

Issues framed for hearing in the matter of Petition filed by Faisalabad Electric Supply Company Limited (FESCO) for determination of its Consumer-End tariff pertaining to FY 2015-16 to FY 2019-20 Under Multi-Year Tariff Regime.

For the purpose of hearing the following issues have been framed to be considered during the hearing and for presenting written as well as oral evidence and arguments:-

- i. Whether the petitioner has complied with the directions of the Authority given in the tariff determination for the FY 2014-15 in respect of following issues;
 - To explain the reasons of varying reported numbers of installed TOU meters, not later than 31st March, 2015.
 - To print bills with the snap shots of meter readings (both previous and current) not later than 30th April, 2015.
 - To submit its investment requirements for the implementation of Hand Held Units (HHU) along with its completion timelines with its next tariff petition.
 - To submit its plans regarding introduction and expansion of Automatic Meter Reading (AMR) System and also submit progress reports on NEPRA's directions.
 - To install AMR and Automatic Metering Infrastructure (AMI) at all of their CDPs by December 31, 2015.
 - To install AMR and AMI on the receiving end of at least 30% of their 11 kV feeders (as existing on 30 June 2014) by 31st December 2015 and remaining 70% till June, 2016.
 - To initiate and install AMR/AMI at the consumer level in at least 10 of their high loss making subdivisions by 31st December, 2015 and remaining 70% by 30th June 2016.
 - To provide break-up of receivables with aging and nature of receivables and a concrete plan of their recovery not later than 31st March, 2015.
 - To monetize all the incremental costs which cause additional losses and incorporate these as a part of project cost while calculating the IRR or NPVs for any village electrification project, in future.
 - To get its strength yard stick approved by the Authority based on proper justifications and its quantified benefits.
 - To share the details of late payment charges recovered from consumers and any invoice raised by CPPA under the head of mark up on delayed payments for the FY 2014-15. The information must be submitted before the next tariff petition is filed.

- To give comments on the proposal of lifeline consumers before the next year's tariff petition and also to share the financial impact of revision of criteria of lifeline consumers on its revenue.
- To explain the amount of Rs. 15,279 million recorded as income in respect of share of GOP subsidy of FY 2004-09 in P&L a/c for the FY 2013-14.
- To complete installations of TOU metering.
- To complete study of its Transmission and Distribution losses on 132 KV, 11KV and below.
- To submit details of investment expense undertaken in the FY 2013-14.
- To transfer amount in the post retirement benefit Fund and claim the amount so transferred from the Authority in the next year's tariff determination by submission of evidence of transfer of amount.
- To submit recruitment plan for the requested hiring of staff containing cost/benefit analysis based on best practices.
- To submit the certificate of replacement hiring before the finalization of the tariff determination pertaining to the FY 2015-16.
- To send quarterly report of progress made on creation of new circles w.e.f. 31st March, 2015.

- ii. Whether the petitioner's projected power purchases & sales for the FY 2015-16 to FY 2019-20, is reasonable?

	2015-16	2016-17	2017-18	2018-19	2019-20
Power Purchase (GWh)	11,960	12,689	13,489	14,326	15,230
Projected Sale (GWh)	10,657	11,349	12,087	12,873	13,709

- iii. Whether the petitioner's proposed transmission and distribution losses for FY 2015-16 to FY 2019-20, are justified?

	2015-16	2016-17	2017-18	2018-19	2019-20
Transmission & Distribution Losses (%)	10.90%	10.56%	10.40%	10.15%	9.98%

- iv. Whether the petitioner projected power purchase cost for the FY 2015-16 to FY 2019-20, is justified?

	2015-16	2016-17	2017-18	2018-19	2019-20
Proj. Power Purchase Cost (Rs. In Million)	113,572	121,899	131,052	140,863	151,562
Proj. Power Purchase Cost (Rs./ kWh)	10.66	10.74	10.84	10.94	11.06

- v. Whether the petitioner reference O&M cost of for the FY 2015-16 is justified for future adjustments till FY 2019-20?

	2015-16	2016-17	2017-18	2018-19	2019-20
Proj. O&M Cost (Rs. In Million)	16,041	17,182	18,374	19,536	20,662
Proj. O&M Cost (Rs./ kWh)	1.505	1.514	1.520	1.518	1.507

- vi. Whether the petitioner reference depreciation charge for the FY 2015-16 is justified for future adjustments till FY 2019-20?

	2015-16	2016-17	2017-18	2018-19	2019-20
Proj. Depreciation Expenses (Rs. In Million)	2,348	2,684	3,005	3,324	3,638
Proj. Depreciation Expenses (Rs./ kWh)	0.22	0.24	0.25	0.26	0.27

- vii. Whether the petitioner reference Return on Regulatory Asset base based on projected rate of return of 18.91% for FY 2015-16 is justified for future adjustments till FY 2019-20?

	2015-16	2016-17	2017-18	2018-19	2019-20
Proj. Return on Rate Base (Rs. In Million)	4,805	6,078	6,903	7,529	8,031
Proj. Return on Rate Base (Rs./ kWh)	0.45	0.54	0.57	0.58	0.59

- viii. Whether the petitioner projected other income for the FY 2015-16 to 2019-20, is reasonable?

	2015-16	2016-17	2017-18	2018-19	2019-20
Proj. Other Income (Rs. in Million)	2,565	2,724	2,901	3,127	3,331

Proj. Other Income (Rs./ kWh)	0.24	0.24	0.24	0.24	0.24
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- ix. Whether the petitioner's proposed Investment plan for the FY 2015-16 to FY 2019-20, is justified, keeping in view the prospective benefits.

Proj. Investment Requirement (Rs. In Million)	2015-16	2016-17	2017-18	2018-19	2019-20
	12,723	10,593	9,364	9,632	9,293

- x. Whether the negative prior year adjustment calculated by FESCO of Rs. 4,090 Million for the FY 2015-16 (including MEPCO claim of UOSC & Impact of previous MYT) is accurate?
- xi. Whether the proposed revenue requirements and average sale rate for FY 2015-16 to FY 2019-20, is justified?

Prop. Revenue Requirement (Rs. In Million)	2015-16	2016-17	2017-18	2018-19	2019-20
	130,110	145,119	156,433	168,126	180,562
Prop. Average Sales Rate (Rs./ kWh)	12.209	12.787	12.942	13.061	13.171

- xii. Whether the proposed incentive for proportionate increase in return on equity against reduction in transmission and distribution (T&D) losses, merits consideration?
- xiii. Whether the requested impact of Rs. 4,827 million as result of inconsistent application of previous MYT, already disallowed by the Authority, merits consideration?
- xiv. What will be the mechanism of charging Wheeling/Use of System Charges (UOSC) in case of network of XW-DISCOs are used for Wheeling?
- xv. Whether the request of petitioner to allow Rs. 5,022 as Prior Year Adjustment (PYA) for payment of Use of System Charges claimed by MEPCO is accurate?
- xvi. Whether Petitioner's request to allow creation of divisions and sub-divisions as proposed in 2nd & 3rd phases with an additional cost of RS. 509 million and 499 million respectively is justified?
- xvii. Whether the request of Petitioner to allow one-time reopeners/adjustments for private sector participation on the following, merits consideration:
- Revision of T&D loss targets
 - Amendments/ revisions to IGTDP and
 - Re-assessment of cost of debt.

- xviii. Whether the proposed efficiency factor (X) at Zero (0%) for first three years, 0.5% and 1% for last two years respectively, to be applied to the bench mark O&M cost adjusted by CPI, merits consideration?
- xix. Whether the requested allowance of Rs. 476 million for additional recruitment of 3,094 employees in FY 2015-16 is justified?
- xx. Whether the requested repair and maintenance cost, calculated at 3% of gross fixed assets (K-Factor) is justified?
- xxi. Whether the requested beta, based on the average of prevailing beta of foreign listed companies, having comparable businesses and adjusted for capital structure prescribed by NEPRA, is justified?
- xxii. Whether the requested floor of 19% -20% for return on equity to provide stability in asset return, merits consideration?
- xxiii. Whether the mark-up in range of KIBOR + 300-350 bps on delayed tariff differential subsidy by GOP, merits consideration?
- xxiv. Whether there is any major deviation in the petition from the NEPRA guidelines for determination of consumer-end tariff (Methodology & Process) notified vide SRO. 34(I) 2015 dated 16.01.2015?
- xxv. What is the financial impact / loss of revenue due to TOU metering for cellular company connections and other similar connections?
- xxvi. Whether the criterion proposed by the petitioner for segregation between controllable and un-controllable costs is justified?
- xxvii. Whether there should be any penalty as a cut on Distribution Margin (D.M) if desired level of performance standards are not achieved by the Petitioner?
- xxviii. Whether there should be any mechanism for sharing of profits/benefits by the Petitioner with the consumers if the petitioner performance exceeds the desired level?
- xxix. Whether the IGTDP submitted by the petitioner is justified keeping in view the following:,
- Whether the load demand forecast provided by FESCO is justified? FESCO may submit the basis of load demand forecast.
 - Whether the base line conditions identified by FESCO in its 5 years investment plans truly reflective of its prevailing performance and conditions?
 - How FESCO will ensure timely implementation and completion of the committed projects identified under its investment plans? Whether FESCO has arranged the funds

required to undertake these projects? If yes, FESCO is required provide the details of source of funding in respect of each project.

- FESCO identified various STG and Distribution Projects in its investment plans. What is the basis or criteria for selection of these projects? Whether FESCO adopted the criteria for selection of the projects as approved by NEPRA?
- The project costs under STG and Distribution Expansion Plans are based on the data derived from past figures. How FESCO will justify these costs made on past data assumptions and benefits achieved after implementation of these plans?
- Whether the generation addition by setting up new IPPs, as provided by FESCO, are consistent with the generation expansion plans of NTDC in next 5 years? What is the basis of these additions, details are required.
- Whether the indicated capital cost of Rs. 28,788 Million for proposed projects for next 5 years under optimally achievable case is justified? FESCO is required to submit year wise rationale in respect of cost-benefits through investing the above mentioned amount and improvement in its existing networks such as improvement in HT/LT ratios and average length per 11 kV feeder.
- Whether the indicated capital cost of Rs. 36,776 Million for proposed projects for next 5 years under best case scenario is justified?
- Whether the expected potential increase in revenue of Rs. 11,747.04 million as result of energy consumption by 900,000 new consumers expected to be added in next 5 years under Distribution Expansion Program is justified? FESCO needs to provide details by linking it to historical data.
- FESCO showed cumulative savings in terms of reduction in power losses as 18.8 MW, energy savings as 91.05 GWh and a cumulative decrease of 1.16% in projected losses over next 5 years. Whether these assumptions of FESCO are justified? If yes, FESCO may provide the detailed analysis on this issue.
- The loss reduction in the last 2 years of the control period is almost negligible. Whether this scenario implies that FESCO system has reached a saturation level in this area?
- The linkage between investment plans and performance standards is the core component of investment plans therefore FESCO may provide a comprehensive year wise analysis about improvement in SAIFI, SAIDI and other performance standards achieved through its investments. Equipment failure data over the next 5 years is also to be provided by FESCO.