



National Electric Power Regulatory Authority
Islamic Republic of Pakistan

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**OFFICE OF THE
REGISTRAR**

No. NEPRA/CAD/TCD-05/ 8419-22

June 14, 2016

Chief Executive Officer,
Lahore Electric Supply Company (LESCO),
22-A, Queen's Road, Lahore.

Subject:- **DECISION IN THE MATTER OF COMPLAINT FILED BY UMAR SPINNING MILLS (PVT) LIMITED (AC # 24 11223 9007002) UNDER SECTION 39 OF THE REGULATION OF GENERATION, TRANSMISSION AND DISTRIBUTION OF ELECTRIC POWER ACT, 1997 AGAINST LESCO REGARDING NON-REFUND/ADJUSTMENT OF CASH SECURITY DEPOSIT AGAINST SUBMISSION OF BANK GUARANTEE**
Complaint LESCO-142/2015

Please find enclosed the decision of NEPRA in the subject matter for compliance within thirty (30) days of receipt of the decision.

Encl: As above

14/6/16.
(Iftikhar Ali Khan)
Deputy Registrar

Copy to:

1. Chief Engineer/Customer Services Director,
Lahore Electric Supply Company (LESCO),
22-A, Queen's Road, Lahore.
2. Malik Ahsan Mehmood,
Advocate High Court,
Raja Mohammed Akram & Co.,
33-C Main Gulberg, Lahore.
3. Rao Javed Wahab S/o Rao Abdul Wahab Khan,
Manager, Administration, Umar Spinning Mills Pvt Limited,
19-G, Gulberg-II, Lahore.



BEFORE THE
NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
(NEPRA)

Complaint No. LESCO-142/2015

Umar Spinning Mills (Pvt) Limited, Complainant
19-G, Gulberg –II, Lahore.

Versus

Lahore Electric Supply Company Limited (LESCO), Respondent
22-A, Queen's Road, Lahore.

Date of Hearings: March 08, 2016
March 22, 2016

Date of Decision: June 13, 2016

On behalf of:

Complainant: i) Malik Ahsan Mehmood (Advocate)
ii) Rao Javed Wahab
iii) Mr. Usman Ali Bhoon (Advocate)
iv) Syed Uzair Shah (Advocate)

Respondent: Mr. Tahir Nadeem, Deputy Manager, LESCO

Subject:- **DECISION IN THE MATTER OF COMPLAINT FILED BY UMAR SPINNING MILLS (PVT) LIMITED (AC # 24 11223 9007002) UNDER SECTION 39 OF THE REGULATION OF GENERATION, TRANSMISSION AND DISTRIBUTION OF ELECTRIC POWER ACT, 1997 AGAINST LESCO REGARDING NON-REFUND/ADJUSTMENT OF CASH SECURITY DEPOSIT AGAINST SUBMISSION OF BANK GUARANTEE**

DECISION

This decision shall dispose of the complaint dated November 17, 2015 filed by Umar Spinning Mills (Pvt) Limited, Lahore (hereinafter referred to as the "Complainant") against Lahore Electric Supply Company Limited (hereinafter referred to as the "Respondent" or "LESCO") under Section 39 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (hereinafter referred to as the "NEPRA Act").

2. Brief facts of the case are that the Complainant is a consumer of LESCO under B-3 tariff category (2800 kW sanctioned load). It deposited an amount of Rs. 18,20,000/- as security deposit against demand notice dated January 05, 2006 for 2000 kW sanctioned load. Later on, the load was enhanced and it deposited an additional amount of Rs. 24,48,000/- against 800 kW additional load vide demanded notice dated January 18, 2010, as such it deposited total amount of Rs. 42,68,000/- as security deposit. The Complainant added that Authority inserted a new clause i.e 5.2(e) in Consumer Service Manual (CSM) with respect to availing the option of bank guarantee by existing B-3 and B-4 consumers in lieu of cash security deposit. In this regard, it approached LESCO to avail the said facility but no action was taken by LESCO. Later on, the same issue was also taken up with LESCO by All Pakistan Textile Mills Association, however, no response was given. Accordingly, it approached Honorable Lahore High Court and filed the writ petition No. 5911/2015. The same writ petition was disposed of through order dated June 16, 2015 with directions to LESCO to decide the pending application of the Complainant within 30 days. LESCO decided the same on October 28, 2015 against the provisions of CSM and rejected the request for acceptance of bank guarantee in lieu of cash security deposit on the ground that the application is not in accordance with law as well as contract. The Complainant requested that LESCO be directed to refund the security deposit of Rs. 42,68,000/- along with compensation @ KIBOR plus 3 % in lieu of submission of bank guarantee as provided under the provisions of CSM.

3. On the above, the matter was taken up with LESCO for submission of para-wise comments. In response, LESCO vide its letter No. 2537/NEPRA/C-635 dated January 22, 2016 submitted that the Complainant has already filed a Writ Petition No. 5911/2015 in the Honourable Lahore High Court for which the reply has also been submitted to the Registrar Lahore High Court regarding non-refund/adjustment of cash security deposit against submission of Bank Guarantee. LESCO failed to submit parawise comments on the complaint, however, it forwarded its reply dated October 28, 2015 filed before the Lahore High Court wherein it was stated by LESCO that keeping in view the determination of NEPRA regarding security deposit rates, provisions of NEPRA CSM, Consumer Eligibility Criteria and Abridge Conditions of supply, the application of the complainant seeking swap of cash collateral with the bank guarantee is not sustainable/in accordance with law as well as contract, therefore the application/request of the complainant is regretted being without merit.

4. In order to further look into the matter, a hearing was scheduled for March 08, 2016 at NEPRA Head office, Islamabad. Although representative of the complainant put appearance in the hearing, however, LESCO requested for rescheduling of the same. Accordingly, the hearing was held on March 22, 2016 which was attended by representatives of both of the parties. The Complainant advanced its arguments on the basis of its earlier submission as explained above whereas, the representatives of LESCO argued that it has filed motion for leave for review on the Multi Year Tariff determination with the Authority which is currently under process. As part of same, a proposal has been submitted to the Authority for revision in security deposit rates and amendment in the policy with respect to acceptance of bank guarantee in lieu of cash security deposit by industrial consumers under B-3 and B-4 tariff category. LESCO requested that the case may be held in abeyance till final decision of the Authority on the motion for leave for review of LESCO is made.

5. The case has been examined in detail in light of documentary evidence made so available by the parties, arguments advanced during the hearing and applicable law. The Authority vide its determination dated October 22, 2010 on security deposit rate of all DISCOs

allowed the option of Bank Guarantee to the industrial consumers under B-3 and B-4 categories in lieu of cash security deposit. As per the said determination, the existing B-3 and B-4 consumers may avail the option of Bank Guarantees in lieu of the security deposits from their respective DISCO. Later on, the said clause was also incorporated in the CSM, which is an applicable document. The version of LESCO with respect to non acceptance of bank guarantee in lieu of cash security deposit is misleading and is contradictory to the determination of the Authority dated October 22, 2010 and provisions of applicable document. It is clarified that the Authority vide its determination dated May 19, 2016 has declined motion for leave for review of LESCO regarding its Multi Year Tariff determination.

6. In consideration of above, the stance taken by LESCO is not sustainable therefore LESCO is directed to accept the bank guarantee of the Complainant in lieu of cash security deposit after completion of all codal formalities and submit compliance report within thirty (30) days.


Member (Consumer Affairs) 13/6/16

Islamabad, June 13 , 2016