln. Rs.

Description	NEPRA Calculation			GEPCO Calculation		
	2022-23	2023-24	2024-25	2022-23	2023-24	2024-25
Addition in Assets	14,901	12,266	11,060	14,901	12,266	11,060
Addition in Plan Assets	6,916	-	-	-	-	-
Total Addition/Actual Investment	21,817	12,266	11,060	14,901	12,266	11,060
Less: Allowed Investment in MYT	-9,864	-12,266	-11,060	-9,864	-12,266	-11,060
Less: Meters Capitalized	-	-	-	-1,314	-	-
Excess Investment/Adjustment	11,953	-	-	3,723	-	-

- ✓ The Petitioner requested the Authority to allow RORB as PYA & DM as follows:

Mln. Rs.

Description	Already Allowed in Decision	To Be Allowed	Difference
RORB-PYA FY 2022-23	6,076	6,778	702
RORB-DM FY 2024-25	10,501	12,427	1,926
RORB-Deferred Credit FY 2024-25	-	-1,744	-1,744
Total		884	

6. Less determination of Salaries, Wages & Other benefits

- ✓ The Petitioner submitted that the Authority determined amount of Salaries, Wages & Other Benefits for the FY 2024-25 based on Ad-hoc allowance of 15% on provisional basis and stated that since the increase being allowed for the FY 2024-25, are on provisional basis, therefore, the same shall be adjusted subsequently, based on actual Pay & Allowances as announced by the Govt. in the Federal Budget for the FY 2024-25. Accordingly, as in the



Date: 9



Federal Budget for FY 2024-25, the Ad-hoc allowance of 20% & 25% has been announced, the revised amount of Salaries, Wages & Other Benefits works out as follows:

Description	NEPRA	GEPCO	Mln. Rs.
Base Figure (Determined mount for FY 2023-24)	13,702	13,702	-
5% Annual Increment Impact	249	249	-
15% Ad hoc & 20% / 25% Ad hoc	747	1,121	374
Indexed Figure for FY 2024-25	14,698	15,072	374

Provision for Post-retirement benefits

- ✓ The Petitioner stated that the Authority although has acknowledged that reasonable compliance with the direction of the Authority has been shown by the Petitioner, however, contrary to the above, the Authority while calculating the PYA, erroneously deducted an amount of Rs.4,764 million relating to Provision for Post-Retirement Benefits (*the Authority has taken Benefits paid for the FY 2020-21 to 2022-23 and Transferred to Account has been taken up-to February 2024 only*) as follows:

Year	FY 21 to 23	Mln. Rs.
Allowed Amount	35,581	
Benefits Paid	13,126	
Transferred to Account	17,692	
Shortfall in Deposit deducted	4,764	

- ✓ GEPCO submitted that it has made compliance with the direction of the Authority up-to 30.06.2024 as under, and as there is no shortfall up-to 30.06.2024, the Authority is requested to allow the deducted amount of Rs. 4,764 million.:

Years	2020-21	2021-22	2022-23	2023-24	Total	Mln. Rs.
Amount Allowed by the Authority	10,513	11,937	13,131	9,227	44,808	
Compliance by GEPCO up to 30-06-2024:						
Less: Post Retirement Benefits Paid	3,643	4,238	5,244	6,089	19,214	
Less: Contribution Made to Pension Fund			6,704	19,121	25,825	
Sub Total	3,643	4,238	11,948	25,210	45,039	
Excess amount Paid up to 30.06.2024					231	

Cost of Meters as "expense" relating to FY 2020-21 & 2021-22 as PYA

- ✓ The Petitioner submitted that in the MYT Determination for the period from FY 2020-21 to 2024-25, the Authority has neither allowed the cost of replaced meters in O & M nor in RORB. The Authority advised GEPCO to capitalize the cost of replaced meters instead of expensing it out. The Authority further directed that the cost of replaced meters will be allowed once the compliance with the directions will be made regarding capitalization of costs. In the determination for FY 2024-25, the Authority noted that the Petitioner as per directions of the Authority has capitalized cost of meters as part of its distribution equipment in the Financial Statements for the FY 2022-23, under note to the accounts 4.1.2. The Authority has further mentioned that since, the Authority has trued up the RORB of the Petitioner for the FY 2022-23, based on its Audited RAB, in line with the mechanism prescribed in the MYT, impact of cost of meters capitalized by the Petitioner has been accounted for in the revised RORB.

✓ Month





- ✓ However, the Authority has omitted to incorporate the cost of Replaced Meters for FY 2020-21 & 2021-22 amounting to Rs. 885 million (552+333 respectively) as expense and Rs.1,314 million for FY 2022-23 as allowed investment.
- ✓ The Petitioner requested that after compliance of the direction as per Note No. 4.1.2, the amount of Rs.1,314 million for FY 2022-23 should be included in "allowed investment" and the amount of Rs.885 million for FY 2021 & 2022, be allowed under the head "repair & maintenance".

Sales Mix variance for FY 2022-23

- ✓ The Petitioner has claimed an amount of Rs.4,224 million as Sales Mix Variance for the FY 2022-23 as per mechanism prescribed by the Authority and has submitted compliance with NEPRA directions given in the Decision of Annual Indexation / Adjustment FY 2023-24, vide its request for Annual Indexation / Adjustment FY 2024-25, wherein compliance to the direction related to reconciled data of sales mix was submitted. However, the Authority have stated that no such reconciliation was submitted by the Petitioner and accordingly disallowed the sales mix variance of FY 2022-23 till the time, the Petitioner complies with the direction of the Authority and submits the reconciled data till FY 2022-23. The Petitioner stated that the requisite reconciled data along with all details is again attached with MLR, therefore, the Authority is requested to allow the amount of Sales Mix of Rs.4,224 million accordingly.

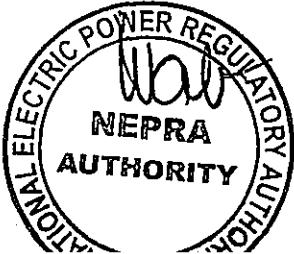
7. The Petitioner accordingly requested the Authority to review Impugned decision and allow the following:

- i. Rs.884 million may be allowed as the Authority's Determination of PYA & DM relating to RORB is on the lower side caused by the erroneous deduction made from Revised-RAB;
- ii. Rs.374 million may be allowed being less determined Salaries, Wages & Other Benefits due to 15% Ad-hoc Allowance instead of 20% / 25%;
- iii. Rs.4,764 million may be allowed being Erroneous calculation of Provision for Post-Retirement Benefits by ignoring the compliance made by GEPCO;
- iv. Rs.885 million may be allowed for Replacement Cost of Meters as "expense" relating to FY 2020-21 & 2021-22 as PYA as the petitioner made compliance of the Authority's directions regarding capitalization of Meters costs;
- v. Rs.4,224 million of Sales Mix Variance for the FY 2022-23 may be allowed as compliance made with respect to provision of requisite data.

8. The Authority has analyzed the submissions of the Petitioner and the workings shared by the Petitioner under each head.

9. Regarding the issue of RoRB, the Authority has reworked the RoRB of the Petitioner for the FY 2022-23, FY 2023-24 and FY 2024-25 and the impact thereof has been made part of the Petitioner PYA, while determining the tariff for the FY 2025-26.

10. On the point of Salaries & Wages, the Authority noted that as per the MYT determination of GEPCO, the reference costs allowed for Salaries & Wages shall be adjusted every year

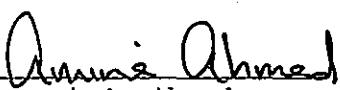


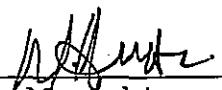


with the increase announced by the GoP, being beyond the Petitioners control, for the respective year till the time the Petitioner remains in the public sector. In view thereof, the impact of increases announced by the Federal Government subsequently i.e., after the tariff determination in term of Adhoc allowances, amounting to Rs.374 million, are being allowed to the Petitioner as part of PYA, while determining the tariff for the FY 2025-26.

11. Regarding, amount of pension benefits, the Authority observed that as per the data/information provided by the Petitioner an amount of Rs.4,764 million has been deposited in the fund. Accordingly, the Authority has decided to allow the deposited amount of Rs.4,764 million to GEPCO as part of PYA, while determining the tariff for the FY 2025-26.
12. Regarding cost of meters, the Authority observed that the Petitioner as per its MYT determination was directed to capitalize the cost of meters instead of expensing out and accordingly, the Authority while assessing the R&M costs of the Petitioner for the FY 2020-21, excluded the amount related to Meters from the actual cost of R&M of the Petitioner for the FY 2019-20. The Petitioner as per the audited financial statements has started capitalizing the cost of meters since FY 2022-23, therefore, while truing up of the RoRB of the Petitioner for the FY 2022-23, FY 2023-24 and FY 2024-25, the impact of capitalization has already been accounted for as part of RAB. For the FY 2020-21 and FY 2021-22, since these costs have not been capitalized, therefore, the Authority is constrained to maintain its earlier decision and accordingly no cost on account of replacement of meters is allowed.
13. On the point of sales mix, the Authority noted that the Petitioner has already been allowed sales mix variance of Rs.4,224 million, for the FY 2022-23 as part of its interim tariff for the FY 2025-26, and accordingly while working out the final tariff for the FY 2025-26, the said amount has also been made part of tariff for the FY 2025-26 as PYA.
14. The decision of the Authority is intimated to the Federal Government for notification in the official Gazette under Section 31(7) of the NEPRA Act.

AUTHORITY


Amina Ahmed
Member


Engr. Maqsood Anwar Khan
Member


Waseem Mukhtar
Chairman

