



National Electric Power Regulatory Authority Islamic Republic of Pakistan

NEPRA Tower, Attaturk Avenue (East), G-5/1, Islamabad
Ph: +92-51-9206500, Fax: +92-51-2600026
Web: www.nepra.org.pk, E-mail: registrar@nepra.org.pk

Registrar

No. NEPRA/R/ADG(Tariff)/TRF-100/4258-76

March 6, 2023

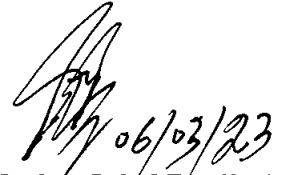
Subject: Decision of the Authority in the matter of Motion of the Federal Government under Section 31 of the NEPRA Act 1997 read with Rule 17 of NEPRA (Tariff Standards and Procedure) Rules, 1998 with respect to Recommendation of Consumer-end Tariff for XWDISCOs and K-Electric

Dear Sir,

Please find enclosed herewith subject Decision of the Authority (07 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.	



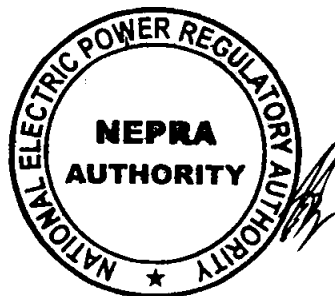
Decision of the Authority regarding motion filed by the Federal Government under Section 31 of the NEPRA Act 1997 read with Rule 17 of the NEPRA (Tariff standards and procedure) Rules, 1998 with respect to recommendation of Consumer end tariff for XWDISCOs and K-Electric

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) vide letter F.No.Tariff/XWDISCOs 2018-19 /FCA dated February 16, 2023, has submitted a Motion with respect to recommendation of consumer end tariff of XWDISCOs and K-Electric (**the Motion**), under Section 31 of NEPRA Act, read with Rule 17 of NEPRA Tariff (Standards and Procedure) Rules, 1998.
2. The Ministry in the Motion has referred to the Decision of the Authority with respect to recommendation of the consumer-end tariff dated July 22, 2022, which was intimated to the Federal Government for notification under section 31 (7) of the Act and was duly notified by the Federal Government vide SROs 1165 to 1175 dated July 25, 2022.
3. The MoE has submitted that National Electricity Policy, 2021 (the Policy) approved by the Council of Common Interest provides under Clause 5.6.1 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)'.
4. It 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.
5. It has further been submitted that the Federal Government envisaged arrangements whereby GoP guaranteed finance facilities have been executed through Power Holding Limited (PHL)



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- for funding the power sector payables. Out of the total outstanding finance facilities of Rs.800.253 billion, as of 30.06.2022, servicing of loans amounting to Rs.246.384 billion is being managed by imposing Financing Cost (FC) surcharge levied @ Rs.0.43/kWh under section 31 of the Act notified vide SROs 374-383(I)/2018 dated March 22, 2018, as modified from time to time. This FC Surcharge @ Rs.0.43 /kWh is not sufficient to cover markup charges of total PHL loans.
6. The mark up of remaining loans is being paid from revenue collected through electricity sales and the same constrains the essential fuel and debt payments to the suppliers. Concerning the issue, Economic Coordination Committee (ECC) of the Cabinet, vide its decision in Case No. ECC-44/06/2023 dated 10th February 2023, duly ratified by the Cabinet vide Case No.98/Rule-19/2023 dated 14th February 2023, approved the additional surcharge of Rs.3.39/unit to be recovered for period from Mar to Jun 2023 to cover the markup charges of PHL loans not covered through already applicable FC surcharge of Rs.0.43/kwh for the FY 2022-23, total surcharge becomes Rs.3.82/kWh for the said period and for FY 2023-24, additional surcharge of Rs.3.39/unit be reduced to Rs.1/unit to cover the additional markup charges of PHL loans, not covered through already applicable FC surcharge @ Rs.0.43/kWh, the total surcharge becomes Rs.1.43/unit for the FY 2023-24. It was also decided that the same be submitted to the Authority for incorporation of the above-mentioned surcharges i.e. Rs.3.82/kWh and Rs.1.43/kWh for four months of FY-23 and FY-24 respectively, in the latest Schedule of Tariffs of XWDISCOs. The surcharge 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.
 7. The Ministry also stated that once considered and approved, the same will lead to determination of revised uniform tariff in terms of Section 31 of the Act, for notification by the Federal Government to the extent of modification of existing determined notified rate (inclusive of subsidy/tariff rationalization surcharge) 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.
 8. Further, 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, KE applicable uniform variable charge is required to be modified to recover the revenue requirements of KE determined by NEPRA (inclusive of quarterly adjustments) keeping in view the proposed targeted subsidy and cross subsidies, which will also be consistent with the surcharge approved for XWDISCOs. The same has been approved by the Federal Government and it was decided that the same be submitted to the Authority for consideration in terms of the provisions of Section 31 of the Act. Once considered and approved, the same will also lead to issuance of a separate Schedule of Tariff for K-Electric after incorporating the above surcharges for

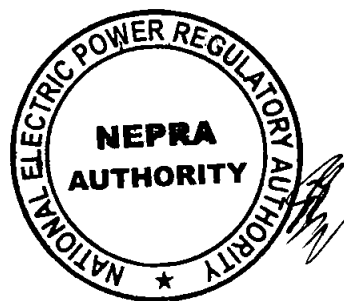


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Decision of the Authority regarding motion filed by the Federal Government under Section 31 of the NEPRA Act 1997 read with Rule 17 of the NEPRA (Tariff standards and procedure) Rules, 1998 with respect to recommendation of Consumer end tariff for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

- notification by the Federal Government in the official gazette by way of modification in SRO Nos. 575 (I)/2019 as modified from time to time.
9. In light of the above, instant Motion is being filed by the Federal Government with respect to Consumer End Tariff Recommendations of XWDISCOs 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 1789 (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.
 - separate revised SoT 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, on the same pattern of XWDISCOs.
10. For the purposes of instant Motion, the Ministry has requested that a hearing opportunity be provided for detailed submissions including session with the technical professional team of the Authority.
11. The Authority in order to provide a fair 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 02.03.2023 at NEPRA Tower Islamabad and through ZOOM. Notice of hearing was published in newspapers on 21.02.2023; Individual notices were also sent to the relevant stakeholders.
12. 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.
13. 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.
14. Upon inquiry from the Authority, it was explained by the Ministry that the additional surcharge is intended to cover the markup charges of PHL loans not covered through already applicable FC surcharge of Rs.0.43/kWh. It was also explained that with these additional surcharge, an additional amount of Rs.75 billion will be billed for the period from March to June 2023, against which around Rs.68 billion will be recovered at an expected recovery of



Motion



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- 90%. Similarly, for the FY 2023-24, with the additional surcharge of Rs.1/kWh, an amount of around Rs.74 billion will be recovered assuming recovery @90%.
15. Regarding, payment of principal amount of PHL loans, the Ministry explained that the Federal Government has already paid an amount of Rs.202 billion of PHL till FY 2021-22, through its fiscal space, thus reducing the balance from over Rs.1 trillion to Rs.800 billion as of 30.06.2022. Similarly, for the FY 2022-23 an additional amount of Rs.35 billion will be paid, and this further will reduce the overall financing cost.
 16. The Ministry also mentioned that for K-Electric consumers since the existing surcharge of Rs.0.43/kWh is not applicable, therefore, total surcharge may be charged from the consumers of K-Electric.
 17. The consumers present during the hearing, opposed the additional surcharge by stating that these are inefficiencies of DISCOs which are being proposed to be recovered through application of additional surcharges, and would be paid by the paying consumers.
 18. The Authority also directed the MoE to provide opinion from the Ministry of Law & Justice in the matter. The MoE vide email dated March 4, 2023 forwarded the Ministry of Law & Justice legal opinion on the matter. The opinion state that;

*"...It is clear from Section 31 (8) of the NEPRA Act, 1997 that any surcharge will be charged and notified by the Federal Government in the official Gazette. The later part of Section 31 (8) provides for notification of such surcharge, the same will be included in the tariff, as determined by NEPRA under the Act *ibid.* to be notified by the Federal Government. In the light of the foregoing, the NEPRA may consider Motion of the Federal Government, accordingly."*
 19. The Authority has considered the submissions made by the Federal Government in the Motion, comments of the stakeholders during the hearing & in writing and opinion form the Ministry of Law & Justice. The Authority understands that the Federal Government is empowered under Section 31 (8) of the NEPRA 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):"



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

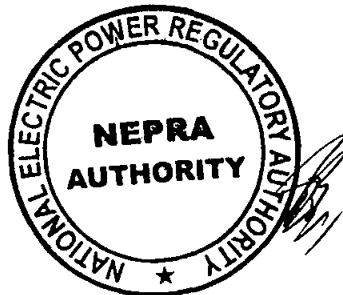
- a. funding of any public sector project of public importance [to the extent decided by the Federal Government]; and*
- b. fulfillment of any financial obligation of the Federal Government with respect to electric power services [to the extent decided by the Federal Government].*

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."

20. The Authority also observed that as mentioned by the Federal Government, the surcharge 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 and are being imposed to cover the markup charges of PHL loans, not covered through already applicable FC surcharge during the FY 2022-23 and the FY 2023-24.
21. 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, 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, the Authority has decided to allow the Motion filed by the Federal Government.
22. Regarding request of the Federal Government to issue revised uniform schedule of tariff after incorporating the above surcharges, by way of modification / amendments in SROs dated February 12, 2021, as amended vide SROs dated October 01, 2021, November 05, 2021, & July 25, 2022 for XWDISCOs 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.
23. The Authority instead, has decided to allow application of additional surcharge through instant decision i.e. Rs.3.39/kWh to be recovered from the consumers of XWDISCOs, for the period from March to June 2023, to cover the markup charges of PHL loans for the FY 2022-23. For the FY 2023-24, the additional surcharge of Rs.3.39/kWh shall be reduced to Rs.1/kWh to cover the additional markup charges of PHL loans, thus the total surcharge shall become Rs.1.43/kWh for the FY 2023-24. The detail of surcharge to be recovered from different categories of consumers, during the FY 2022-23 and FY 2023-24 is as under;

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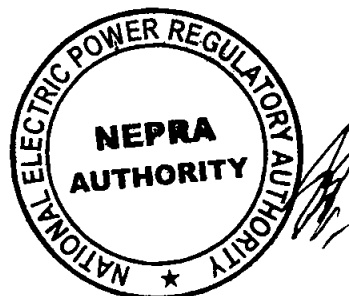
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Additional Surcharge for PHL Markup for XWDISCOs									
	FY 2022-23			FY 2023-24					
	Existing Surcharge	Increase in Mar-Jun	Total Surcharge Mar-Jun	Existing Surcharge	Surcharge for Jul-Oct	Total Surcharge Jul-Oct	Surcharge for Nov-Jun	Total Surcharge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

24. For K-Electric, the Ministry, in the Motion has mentioned 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, it has been submitted that K-Electric applicable uniform variable charge is required to be modified to recover the revenue requirements of K-Electric determined by NEPRA (inclusive of quarterly adjustments), keeping in view the proposed targeted subsidy and cross subsidies, which will also be consistent with the surcharge approved for XWDISCOs. In view thereof, the Authority has decided to allow application of the surcharge to be recovered from different categories of consumers of K-Electric, for the period from Mar to Jun 2023 and for the FY 2023-24, to cover the markup charges of PHL loans, as per the following schedule;

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

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25. The above surcharge shall be applicable w.e.f 01.03.2023 and shall be shown as a separate head in the consumers' bills.
26. The instant decision is intimated to the Federal Government for notification in the official Gazette.

AUTHORITY

Mathar Niaz Rana (nsc)
Member

Rafique Ahmed Shaikh
Member

Engr. Maqsood Anwar Khan
Member

Ms. Amina Ahmed
Member

Tauseef H. Farooqi
Chairman

