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National Electric Power Regulatory Authority Islamic Republic of Pakistan

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No. NEPRA/R/ADG(Trf)/TRF-624&TRF-625/437-44

January 07, 2026

Subject: Decision of the Authority in the matter of Motion for Leave for Review (MLR) filed by Multan Electric Power Company (MEPCO) against decision of the Authority's dated 14.06.2024 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

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


(Wasim Anwar Bhinder)

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-Quaid-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, Multan Electric Power Co. Ltd., MEPCO Headquarter, Khanewal Road, Multan
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 Multan Electric Power Company (MEPCO) against decision of the Authority's dated 14.06.2024 in the matter annual adjustment/ indexation of Tariff for the FY 2024-25

1. The Authority determined Multi Year Tariffs (MYT) of Multan Electric Power Company Limited (MEPCO) (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 MEPCO's annual adjustment / indexation for the FY 2024-25 vide decision dated 14.06.2024 (Impugned Decision).
2. The Petitioner being aggrieved with the Impugned 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. RORB for FY 2024-25
 - ii. Post Retirement Benefits for FY 2024-25
 - iii. Differential amount of Post Retirement Benefits for FY 2022-23 under PYA
 - iv. Sales Mix variance for FY 2022-23
 - v. Differential amount of quarterly tariff adjustment on account of incremental units from Nov-20 to Jun-21
4. The Petitioner's submission on each issue is as under;

RORB for FY 2024-25

- ✓ The Authority has allowed less RoRB for the FY 2024-25 i.e. Rs.3,689 million, by allowing RoRB of Rs.12,852 million, instead of Rs.16,541 million for FY 2024-25. The Authority has worked out Average RAB for the FY 2024-25 as under;

Mln. Rs.		
Description	FY 2023-24	FY 2024-25
Fixed Assets O/B	186,409	188,137
Addition	9,559	10,735
Fixed Assets C/B	195,968	198,872
Depreciation	74,839	81,447
Net Fixed Assets	121,128	117,424
Capital WIP C/B	25,173	28,270
Fixed Assets Inc. WIP	146,302	145,694
Less Finance cost Capitalized	-	-
Less: Deferred Credits	102,930	67,478
Total	43,371	78,216
Revised – RAB		60,794
WACC		21.14%
RORB		12,852



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- ✓ The number of Deferred Credits has been taken as Rs.102,930 million in FY 2023-24 (increase of Rs. 25,167 million from FY 2022-23 of Rs. 77,763 million), which has reduced RAB for FY 2023-24 as Rs 43,371 million. On the other side, Opening Balance of Gross Fixed Assets for FY 2024-25 has been taken as Rs. 188,137 million instead of Rs 195,968 million i.e. Closing Balance of FY 2023-24.
- ✓ The Authority has reduced MEPCO's RAB on the premise that actual investment exceeds the allowed investment. MEPCO has already elaborated that Authority's decision regarding allowed investment confines to "Own Source" only. Total actual investment comprises both Consumer Finance & Own Source Investment. Abstract of actual investment for last 3 years (MYT Period) is tabulated hereunder;

Description	Mln. Rs.		
	FY 2020-21	FY 2021-22	FY 2022-23
Investment (Consumer Finance)	6,391	7,577	9,557
Investment (Own Source)	4,576	4,424	7,217
Total Actual Investment	10,967	12,001	16,774

- ✓ Comparison of allowed investment and actual investment for last 3 years is tabulated below;

Description	Mln. Rs.		
	FY 2020-21	FY 2021-22	FY 2022-23
Investment Allowed (Own Source)	8,369	13,602	14,734
Actual Investment (Own Source)	4,576	4,424	7,217
(Excess)/Less Investment	3,793	9,178	7,517

- ✓ In view of above, the Petitioner requested the Authority to reconsider its earlier decision and not to reduce RAB in RORB True-up Calculations on the pretext of excess investment than allowed. After accounting for the above stated factors i.e. rationalizing the amount of Deferred Credit for FY 2023-24, correct opening balance of Gross Fixed Assets for FY 2024-25 and adding back the amount of impugned excess investment, Revised RORB Calculation is given hereunder;

Description	Mln. Rs.	
	FY 2023-24	FY 2024-25
Fixed Assets O/B	186,409	195,968
Addition	9,559	10,735
Fixed Assets C/B	195,968	206,702
Depreciation	74,839	81,447
Net Fixed Assets	121,128	125,255
Capital WIP C/B	29,811	32,908
Fixed Assets Inc. WIP	146,302	158,163
Less Finance cost Capitalized	-	-
Less: Deferred Credits	80,496	67,478
Total	65,806	90,685
Revised - RAB		78,245
WACC		21.14%
Revised RORB		16,541



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- ✓ The Petitioner during hearing of the MLR, however, revised its request upward to Rs.4,395 million, instead of earlier requested amount of Rs.3,689 million.

Less allowed Post Retirement Benefits (PRB) for FY 2024-25

- ✓ MEPCO requested Post Retirement Benefit of Rs. 24,226 million for the FY 2024-25, based on Actuarial Report FY 2022-23, (projection of Post Retirement Benefit for FY 2023-24). As per latest available projection of Actuarial Valuation Report, PRB projection for FY 2023-24 was requested for FY 2024-25. However, Authority allowed Post Retirement Benefit of Rs.18,328 million for FY 2024-25 based on the latest Audited Accounts FY 2022-23.
- ✓ The MYT Determination provides that it would be allowed based on the Actuarial Valuation Report for the Year for which the assessment is being made or as per the latest available Audited Financial Statement. In line with assessment criteria of PRB as contained in the MYT Determination, the Petitioner requested the Authority to reconsider its earlier decision and allow Rs 24,226 million PRB provision to MEPCO for FY 2024-25 based on latest Projection of Actuarial Valuation Report.

Sales mix variance FY 2022-23

- ✓ The Authority has not allowed Sales Mix variance of Rs.4,898 million for FY 2022-23 on the premise that MEPCO has not submitted the reconciled data of sales mix variance with its reported revenue as per audited financial statement of the respective years. In compliance with NEPRA directions, MEPCO has already submitted the reconciled data of sales mix variance with its reported revenue as per audited financial statement of the respective years vide letter dated 29.03.2024.
- ✓ The Authority is requested to allow the impact of under recovery of Rs.4,898 million on account of Sales Mix Variance for FY 2022-23 being legitimate cost, as MEPCO has already complied with the directions of Authority.

Differential amount of Post Retirement Benefits for FY 2022-23

- ✓ The Authority in its MYT Determination has allowed Post Retirement Benefits of Rs.10,604 million for FY 2022-23, with the assessment criteria that PRB would be allowed on the Actuarial Valuation Report for the year for which assessment is being made or as per latest available Audited Financial Statements. However, as per Audited Accounts for FY 2022-23 based on Actuarial Valuation Report for FY 2022-23, Post Retirement Benefits Provision for FY 2022-23 is Rs 18,328 million. In line with assessment criteria of PRB as contained in MYT Determination, the Petitioner requested the Authority to reconsider its earlier decision and allow Rs 18,328 million PRB Provision to MEPCO for FY 2022-23 based on Audited Financial Statement for FY 2022-23.
- ✓ The Petitioner requested the Authority to allow the differential amount Rs 7,724 million on account of PRB Provision for FY 2022-23 under PYA.

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Differential amount of Rs.1,646 million for QTA on account of ISP incremental units for the period Nov-20 to Jun-21 not allowed

- ✓ The Petitioner submitted a claim amounting to Rs. 1,646 million on account of differential amount of QTA after netting off incremental units of ISP relating to the period Nov-2020 to June-2021. However, the Authority did not allow the same with the remarks that the impact of QTA after netting off incremental units of ISP relating to the period Nov-2020 to June-2021 has already been given in Sales Mix Variance for FY 2020-21.
- ✓ The subject issue was deliberated in the meeting dated 06.05.2024 wherein NEPRA team shared its Sales Mix Variance details to support this assertion. Upon review of NEPRA Sales Mix Variance working for FY 2020-21, it was ascertained that the Determined Revenue against ISP incremental Units has been worked out @ Rs.12.96 per kWh, which tantamount that QTA impact of ISP incremental units has not been accounted for:

Mln. Rs.	
Sales Mix Variance	FY 2020-21
MEPCO Working (ISP Unit Sold Determined Revenue @ Avg Sale Rate)	2,157
NEPRA Determined Working (ISP Unit Sold Determined Revenue @ 12.96)	768
Difference	1,389

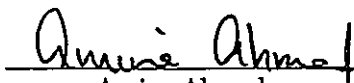
- ✓ The Authority is requested to reconsider its earlier decision and allow Rs.1,646 million on account of differential amount of QTA after netting off incremental units of ISP relating to the period Nov-2020 to June-2021 as PYA, based on the fact that impact of same is not accounted for in the Sales Mix Variance for FY 2020-21.
5. The Petitioner accordingly requested the Authority to review the Impugned Decision and allow the following: -
- i. RORB of Rs.16,541 million for FY 2024-25 instead of already allowed RORB of Rs.12,852 million i.e. differential amount of Rs.3,689 million).
 - ii. Rs.24,226 million as PRB Provision for FY 2024-25, based on latest Projection of Actuarial Valuation Report.
 - iii. Impact of under recovery of Rs.4,898 million on account of Sales Mix Variance for the FY 2022-23.
 - iv. Differential amount of Rs.7,724 million on account of PRB Provision for FY 2022-23 under PYA.
 - v. Rs.1,646 million on account of differential amount of QTA after netting off incremental units of ISP relating to the period Nov-2020 to June-2021 as PYA.
6. The Authority has analyzed the submissions of the Petitioner and the workings shared by the Petitioner under each head.

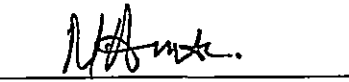
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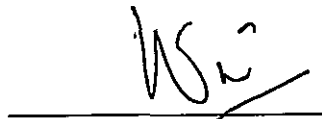


7. Regarding the issue of RoRB for the FY 2024-25, the Authority observed that RoRB of the Petitioner for the FY 2024-25 has been reworked and the impact thereof has made part of the Petitioner PYA, while determining the tariff for the FY 2025-26.
8. Regarding assessment of post-retirement benefits for the FY 2024-25, the determination provides that it would be allowed based on the actuarial valuation report for the year for which assessment is being made or as per the latest available audited financial statements. At the time of assessment of revenue requirement for the FY 2024-25, the latest audited financial statements of the Petitioner for the FY 2022-23 were available, and accordingly provision for post-retirement benefits of Rs. 18,328 million, as per the audited accounts was allowed to the Petitioner. In view thereof, the Authority does not see any justification to review the Impugned Decision.
9. On the point of sales mix variance for the FY 2022-23, the Authority noted that the Petitioner has already been allowed sales mix variance of Rs.4,898 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.
10. Regarding assessment of post-retirement benefits for the FY 2022-23, the provision for the FY 2022-23 was allowed at that time as per the request of the Petitioner. Therefore, the Authority does not see any justification to review the Impugned Decision at this point in time
11. Regarding the impact on account of differential amount of QTA after netting off incremental units of ISP relating to the period Nov-2020 to June-2021, the Authority noted that this impact has already been considered while working out the sales mix of the Petitioner for the FY 2020-21, thus, no further processing is required. This matter has also been discussed in the 1st quarterly adjustment for the FY 2021-22 decision dated 09.05.2022. Therefore, the Authority does not see any justification to review the Impugned Decision to this effect.
12. 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

