



**Registrar**

# **National Electric Power Regulatory Authority**

## **Islamic Republic of Pakistan**

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No. NEPRA/DG(CAD)/TCD-10/19837-76

December 23, 2024

- |   |   |
|---|---|
| 1. Chief Executive Officer<br>Islamabad Electric Supply Company (IESCO)<br>IESCO Head Office Street 40<br>Sector G-7/4, Islamabad | 2. Chief Executive Officer<br>Gujranwala Electric Power Company<br>565/A, Model Town, G.T Road, Gujranwala              |
| 3. Chief Executive Officer<br>Multan Electric Power Company (MEPCO)<br>NTDC Colony, Khanewal Road, Multan                         | 4. Chief Executive Officer<br>Peshawar Electric Supply Company (PESCO)<br>NTDC House, Shami Road, Peshawar              |
| 5. Chief Executive Officer<br>K Electric (KEL)<br>KE House, 39 B<br>Main Sunset Boulevard, LCMPL Phase-II, Karachi                | 6. Chief Executive Officer<br>Quetta Electric Supply Company (QESCO)<br>Zarghoon Road, Quetta                           |
| 7. Chief Executive Officer<br>Lahore Electric Supply Company (LESCO)<br>22-A, Queen Road, Lahore                                  | 8. Chief Executive Officer<br>Faisalabad Electric Supply Company<br>(FESCO)<br>Abdullahpur, Canal Bank Road, Faisalabad |
| 9. Chief Executive Officer<br>Sukkur Electric Supply Company (SEPCO)<br>Old Thermal Power Station, Sukkur                         | 10. Chief Executive Officer<br>Hyderabad Electric Supply Company<br>WAPDA Complex, Hussainabad, Hyderabad               |
| 11. Chief Executive Officer<br>Tribal Areas Electricity Supply Company (TESCO)<br>213-NTDC House<br>Shami Road, Peshawar          |   |

**Subject: DECISION OF THE AUTHORITY IN THE MATTER OF APPLICATION OF  
TARIFF CATEGORY FOR COLD STORAGES – CASE NO. MISC-27-08-2022**

Please find enclosed herewith Decision of the Authority (06 pages) in the matter of application of tariff categories for Cold Storages including the dissent notes of Mr. Rafique Ahmed Sheikh, Member (NEPRA) and Ms. Amina Ahmed, Member (NEPRA). Further, casting vote of Mr. Waseem Mukhtar, Chairman is also enclosed.

Encl: **As Above**

*Waseem Anwar Bhinder*  
(Wasim Anwar Bhinder)

CC:

1. Secretary, Ministry of Energy (Power Division), 'A' Block, Pak Secretariat, Islamabad
2. Secretary, Ministry of Finance, 'Q' Block, Pak Secretariat, Islamabad
3. Chief Executive Officer Central Power Purchasing Agency (Guarantee) Limited, Shaheen Plaza, Plot No. 73-West, Fazul Haq Road, Blue Area, Islamabad.

4. Electric Inspector/ Provincial Office of Inspection, Karachi Region-1, Govt. of Sindh, Mechanical & Soil Laboratory, Irrigation Building, Adjacent to City PAF Chapter, Main Shaheed-e-Millat Road, Baloch Colony, Karachi.
5. Electric Inspector/Provincial Office of Inspection, Karachi Region-II, Govt. of Sindh, Plot No. St. 2, Block N, North Nazimabad, Near Sarina Mobile Market, Main Sakhi Hassan, Korangi Karachi.
6. Electric Inspector/ Provincial Office of Inspection, Multan Region, 569 G, Shah Ruken-e-Aalam Scheme, Phase-II, Multan.
7. Electric Inspector/ Provincial Office of Inspection, Gujranwala Region, Energy Department, Government of Punjab, Munir Chowk, Near Kachehri Road, Gujranwala.
8. Electric Inspector/Provincial Office of Inspection (POI), Faisalabad Region, Opposite Commissioner, Office, D.C.G Road, Civil Lines, Faisalabad
9. Electric Inspector/Provincial Office of Inspection, Energy Department, Government of Punjab, Lahore Region, Block No.1, Canal Offices, Mustafabad, Lahore.
10. Electric Inspector Benevolent Fund Building, Third Floor, Johns Bakers, Peshawar Cantt
11. Electric Inspector/ Provincial Office of Inspection, Abbottabad Region, CB-81, Iqbal Road, Supply Bazar, Abbottabad.
12. Electric Inspector/ Provincial Office of Inspection, House No. 149, Sector B, Phase-1, Bannu Township, Bannu.
13. Electric Inspector/ Provincial Office of Inspection, Regional Office, Sawat Shahi Mohallah, Saidu Sharif, Near Saidu Sharif Science College, Sawat.
14. Electric Inspector/ Rawalpindi/Islamabad Region, Rawal Dam Colony, Park Road, Islamabad.
15. Electric Inspector/ Provincial Office of Inspection, Larkana Region, Room NO.13&14, Kennedy, Market, Larkana (Sindh).
16. Electric Inspector/ Irrigation Scarp Colony, Military Road, Sukkur.
17. Electric Inspector/Mirpurkhas Region, House No. 1017, Nawab Colony, Mirpurkhas (Sindh).
18. Electric Inspector/Civil Line Banglow No.48-B, Opposite Income Tax Office, Hyderabad.
19. Electric Inspector/Tehsil Road, Near Police Station, Nowshera Kalan, Nowshera (KPK).
20. S. M. H. Rizvi, Secretary General, Karachi Chamber of Commerce & Industry KCCI, Abdullah Shah Ghazi Road, Karachi.
21. Chairman Public Sector Utility Sub-Committee Karachi Chamber of Commerce & Industries Aiwan-e-Tijarat Road, Shahrah-e- Liaquat, Karachi-2
22. Chairman S.I.T.E. Association of Industry H-16, S.I.T.E., Karachi
23. Federation of Pakistan Commerce and Industries Federation House, Main Clifton, Abdullah Shah Ghazi Road, Karachi

24. Overseas Investors Chamber of Commerce and Industries (OICCI), Chamber of Commerce Building, Talpur Road, Karachi
25. Karachi Chamber of Commerce & Industries, Aiwan-e-Tijarat Road, Off: Shahrah-e-Liaquat, Karachi
26. Bin Qasim Associates of Trade Industry Old MCB Building, Near Chairman Secretariat, Inside Port Area, Port Qasim Authority, Port Qasim, Karachi



**BEFORE THE**  
**NATIONAL ELECTRIC POWER REGULATORY AUTHORITY**  
**(NEPRA)**

**Case No. MISC-27-08-2022**

**SUBJECT: DECISION IN THE MATTER OF APPLICATION OF TARIFF CATEGORY FOR COLD STORAGES**

**DECISION**

This decision shall dispose of the representations/complaints submitted by Complainants being aggrieved by the reclassification of the tariff category of cold storage facilities from the Industrial Tariff to the Commercial Tariff. The Complainants contend that this change adversely affects their billing and operational costs, prompting them to seek a review of the tariff categorization applied to their facilities.

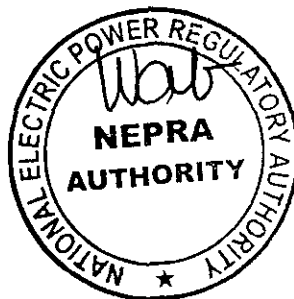
**Background:**

2. The cold storage facilities were never formally classified as eligible for the industrial tariff category. However, different electricity distribution companies ("DISCOs") have independently applied varying approaches when billing cold storage facilities. The instant issue came to the notice of the Authority when Quetta Electric Supply Company (QESCO) solicited the clarification regarding the applicability of tariff on cold storages. In response, the Authority clarified on March 18, 2021 that the industrial tariff category could apply to cold storage facilities only if they meet the specific conditions outlined in the approved tariff's terms and conditions of DISCOs, such as engaging in processing, value addition, or manufacturing activities. However, if the cold storage is solely used for commercial purposes, without any processing or industrial value addition, then the commercial tariff would apply.

3. To address the inconsistencies in DISCOs billing practices for cold storage facilities the Authority vide decision dated June 2, 2022 which was notified by the Federal Government through SRO 1168(I)/2022 on July 25, 2022 ("Decision"), placed the "cold storage" under the category of Commercial Tariff, alongside other commercial establishments like shops, hotels, private hospitals, and other service-oriented facilities.

4. Thereafter, many consumers submitted representations/complaints before the Authority raising the observations regarding applicability of commercial tariff for cold storages contending that this change adversely affects their billing and operational costs, prompting them to seek a review of the tariff categorization applied to their facilities.

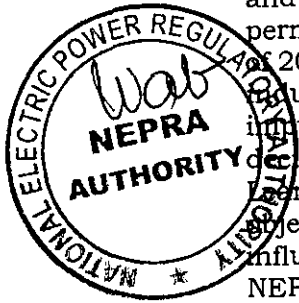
5. In order to address the grievances of the consumers and ensure a fair examination of the contentions raised by all parties, the Authority decided to hold a public hearing on the matter. This hearing aimed to provide a transparent forum for deliberation, allowing consumers, distribution companies (DISCOs), and industry representatives to present their views and concerns. Accordingly, a public hearing was held on June 06, 2023 which was attended by all the stakeholders including representatives from DISCOs and the All Pakistan Cold Storage Association.



6. Meanwhile, many other industrial consumers challenged the Decision before Honourable Lahore High Court, Lahore (LHC). The LHC, through a consolidated Judgment in W.P No. 50725/2022 (Muhammad Azhar Siddique Vs. Federation of Pakistan, etc.) dated February 6, 2023 (High Court Judgment), inter alia directed NEPRA not to unilaterally change the tariff classification from Industrial to Commercial without providing an opportunity for affected consumers to be heard.

7. The decision of the LHC was challenged by NEPRA and other electricity distribution companies before the Honorable Supreme Court of Pakistan (SC) through Civil Petitions (CPLAs No. 1676, 1558 and 1232-L of 2023). The Supreme Court vide its decision dated October 16, 2023 inter alia directed NEPRA as under:

“Learned Mr. Adnan Tariq Advocate High Court has filed CMA no 8311 of 2023 and requested for grant of permission to appear and argue the titled case. The permission is granted. He states that these three CPLA no. 1676, 1558 & 1232 of 2023 pertain to cold storages in respect whereof, the tariff was changed from industrial to commercial, which was assailed before NEPRA pursuant to the impugned judgment and NEPRA has heard the cases and has reserved its decision, therefore, the remand of the matter to NEPRA should not be disturbed. Learned Counsel for the concerned DISCO and NEPRA state that they have no objection provided NEPRA decides the same independently without being influenced by anything observed in the impugned judgment. Accordingly, NEPRA is directed to decide the same in accordance with law and without in any manner being influenced by anything stated in the impugned judgment.”



8. The Authority while examining the matter and perusing the record noted that Sub-Section (iva) of Section (2) of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (“NEPRA Act 1997”), provides that prescribing consumer category is the mandate of Federal Government. In view of the said, the Authority vide letter dated December 27, 2023 requested the Ministry of Energy (Power Division) and Finance Division for provision of comments in the matter. In response, the Finance Division solicited certain information from NEPRA, which was arranged from the DISCOs and provided to the Finance Division. Finance Division vide letter dated February 01, 2024 further solicited certain information from Ministry of Energy (Power Division) regarding financial implication on Circular Debt Management Plan (CDMP) of proposed conversion of tariff for cold storages from commercial to industrial category.

9. The comments regarding the applicability of tariff on cold storages were received from Finance Division and Power Division vide letters dated October 30, 2024 and October 31, 2024 respectively. The Finance Division suggested that NEPRA should ensure that any change in the categorization does not have subsidy implications for the Government of Pakistan. The Power Division submitted that changing of commercial tariff category for cold storages will serve as a precedent for all other commercial offices and establishments enlisted under A-2 category which may lead to further litigation in future by other consumer categories falling under commercial tariff category. Moreover, if the cold storages are charged industrial tariff instead of commercial tariff, there will be financial implications since change in tariff category will increase the burden on other consumers.

### **Decision**

10. The tariff terms and conditions approved by the Authority specify that the commercial tariff applies to commercial offices and establishments, whereas the industrial tariff is intended for entities involved in manufacturing, value addition, or processing of goods. Cold storage facilities, however, typically serve as storage units used by grocery chains, food distributors, restaurants, and other retail businesses, primarily for holding goods such as fruits, vegetables, dairy, and meat products. These goods are stored in their original form without any additional processing, transformation, or enhancement—only to maintain freshness until they are ready for sale.

11. The cold storage facilities essentially function as intermediaries, providing a crucial link between wholesalers and retailers, or between producers and consumers, by preserving perishable items at the required temperature during storage or transit. This enables goods to remain in optimal condition until they reach the final point of sale but does not involve any industrial processes, such as manufacturing, value addition, or product transformation. Given that cold storage facilities engage solely in these commercial activities, with no industrial or value-added processes taking place, they are more appropriately classified under the commercial tariff category rather than the industrial tariff.

12. Foregoing in view, the Authority is of a considered view that cold storage facilities do not fulfil the criteria as laid down in the consumer end tariff determinations for application of industrial supply tariff. In view thereof, all distribution companies, including K-Electric, are directed to consider all cold storages under commercial tariff category as already notified in terms and conditions of tariff dated July 25, 2022.

② My dissent is attached.

(Rafique Ahmed Shaikh)  
Member

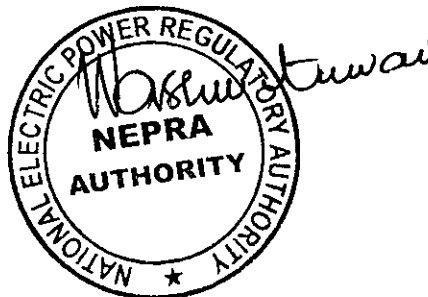
(Engr. Maqsood Anwar Khan)  
Member

(Mathar Niaz Rana (nsc))  
Member

② Amina Ahmed  
(Amina Ahmed)  
Member

(Waseem Mukhtar)  
Chairman

② My dissent is attached



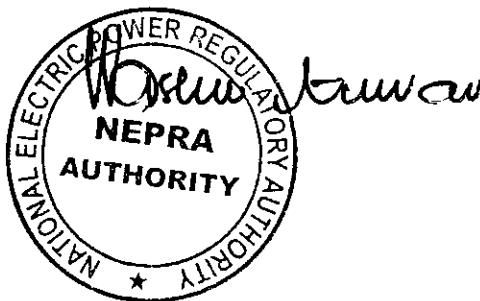
### **DISSENT NOTE OF MEMBER (TECHNICAL)**

Based on the research & comments of CAD and Interveners, I dissent with the majority decision to classify all cold storages under a single commercial tariff for the reasons:

- a. Cold Storages, which are involved in large scale processing, value addition & long term preservation of goods-especially in sectors like agriculture, food processing, pharmaceuticals shall be placed under the "Industrial Tariff"
- b. Cold Storage, which handle short-term storage for retail and distribution without significant value addition, should be given under Commercial Tariff.
- c. Blanket Commercial Classification of all types of cold storages (large & small) would unfairly increase costs for this particular industrial sector, which is critical to Pakistan's economy.



**Rafique Ahmed Shaikh**



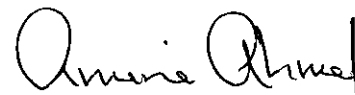
### Dissent Note of Member (Law)

As per NEPRA approved tariff terms and conditions, for the purpose of the application of industrial tariff an "*Industry means a bona fide undertaking or establishment engaged in manufacturing, value addition and/or processing of goods.*" Therefore, to qualify for the industrial tariff, cold storage facilities are to satisfy the condition of manufacturing, value addition and/or processing.

Cold storage facilities are typically large establishments that use technology to maintain precise temperature conditions. They generally employ heavy electrical, mechanical, chemical, and specialized equipment to preserve or enhance the physical, chemical, and nutritional properties of goods under controlled conditions. The actions performed in cold storage facilities enable the long-term storage of perishable items, while effectively maintaining their quality, which is much like the processing of goods. Similarly, enabling the accessibility and usage of goods when needed, without compromising quality, is the key value added by these facilities.

In many jurisdictions, cold storage facilities are classified as industrial or manufacturing operations rather than commercial/retail. Many U.S. states, such as California, New York, and Texas, classify cold storage as an industrial activity, charging these facilities industrial electricity and utility rates. The cold storage facilities in India are generally charged industrial electricity tariffs by state-level power distribution companies. However, practices vary across EU member states, but countries like the Netherlands and Poland apply industrial tariffs to cold storage based on their energy-intensive nature and industrial zoning.

In view thereof, I respectfully disagree with my learned colleagues' decision to categorize the cold storage facilities under commercial tariff category.

  
**Amina Ahmed**





### Annex-III

#### Decision of the Authority

Since Member (Tariff) was "on leave" on the day of decision and Member (Technical) and Member (Law) dissented to the Decision of the Authority, therefore, being a presiding person and having powers of casting vote in case of a tie in terms of section 5(4) of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (XL of 1997), I cast my vote in favour of the Decision of the Authority reflected at Paras 10, 11 and 12.

  
(Waseem Mukhtar)  
Chairman

