



National Electric Power Regulatory Authority Islamic Republic of Pakistan

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Registrar

No. NEPRA/R/DG(Trf)/TRF-100/7542-61

March 30, 2023

Subject: Decision of the Authority in the matter of Motion of the Federal Government under Section 31 of the NEPRA Act 1997 read with Rule 17 of NEPRA (Tariff Standards and Procedure) Rules, 1998 with respect to Recommendation of Consumer-end-Tariff for XWDISCOs and K-Electric

Dear Sir,

Please find enclosed herewith subject Decision of the Authority (08 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.

Enclosure: As above


(Engr. Mazhar Iqbal Ranjha)

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

Copy to: (alongwith copy of subject Decision)

Secretary Cabinet Division Cabinet Secretariat Constitution Avenue, Islamabad	Secretary Ministry of Finance 'Q' Block, Pak Secretariat Islamabad
Secretary, Energy Department. Government of the Punjab. 8th Floor, EFU House, Main Gulberg, Jail Road, Lahore	Secretary Energy Department Government of Sindh 3 rd Floor, State Life Building No. 3, Opposite CM House, Dr. Zai-ud-din Ahmad Road, Karachi
Secretary Energy and Power Department Government of Khyber Pakhtunkhwa, First Floor, A-Block, Abdul Wali Khan Multiplex, Civil Secretariat, Peshawar	Secretary Energy Department Government of Balochistan Civil Secretariat, Zarghoon Road, Quetta
Secretary Water & Power Government of Gilgit Baltistan Near Kara Kuram International University, Gilgit Tele: 05811 – 920306	Chief Executive Officer K-Electric Limited (KEL) KE House, Punjab Chowrangi, 39 – B, Sunset Boulevard, Phase-II Defence Housing Authority, Karachi

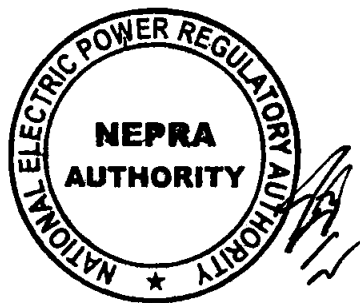
Chief Executive Officer Central Power Purchasing Agency Guarantee Limited (CPPA-G) Shaheen Plaza, 73-West, Fazl-e-Haq Road, Islamabad	Chief Executive Officer Tribal Areas Electricity Supply Company Limited (TESCO) Room No. 213, 1 st Floor, WAPDA House, Shami Road, Sakhi Chashma, Peshawar
Chief Executive Officer, Faisalabad Electric Supply Company Abdullahpur, Canal Bank Road Faisalabad	Chief Executive Officer, Lahore Electric Supply Company Ltd. 22-A, Queens Road, Lahore
Chief Executive Officer, Gujranwala Electric Power Company Ltd. 565/A, Model Town, G.T. Road, Gujranwala	Chief Executive Officer Multan Electric Power Co. Ltd. MEPCO Headquarter, Khanewal Road, Multan
Chief Executive Officer, Hyderabad Electric Supply Co. Ltd. WAPDA Offices Complex, Hussainabad, Hyderabad	Chief Executive Officer, Peshawar Electric Supply Company WAPDA House, Shami Road, Sakhi Chashma, Peshawar
Chief Executive Officer Islamabad Electric Supply Co. Ltd. Street # 40, Sector G-7/4, Islamabad.	Chief Executive Officer Quetta Electric Supply Company Zarghoon Road, Quetta
Chief Executive Officer, Sukkur Electric Power Company Ltd. Administration Block, Thermal Power Station, Old Sukkur.	



DECISION OF THE AUTHORITY IN THE MATTER OF MOTION OF THE FEDERAL GOVERNMENT UNDER SECTION 31 OF THE NEPRA ACT 1997 READ WITH RULE 17 OF NEPRA (TARIFF STANDARDS AND PROCEDURE) RULES, 1998 WITH RESPECT TO RECOMMENDATION OF CONSUMER END TARIFF FOR XWDISCOs AND K-ELECTRIC

1. The Ministry of Energy (Power Division) (MoE, PD) earlier vide letter dated 16.02.2023, submitted a Motion (the earlier Motion) with respect to recommendation of consumer end tariff of XWDISCOs and K-Electric, under Section 31 of NEPRA Act, read with Rule 17 of NEPRA Tariff (Standards and Procedure) Rules, 1998 for application of additional surcharge on various categories of consumers.
2. The earlier Motion was decided by the Authority vide decision dated 06.03.2023, whereby the Authority, considering the fact that motion was filed under Section 31 (8) of the NEPRA Act, which empowers the Federal Government for imposition of surcharge, opinion from the Ministry of Law & Justice and the fact that surcharge is being levied for fulfillment of the financial obligation of the Federal Government with respect to coverage of markup charges of PHL loans, decided to allow the motion for imposition of surcharges. The following surcharges were imposed on different categories of consumers for both XWDISCOs and K-Electric;

Additional Surcharge for PHL Markup for XWDISCOs									
	FY 2022-23			FY 2023-24					
	Existing Surcharge	Increase in Mar-Jun	Total Surcharge Mar-Jun	Existing Surcharge	Surcharge for Jul-Oct	Total Surcharge Jul-Oct	Surcharge for Nov-Jun	Total Surcharge Nov-Jun	
	Rs/kWh	Rs/kWh	Rs/kWh	Rs/kWh	Rs/kWh	Rs/kWh	Rs/kWh	Rs/kWh	
Lifeline	-	-	-	-	-	-	-	-	
Protected (000 - 200)	0.43	-	0.43	0.43	-	0.43	-	0.43	
Non-protected (000 - 200)	0.43	-	0.43	0.43	-	0.43	1.00	1.43	
Non-protected (201-300)	0.43	-	0.43	0.43	-	0.43	1.00	1.43	
Non-protected > 300 & ToU	0.43	3.39	3.82	0.43	1.00	1.43	1.00	1.43	
Commercial	0.43	3.39	3.82	0.43	1.00	1.43	1.00	1.43	
General Services	0.43	3.39	3.82	0.43	1.00	1.43	1.00	1.43	
Industrial	0.43	3.39	3.82	0.43	1.00	1.43	1.00	1.43	
Bulk	0.43	3.39	3.82	0.43	1.00	1.43	1.00	1.43	
Agricultural Tube-wells	0.43	-	0.43	0.43	-	0.43	1.00	1.43	
Others	0.43	3.39	3.82	0.43	1.00	1.43	1.00	1.43	



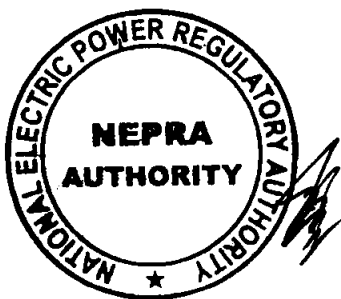
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Additional Surcharge for PHL Markup for K-Electric

	FY 2022-23	FY 2023-24	
	Surcharge Mar-Jun	Surcharge Jul-Oct	Surcharge Nov-Jun
	Rs/kWh	Rs/kWh	Rs/kWh
Lifeline	-	-	-
Protected (000 - 200)	0.43	0.43	0.43
Non-protected (000 - 200)	0.43	0.43	1.43
Non-protected (201-300)	0.43	0.43	1.43
Non-protected > 300 & ToU	3.82	1.43	1.43
Commercial	3.82	1.43	1.43
General Services	3.82	1.43	1.43
Industrial	3.82	1.43	1.43
Bulk	3.82	1.43	1.43
Agricultural Tube-wells	0.43	0.43	1.43
Others	3.82	1.43	1.43

3. Now, the MoE vide letter dated 08.03.2023 submitted another Motion (the instant Motion) with respect to recommendation of consumer end tariff for XWDISCOs & K-Electric, under section 31 of NEPRA Act 1997 read with rule 17 of the NEPRA (Tariff Standards and Procedure) Rules, 1998, (the Rules), by submitting that the already approved surcharges are not sufficient to meet the electric services obligations of the Government.
4. The Ministry in the instant Motion referred to NEPRA's decision dated 06.03.2023, in the matter of earlier Motion of the Federal Government, wherein the Authority allowed the application of additional surcharge to cover the markup charges of PHL loans not covered through already applicable FC surcharge.
5. The MoE in the instant Motion submitted that already approved surcharges are not sufficient to meet the electric services obligations of the Government. It also stated that non-payment to power producers may result in loss of generation capacity and since the payments to the power producers have been secured by sovereign guarantee, issued by the Government of Pakistan (GoP), the power producers shall start calling upon the sovereign guarantees along-with the imposition of late payment surcharge.
6. The MoE further mentioned that National Electricity Policy, 2021, approved by the Council of Common Interest under Clause 5.6.1 provides that 'financial sustainability of the sector is premised on the recovery of full cost of service, to the extent feasible, through an efficient Tariff structure, which ensures sufficient liquidity' in the sector' and vide Clause 5.6.4 it states that 'in due course, financial self-sustainability will eliminate the need for Government subsidies (except for any subsidies for lifeline, industry or agriculture consumers, as per prevailing Government considerations).



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7. The MoE further submitted that Section 31 of the Act provides that "Notwithstanding anything contained in this Act and in addition to the tariff, rates and charges notified under sub-sections (7) and this subsection, each electric power supplier shall collect such surcharges from any or all categories of consumers, as the Federal Government may charge and notify in the official Gazette from time to time, in respect of each unit of electric power sold to any or all categories of consumers and deposit the amount so collected in such manner as may be prescribed. The amount of such surcharges shall be deemed as a cost incurred by the electric power supplier and included in the tariff notified under sub-section (7);

Provided that such surcharges shall be levied for the following purposes, namely;

- (a) funding of any public sector project of public importance to the extent decided by the Federal Government; and
- (b) fulfilment of any financial obligation of the Federal Government with respect to electric power services to the extent decided by the Federal Government.

8. It has also been mentioned in the instant Motion that concerning the issue, ECC of the Cabinet vide decision in Case No. ECC-65/08/2023 dated 01.03.2023, duly ratified by the Cabinet vide decision in Case No. 128/Rule-19/2023 dated 06.03.2023, approved the enhancement of surcharge to cover Government obligations for FY 2023-24 and onwards. It has been stated that the enhanced surcharge is within the bracket of ten percent of the aggregate revenue requirement of all electric power suppliers engaged in supply of electric power to end consumers, as determined by the Authority, under Section 31(8) of the Act. It was also decided that the same be submitted to the Authority for incorporation of the above-mentioned surcharge in the latest Schedule of Tariffs of XWDISCOs. Once considered and approved, the same will be notified by the Federal Government in pursuance of Section 31 of the Act.

9. The MoE further submitted that, in accordance with clause 5.6.3 of the Policy, the Government may maintain a uniform consumer-end tariff for K-Electric and state-owned distribution companies (even after privatization) through incorporation of direct / indirect subsidies. Accordingly, the enhanced surcharge shall also be applicable for K-Electric consumers. K-Electric shall deposit the surcharges so collected to the Central Power Purchasing Agency (Guarantee) Limited (CPPA-G), on daily basis, for discharging of Federal Government obligations. The same has been approved by the Federal Government and it was decided that the same be submitted to the Authority for issuance of separate Schedule of Tariff for K-Electric, on the pattern of XWDISCOs, after incorporating the above surcharges. Once considered and approved, the same will also lead to notification by the Federal Government in the official gazette in pursuance of Section 31 of the Act.



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10. In light of the above, the instant Motion was filed by the Federal Government with respect to consumer end tariff recommendations of XWDISCOs and K-Electric under section 31 of the Act read with Rule 16 and 17 of the Rules so as to reconsider and issue:
- the revised uniform schedule of tariff of XWDISCOs, by incorporating above surcharges, to be notified in official gazette by way of modification / amendments in SROs 182 to 191 (I)/2021 dated February 12, 2021, as amended vide SROs 1280 to 1289 (I)/2021 dated October 01, 2021, SROs 1419 to 1428 (I)/2021 dated November 05, 2021, and SROs 1165 to 1174 dated July 25, 2022 and other SROs in field.
 - separate revised SoI for K-Electric after incorporating the above surcharges, to be notified in the official gazette by way of modification in SRO No. 575(I)/2019 as modified from time to time and other SROs in filed, on the same pattern of XWDISCOs.
11. For the purposes of instant Motion, the MoE requested for an opportunity of hearing for detailed submissions including session with the technical professional team of the Authority. The MoE proposed following category wise enhancement in the rate of surcharges for the FY 2023-24 and onward w.e.f. 01.07.2023;

Enhancement of Surcharge to cover Government Obligations				
Consumer Categories	Existing		Revised	
	W.e.f 1st July to 30th October 2023	W.e.f 1st November 2023 onwards	W.e.f 1st July to 30th October 2023	W.e.f 1st November 2023 onwards
	Rs/unit	Rs/unit	Rs/unit	Rs/unit
Residential - Lifeline	-	-	-	-
Residential Protected (000 - 200)	0.43	0.43	0.43	0.43
Residential Non-protected (000 - 200)	0.43	1.43	0.43	3.23
Residential Non-protected (201-300)	0.43	1.43	0.43	3.23
Residential- Non-protected > 300 & ToU	1.43	1.43	3.23	3.23
Commercial	1.43	1.43	3.23	3.23
General Services	1.43	1.43	3.23	3.23
Industrial	1.43	1.43	3.23	3.23
Bulk	1.43	1.43	3.23	3.23
Agricultural Tube-wells	0.43	1.43	0.43	3.23
Others (E,F,G,H,K,H)	1.43	1.43	3.23	3.23

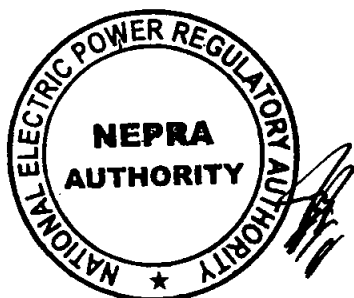
12. The Authority in order to provide an opportunity to the Federal Government to present its case, and all the relevant stakeholders involved, decided to conduct a hearing in the matter, which was held on 16.03.2023 at NEPRA Tower Islamabad and through ZOOM. Notice of hearing was published in newspapers on 10.03.2023; Individual notices were also been sent to the relevant stakeholders.

MoE





13. During the hearing, the Federal Government was represented by Joint Secretary (PF), Ministry of Energy (MoE) (Power Division), along-with other representative from MoE and CPPA-G. Representative from K-Electric, Media and general public were also present during the hearing.
14. The Federal Government during the hearing reiterated its submissions made in the Motion and submitted that as per Section 31 (8) of the NEPRA Act, each electric power supplier shall collect such surcharges from any or all categories of consumers, as the Federal Government may charge and notify in the official Gazette from time to time.
15. Upon inquiry from the Authority that why the Ministry did not requested for the enhanced amount of surcharges in the earlier motion, the representative of the MoE submitted that the earlier Motion was submitted as per the approvals of the Federal Government available at that time, whereby, for the FY 2022-23, the surcharges were required to be applied w.e.f March 2023. Thus, any delay in submission of the earlier Motion would have delayed the application of surcharges.
16. While responding to the query from the Authority regarding financial obligations of the Federal Government, the representative of the MoE explained during hearing that presently the financial obligations of the Government are around Rs.2.6 trillion, which includes over Rs.1.7 trillion payables to IPPs and Rs.765 billion of PHL loans. Through the instant Motion, the total surcharge would be around Rs.335 billion, which will cover Rs.126 billion of the PHL markup, and the remaining Rs.209 billion to cover the flow of Circular Debt. It also submitted that there are multiple factors /reasons for these payable to IPPs, which primarily includes interest payable to IPPs for not making them timely payments, delayed application of monthly FCAs and Quarterly adjustments etc.
17. It was also apprised that the Federal Government has already paid Rs.230 Billion of PHL loans principal amount, thus, reducing the PHL Loans and subsequent reduction in the amount of markup. It also submitted that the Federal Government, as per the available resources, is paying the principal amount of PHL, as it becomes due, thus, reducing the amount of markup.
18. The Authority observed that flow of Circular Debt also includes inefficiency of DISCOs in terms of extra T&D losses and under recoveries.
19. Upon inquiry from the Authority for any structural plans by the MoE to minimize inefficiencies of DISCOs, induction of cheap electricity for which tariff has already been granted by NEPRA, and addressing of the governance issues in the power sector, the MoE submitted that the current Financial exposure has resulted in liquidity crunch situation and we all need to work together to resolve these issue. The MoE stated that option of provincialization of DISCOs, decentralization of DISCOs through independent Boards with



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accountability through KPIs, improvement in loss reduction through investments, outsourcing of high loss feeders, cost reduction through negotiations with IPPs, increasing the share of renewables, exploring the options of PPP and CD management plan are all being considered to remove/ minimize inefficiencies and 2 to 3 years down the line, DISCOs could be transformed.

20. Mr. Tanveer Bari, representing KCCI, opposed the Motion by submitting that these are inefficiencies of DISCOs which shall not be passed on to the consumers. It was also stated that since the surcharge would only be used for the interest payments, and not the principal amount, therefore, these surcharges would continue indefinitely.
21. Mr. Imran Shahid, a consumer of K-Electric submitted that driver for sustainable growth is affordable electricity, however, with these surcharges, the already shrinking exports would be further impacted due to high cost of electricity and inflation. He opposed the Motion by stating that burden of circular debt shall not be passed on to the consumers.
22. Mr. Arif Bilwani, a consumer of K-Electric, while objecting the Motion submitted that this is an open ended surcharge, which will not resolve the issue, as the principal amount is not being paid. Recent substantial devaluation of Pak Rupee, massive increase in CPI and upward trend in interest rates, will result in unimaginable increase in payments to IPPs besides increase in fuel prices, directly affecting the cost of production of power. Exports are already reducing, with large scale industry witnessing negative growth, and this will result in increase in unutilized capacity. Mr. Bilwani also raised certain queries vide email dated 13.03.2023, which were responded by the MoE vide email dated 17.03.2023.
23. The other consumers present during the hearing, also opposed the imposition of surcharges.
24. The Authority observed that the earlier Motion was allowed by the Authority under Section 31 (8) of the NEPRA Act, as the Federal Government is empowered under Section 31 (8) of the Act, to impose surcharges. The relevant extract of the Act is reproduced below;

"Notwithstanding anything contained in this Act and in addition to the tariff, rates and charges notified under sub-section (7) and this sub-section, each electric power supplier shall collect such surcharges from any or all categories of consumers, as the Federal Government may charge and notify in the official Gazette from time to time, in respect of each unit of electric power sold to any or all categories of consumers and deposit the amount so collected in such manner as may be prescribed. The amount of such surcharges shall be deemed as a cost incurred by the electric power supplier and included in tariff notified under sub-section (7):

Provided that such surcharges shall be levied for the following purposes, namely;

- a. *funding of any public sector project of public importance [to the extent decided by the Federal Government]; and*

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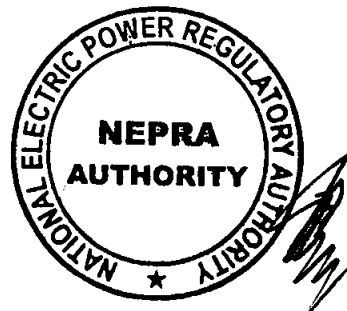
b. fulfillment of any financial obligation of the Federal Government with respect to electric power services [to the extent decided by the Federal Government].

For the purposes of this proviso, the term "financial obligations" includes obligations of the Federal Government to make payments in respect of purchase of electric power as well as obligations related to electric power services secured through issuance of sovereign guarantee;

Provided further that the aggregate amount of such surcharges shall not exceed ten percent of the aggregate revenue requirement of all electric power suppliers, engaged in supply of electric power to end consumers, as determined by the Authority."

25. The Authority also observed that the instant Motion has also been filed under Section 31 (8) of the NEPRA Act, for enhancement of the already allowed surcharges, since as per the MoE, the already allowed surcharges are not sufficient to meet the electric services obligations of the Government, as non-payment to power producers may result in loss of generation capacity and since the payments to the power producers have been secured by sovereign guarantee, issued by the Government of Pakistan (GoP), the power producers shall start calling upon the sovereign guarantees along-with the imposition of late payment surcharge. Further, as mentioned by the Federal Government, the surcharges so collected is within ten percent of the aggregate revenue requirement of all electric power suppliers engaged in supply of electric power to end consumers, as determined by the Authority.
26. Considering the fact that Motion has been filed under Section 31 (8) of the NEPRA Act, which empowers the Federal Government for imposition of surcharge, the Authority has decided to allow the instant Motion filed by the Federal Government.
27. Regarding request of the Federal Government to issue revised uniform schedule of tariff after incorporating the above surcharges, by way of modification / amendments in in SROs 182 to 191 (I)/2021 dated February 12, 2021, as amended vide SROs 1280 to 1289 (I)/2021 dated October 01, 2021, SROs 1419 to 1428 (I)/2021 dated November 05, 2021, and SROs 1165 to 1174 dated July 25, 2022 & other SROs in field and SRO. 575(I)/2019 for K-Electric, as modified from time to time, the Authority does not see any rationale in modification/ amendments of all such SROs. The Authority instead, has decided to allow application of enhanced surcharges through instant decision to be recovered from different categories of consumers of both XWDISCOs and K-Electric, from the FY 2023-24 and onward w.e.f. 01.07.2023, as under. The above surcharge shall be shown as a separate head in the consumers' bills.

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Decision of the Authority regarding motion filed by the Federal Government under Section 31 of the NEPRA Act 1997 read with Rule 17 of the NEPRA (Tariff standards and procedure) Rules, 1998 with respect to recommendation of Consumer end tariff for XWDISCOs and KE

Enhancement of Surcharge to cover Government Obligations				
Consumer Categories	Existing		Revised	
	W.e.f 1st July to 30th October 2023	W.e.f 1st November 2023 onwards	W.e.f 1st July to 30th October 2023	W.e.f 1st November 2023 onwards
	Rs/unit	Rs/unit	Rs/unit	Rs/unit
Residential - Lifeline	-	-	-	-
Residential Protected (000 - 200)	0.43	0.43	0.43	0.43
Residential Non-protected (000 - 200)	0.43	1.43	0.43	3.23
Residential Non-protected (201-300)	0.43	1.43	0.43	3.23
Residential- Non-protected > 300 & ToU	1.43	1.43	3.23	3.23
Commercial	1.43	1.43	3.23	3.23
General Services	1.43	1.43	3.23	3.23
Industrial	1.43	1.43	3.23	3.23
Bulk	1.43	1.43	3.23	3.23
Agricultural Tube-wells	0.43	1.43	0.43	3.23
Others (E,F,G,H,K,H)	1.43	1.43	3.23	3.23

28. Considering the fact that above surcharge have been worked based on currently determined revenue requirement of all suppliers including K-Electric, therefore, the MoE shall at the end of each financial year, determine the amount of surcharges levied, and in case of any amount over and above the threshold of 10%, the same shall be returned to the consumers directly in their bills.
29. The instant decision is intimated to the Federal Government for notification in terms of Section 31 of the Act.

AUTHORITY

Mathar Niaz Rana (nsc)
Member

Rafique Ahmed Shaikh
Member

Engr. Maqsood Anwar Khan
Member

Ms. Amina Ahmed
Member

Tauseef H. Farooqi
Chairman



30/03/23