

HYDERABAD ELECTRIC SUPPLY COMPANY

OFFICE OF THE CHIEF FINANCIAL OFFICER HESCO

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3rd FLOOR,
WAPDA OFFICES COMPLEX
HESCO, HYDERABAD

NO: CFO/HESCO/CPC/2305

Dated 12-03-2024

✓ The Registrar,
National Electric Power Regulatory Authority,
NEPRA Tower, Attaturk Avenue (East),
Sector G-5/1,
Islamabad.

Subject: APPLICATION FOR ANNUAL INDEXATION / ADJUSTMENT OF TARIFF FOR THE FY 2024-25 UNDER MYT DETERMINATION DATED JUNE 02, 2022

Dear Sir,

In furtherance of current notified tariff vide S.R.O No. 946(I)/2023 dated 26.07.2023, consequent upon determination of the Authority in respect of HESCO dated June 02, 2022, HESCO is submitting this application for Annual Indexation / Adjustment of Tariff for the FY 2024-25 in compliance with the directions of the Authority in the determination.

We shall be grateful if the Authority shall give due consideration to our application to allow necessary Indexation / Adjustments for the FY 2024-25 in the light of tariff determination in vogue. The application is supported with all requisite data and supporting material.

In case any further clarification is required, please intimate.

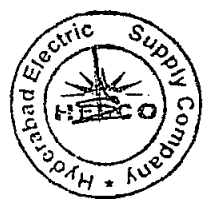
With best regards,

Urgent please
[Signature]

[Signature]
(BASHIR AHMED) 12/3/24
CHIEF EXECUTIVE OFFICER
HESCO, HYDERABAD

For information & n.a. please.
• ADG (Tariff)
Copy to: CC: Chairman
- DG (M&E) - M (Tariff)
- M/F

.....F (DEPARTMENT)
Dir (T-I)..... Dir (T-II).....
Dir (T-III)..... Dir (T-IV).....
Dir (T-V)..... Addl. Dir (RE).....
Date. 12-3-24



REGISTRAR OFFICE
Diary No. 2811
Date: 14.3.24

Tariff Division Record
Dy No. 1478
Dated. 14.3.24

BEFORE THE NATIONAL ELECTRIC POWER REGULATORY AUTHORITY (NEPRA)

HYDERABAD ELECTRIC SUPPLY COMPANY LIMITED

HESCO

APPLICATION FOR ANNUAL INDEXATION / ADJUSTMENTS OF TARIFF

FOR THE FY 2024-25

AS PER DETERMINED TARIFF OF HESCO

VIDE NEPRA DETERMINATION DATED 02.06.2022

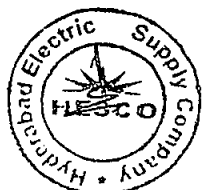
March 11, 2024

HYDERABAD ELECTRIC SUPPLY COMPANY LIMITED

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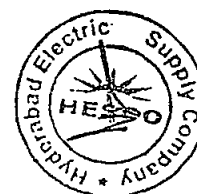
Annual Indexation of Distribution Margin

1. Petitioner

- 1.1 Hyderabad Electricity Supply Company Limited (HESCO) is an Ex-WAPDA Distribution Company (DISCO) owned by the Government of Pakistan (GOP) and incorporated as a Public Limited Company on 23rd April, 1998 vide company registration No. L09436 of 1997-98 under section 32 of the repealed Companies Ordinance 1984.
- 1.2 Principal business of HESCO is to provide electricity to the thirteen districts of Sindh including Hyderabad, Matiari, Shaheed Benazirabad, Sanghar, Mirpurkhas, Tharparkar, Tando Allah Yar, T. M. Khan, Badin and Thatta under distribution license No. 05/DL/2002 granted by NEPRA (the Distribution License).

2. Background

- 2.1 Hyderabad Electric Supply Company Limited (HESCO) being a Distribution as well as deemed Supplier filed separate Tariff Petitions for determination of its Distribution and Supply of Electric Power Tariff under the MYT Regime for a period of five years i.e. from FY 2020-21 to FY 2024-25, in terms of Rule 3(1) of Tariff Standards & Procedure Rules-1998. The Tariff Petitions were admitted by the Authority and Public Hearing in the matter was conducted on 16.12.2021.
- 2.2 Thereafter, the Authority determined tariffs of HESCO on June 02, 2022 which were notified by GOP vide S.R.O No. 1166(I)/2022 dated 25.07.2022. Being cognizant of the fact that the FY 2020-21 and 2021-22 would have already elapsed and indexation / adjustment for the FY 2022-23 would have become due by the time the determination would be notified, the Authority, in order to ensure timely recovery of allowed cost, decided to allow indexation / adjustment for the FY 2021-22 and 2022-23 upfront in the said determination. For future indexations / adjustments the Authority directed to submit annual adjustment / indexation requests by February every year.
- 2.3 Thereafter, in compliance of the directives of the Authority, HESCO submitted its application for annual indexation / adjustment of tariff for the FY 2023-24 dated 30.03.2023. The Authority decided on the matter of request filled by HESCO vide its determination dated July 14, 2023. The same was notified by GOP through SRO 946(I)/2023 dated 26.07.2023 to be effective w.e.f. July 05, 2023.



Annual Indexation of Distribution Margin

2.4 Now, HESCO is hereby filling its request for annual indexation / adjustment of tariff for the FY 2024-25 in line with the adjustment mechanism defined in the MYI determination dated 02.06.2022.

3. Salient Features of the Application

3.1 Following is the summary of submissions of HESCO before the Authority for indexation / adjustment of tariff for the FY 2023-24:

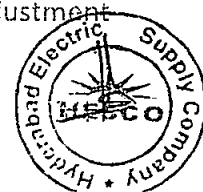
Description	Determined FY 2023-24	Indexation for the FY 2024-25		
		SOP	DOP	Total
----- Rs. In Million -----				
Distribution Margin				
O&M Cost				
Pay & Allowance	8,102	1,159	7,754	8,912
Post Retirement Benefit	3,898	557	3,730	4,288
Repair & Maintenance	936	23	1,108	1,130
Travelling Allowance	368	58	387	444
Vehicle Expenses	216	26	235	261
Other Expenses	425	251	262	513
Sub Total	13,945	2,074	13,475	15,549
Depreciation Expense	1,532	1	1,752	1,753
RORB	11,411	5	16,453	16,458
Other Income	(2,921)	(457)	(1,119)	(1,576)
Net Distribution Margin	23,967	1,623	30,560	32,183
Prior Year Adjustment	11,774	9,696	-	9,696
Total	35,741	11,319	30,560	41,879

4. Distribution Margin

4.1 Operation and Maintenance Expenses:

4.2 For uncontrollable expenses i.e. Pay & Allowances and Post-Retirement Benefits 10% increase has been estimated based on the reference cost allowed by the Authority for the FY 2023-24.

4.3 For controllable expenses i.e. Repair & Maintenance, Travelling Allowance, Vehicle Expenses and Other Expenses the figures have been indexed in line with the adjustment mechanism defined by the Authority in the MYI determination which is as under:



Annual Indexation of Distribution Margin

$$\text{O\&M Expenses} = \text{Ref. O\&M Cost} * [1 + (\text{CPI} - \text{X Factor})]$$

4.4 For the purpose of indexation, the CPI has been calculated as 29.66% for the month of December 2023. As per the determination, the Authority, in line with its decisions in the matter of XWDISCOs which have been allowed MYTs, had decided to keep the efficiency factor 'X', as 30% of increase in CPI for the relevant year of the MYT control period. The Authority further decided to implement the efficiency factor from the 3rd year of the control period, in order to provide the Petitioner with an opportunity to improve its operational performance, before sharing such gains with the consumers. Therefore, for being the last year of the MYT control period, and in line with the Authority's decision, X-Factor has been taken at 30% of CPI increase i.e. 8.90% in the instant case.

4.5 Depreciation:

4.6 For the purpose of indexation of Depreciation Expense, the Authority's determined formula has been used which is as under:

$$\text{DEP (Rev)} = \text{DEP (Ref)} * \text{GFAIO (Rev)} / \text{GFAIO (Ref)}$$

Where:

DEP (Rev) = Revised Depreciation Expense for the Current Year

DEP (Ref) = Reference Depreciation Expense for the Reference Year

GFAIO (Rev) = Revised Gross Fixed Assets in Operation for the Current Year

GFAIO (Ref) = Reference Gross Fixed Assets in Operation for the Reference Year

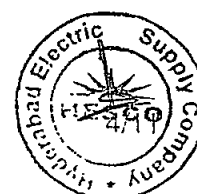
4.7 Indexation of Depreciation for the FY 2023-24 has been based on the following data:

Particulars	2020-21	2021-22	2022-23	2023-24	2024-25
	Audited	Audited	Provisional	Projected	Projected
Gross Fixed Assets O/B	54,130	55,785	57,416	59,863	70,460
Addition	1,655	1,631	2,447	10,598	10,152
Gross Fixed Assets C/B	55,785	57,416	59,863	70,460	80,612
Allowed Investment	2,227	11,932	20,686	21,195	20,304
Actual Investment	2,514	3,150	4,724	21,195	20,304
Under/(Over) Investment	(287)	8,783	15,962	-	-

4.8 Return on Rate Base (RORB):

4.9 For the purpose of indexation of RORB, the Authority's determined adjustment mechanism has been used which is as under:

$$\text{RORB (Rev)} = \text{RORB (Ref)} * \text{RAB (Rev)} / \text{RAB (Ref)}$$



Annual Indexation of Distribution Margin

4.10 Following data has been used for indexation of RORB for the FY 2023-24.

Particulars	2020-21	2021-22	2022-23	2023-24	2024-25
	Audited	Audited	Provisional	Projected	Projected
Gross Fixed Assets O/B	54,130	55,785	57,416	59,863	70,460
Addition	1,655	1,631	2,447	10,598	10,152
Gross Fixed Assets C/B	55,785	57,416	59,863	70,460	80,612
Acc. Depreciation O/B	20,127	21,371	22,627	20,990	19,353
Depreciation charge for the year	1,244	1,256	1,309	1,541	1,763
Acc. Depreciation C/B	21,371	22,627	20,990	19,353	17,716
Net Fixed Assets	34,414	34,789	38,873	51,107	62,896
Less: Deferred Credit	(20,004)	(21,318)	(22,719)	(24,212)	(25,803)
Self-financed Net FAIO	14,411	13,471	16,154	26,895	37,093
Work in Progress:					
Opening balance	9,852	10,710	12,228	14,505	25,103
Addition	1,988	2,521	3,781	21,195	20,304
Deletion	(1,129)	(1,003)	(1,504)	(10,598)	(10,152)
Closing balance	10,710	12,228	14,505	25,103	35,255
Regulatory Asset Base (RAB)	25,069	26,169	29,318	46,627	67,249

4.11 Other Income:

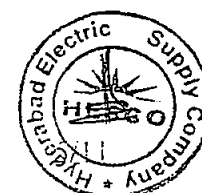
4.12 Other Income for the FY 2024-25 has been projected as under:

Particulars	Amount
Return on bank deposits	761
Rental and service income	26
Non-utility operations	316
Stores handling and others	472
Total	1,576

4.13 Bifurcation of Cost:

4.14 The projected Distribution Margin for the FY 2024-25 has been bifurcated in to SOP and DOP on the following basis:

Particulars	SOP	DOP	Total
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Annual Indexation of Distribution Margin

Pay & Allowance	13%	87%	100%
Post Retirement Benefit	13%	87%	100%
Repair & Maintenance	2%	98%	100%
Travelling Allowance	13%	87%	100%
Vehicle Maintenance	10%	90%	100%
Other Expenses	49%	51%	100%
Depreciation Expense	0%	100%	100%
RORB	0%	100%	100%
Other Income	6%	94%	100%

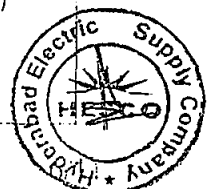
5. Prior Year Adjustment (PYA)

5.1 The summary of PYA claimed up to the FY 2021-22 as part of adjustment in Tariff for the FY 2023-24 is as under:

Particulars	Amount in Million
QTA 2nd Quarter FY 2022-23	337
QTA 3rd Quarter FY 2022-23	780
Distribution Margin FY 2022-23	2,639
PYA FY 2022-23	276
Turnover Tax FY 2016-17 to FY 2022-23	4,408
PM Assistance Package	781
Cost of GENCO Pensioners transferred to HESCO	634
Sales Mix FY 2022-23	(159)
Total	9,696

5.2 The detailed working of the PYA related to Quarterly Adjustments allowed by the Authority is as under:

Description		Amount	Period of Applicability
QTA 2nd Quarter FY 2022-23			
QTA Amount Allowed by NEPRA	A	1,693	April, 2023 to June, 2023 (3 Months)
QTA Rate (Rs. / kWh)	B	1.1238	
Units Purchased during the period of Applicability (net of incremental units)	C	1,500	
Units to be Sold after allowed T&D losses	D	1,221	
Units to be Sold net of Life line Sales	E	1,207	
QTA Recovered	F = B*E	1,356	
Under / (Over) Recovery	G = A-F	337	



Annual Indexation of Distribution Margin

QTA 3rd Quarter FY 2022-23			
QTA Amount Allowed by NEPRA	A	5,006	July, 2023 to September, 2023 (3 Months)
QTA Rate (Rs. / kWh)	B	3.3387	
Units Purchased during the period of Applicability (net of incremental units)	C	1,571	
Units to be Sold after allowed T&D losses	D	1,287	
Units to be Sold net of Life line Sales	E	1,266	
QTA Recovered	F = B*E	4,226	
Under / (Over) Recovery	G = A-F	780	

5.3 Following is the working of PYA related to unrecovered Distribution Margin for the FY 2022-23.

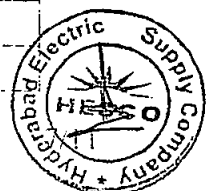
Description		Amount	Period of Applicability
Distribution Margin FY 2022-23			
DM Allowed by NEPRA	A	15,110	July 05, 2022 to June 30, 2023
Notified DM FY 2022-23	B	3,1148	
Units Purchased during the period of Applicability	C	4,917	
Units to be sold after allowed T&D Losses	D	4,004	
DM Recovered	E=B*D	12,471	
Under / (Over) Recovery	F=A-E	2,639	

5.4 Following is the working of PYA related to unrecovered PYA for the FY 2022-23.

Description		Amount	Period of Applicability
PYA FY 2022-23			
PYA Allowed by NEPRA	A	1,580	July 05, 2022 to June 30, 2023
Notified DM FY 2022-23	B	0.3257	
Units Purchased during the period of Applicability	C	4,917	
Units to be sold after allowed T&D Losses	D	4,004	
PYA Recovered	E=B*D	1,304	
Under / (Over) Recovery	F=A-E	276	

5.5 Following is the detail of tax assessments and tax payments from the FY 2016-17 to FY 2022-23:

Tax Year	Assessment	Payment	Tax allowed by the Authority
2016-17	349.149	340.995	194.000
2017-18	511.129	412.802	-



Annual Indexation of Distribution Margin

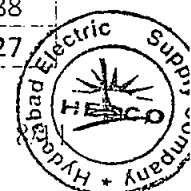
2018-19	574.712	530.476	-
2019-20	773.094	697.527	-
2020-21	837.320	811.342	-
2021-22	876.714	793.718	-
2022-23	1,108.557	1,015.580	-
Total (Rs.in Mln)	5,030.676	4,602.441	194.000

5.6 Following is the detail of payments made to bereaved families of deceased employees of HESCO on account of PM Assistance Package:

Financial Year	PM Assistance Package	Amount Sanctioned	Actual Payments
2022-23	Lump Sum Grant	53.700	24.900
	Lump Sum Grant in Lieu of Plot	410.000	139.000
	Marriage Grant	3.200	2.400
	Total	466.900	166.300
2021-22	Lump Sum Grant	45.900	38.700
	Lump Sum Grant in Lieu of Plot	446.166	439.166
	Marriage Grant	5.133	5.133
	Total	497.199	482.999
2020-21	Lump Sum Grant	42.300	42.300
	Lump Sum Grant in Lieu of Plot	89.000	89.000
	Total	131.300	131.300

5.7 GENCO pensioners were allocated to DISCOs vide ECC decision dated 21.09.2021 out of which 774 pensioner were allocated to HESCO. The burden of these pensioners had been shifted to HESCO w.e.f October 2021. HESCO requested the Authority to allow the amount of such pensioner based on tentative estimate of Rs. 301 million for nine months of the FY 2021-22 i.e. from October 2021 to June 2021. However, the Authority allowed the impact of Rs. 301 million as PYA for the FY 2022-23 instead of for the FY 2021-22 and also allowed indexation for the same for FY 2023-24. In this regard the Authority is requested to allow the impact of pension of such pensioners w.e.f. October 2021. Following in the financial impact of such pensioner:

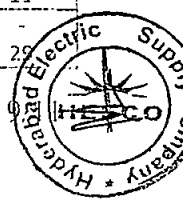
Particulars	Monthly Pension	Cost of Free Electricity	Annual Impact	Allowed by NEPRA	Unallowed Cost
	-----Rs. In Million-----				
FY 2021-22 (Oct-21 to Jun-22)	36.971	-	332.739	-	332.739
FY 2022-23	50.174	3.559	602.088	301.000	301.088
Total			934.827	301.000	633.827



Annual Indexation of Distribution Margin

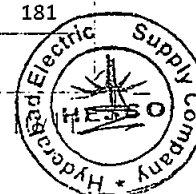
5.8 Following is the working of PYA related to Sales Mix Variance for the FY 2021-22.

Description	Actual Sales (units) FY 2022-23	Actual Sales Mix	Units to be Sold as per Actual Sales Mix	NEPRA Rates	Revenue of Units to be Sold as per Actual Sales Mix	NEPRA Sales Mix as per Indexation FY 2023-24	Units to be sold as per NEPRA Sales Mix	Revenue of Units to be Sold as per NEPRA Sales Mix	Sales Mix Variance
1	2	3	4	5	6 = 4 X 5	7	8	9 = 8 X 5	10 = 9 - 6
Residential - A1									
Upto - 50 (life line)	9.24	0.26%	10.38	7.00	73	0.27%	10.73	75	2
51 - 100 (life line)	40.94	1.15%	45.98	11.74	540	1.15%	46.20	542	3
0 - 100 (Protected)	391.78	10.99%	439.96	18.2	8,007	11.19%	447.98	8,153	146
101 - 200 (Protected)	106.55	2.99%	119.65	20.52	2,455	3.03%	121.28	2,489	33
0 - 100	322.99	9.06%	362.71	34.86	12,644	8.96%	358.88	12,511	134
101 - 200	426.37	11.96%	478.81	40.33	19,310	11.54%	462.01	18,633	678
201-300	380.54	10.67%	427.34	43.52	18,598	10.78%	431.48	18,778	180
301 - 400	95.55	2.68%	107.30	46.91	5,033	2.86%	114.68	5,379	346
401 - 500	58.74	1.65%	65.97	49.12	3,240	1.75%	70.13	3,445	204
501 - 600	31.99	0.90%	35.93	50.54	1,816	0.93%	37.13	1,876	61
601 - 700	28.54	0.80%	32.05	51.68	1,656	0.72%	28.88	1,492	164
Above 700	57.49	1.61%	64.56	56.6	3,654	1.57%	62.70	3,549	105
(TOD) - Peak	6.33	0.18%	7.11	55.79	397	0.19%	7.43	414	18
(TOD) - Off Peak	30.62	0.86%	34.38	49.47	1,701	0.87%	34.65	1,714	13
E-1i(55) TEMP	0.01	0.00%	0.01	55.93	0	0.00%	-	-	0
Sub-Total:	1,987.66	55.75%	2,232.12		79,125	55.80%	2,234.13	79,051	74
Commercial - A2									
Commercial - A2	103.81	2.91%	116.58	51.65	6,021	2.95%	117.98	6,093	72
E-1 (2)	2.09	0.06%	2.34	52.04	122	0.06%	2.48	129	7
Regular A-2 (II)	0.02	0.00%	0.02	53.33	1	0.00%	-	-	1
(TOD) - Peak	25.37	0.71%	28.49	55.25	1,574	0.72%	28.88	1,595	21
(TOD) - Off-Peak	105.06	2.95%	117.99	49.28	5,814	2.97%	118.80	5,855	40
Sub-Total:	236.35	6.63%	265.42		13,533	6.70%	268.13	13,672	139
Industrial									
B-1 (07)	3.91	0.11%	4.39	48.09	211	0.10%	4.13	198	13
B-1 (08)	0.02	0.00%	0.03	0	-	0.00%	-	-	-
B-1(09) PEAK	8.62	0.24%	9.68	51.65	500	0.25%	9.90	511	11
B-1(09) OFF-PEAK	44.92	1.26%	50.44	46.09	2,325	1.26%	50.33	2,320	5
B-2 (400 Volts 41-500 KW)	0.21	0.01%	0.24	47.59	11	0.00%	-	-	11
B-2- 11 TOD - Peak	46.79	1.31%	52.54	51.59	2,711	1.30%	51.98	2,681	30



Annual Indexation of Distribution Margin

B-2-11 TOD - Off Peak	256.10	7.18%	287.60	45.88	13,195	7.13%	285.45	13,097	-98
B-3 (II) TOD - Peak	48.74	1.37%	54.73	51.59	2,824	1.30%	51.98	2,681	142
B-3 (II) TOD - Off Peak	246.96	6.93%	277.33	45.79	12,699	6.64%	265.65	12,164	-535
B-4 TOD - Peak	28.74	0.81%	32.27	51.59	1,665	0.82%	33.00	1,702	38
B-4 TOD - Off Peak	151.81	4.26%	170.49	45.69	7,790	4.37%	174.90	7,991	202
TMP E-2 (1)	0.11	0.00%	0.12	49.17	6	0.00%	-	-	-6
Sub-Total:	836.94	23.47%	939.87		43,937	23.16%	927.31	43,347	590
<u>Single Point Supply for Further Distribution</u>									
C- 1A (19)	0.28	0.01%	0.31	52.2	16	0.00%	-	-	-16
C- 1B (25)	5.56	0.16%	6.25	51.7	323	0.16%	6.60	341	18
C- 1C (26)T Peak	2.80	0.08%	3.15	55.12	173	0.08%	3.30	182	8
C- 1C (26)- T Off Peak	19.30	0.54%	21.67	48.52	1,051	0.54%	21.45	1,041	-11
C- 2A (28)	7.92	0.22%	8.89	51.5	458	0.23%	9.08	467	9
C- 2B (29)T Peak	4.23	0.12%	4.75	55.12	262	0.12%	4.95	273	11
C- 2B (29)T Off Peak	36.12	1.01%	40.56	48.32	1,960	1.01%	40.43	1,953	-6
C-3A(37)	15.07	0.42%	16.92	51.4	870	0.41%	16.50	848	-22
C-3b(38)T Off Peak	-	0.00%	-	0	-	0.00%	-	-	-
Sub-Total:	91.27	2.56%	102.49		5,113	2.56%	102.30	5,106	-8
<u>Agriculture Tube well - Tariff D</u>									
D-1A (41)	3.57	0.10%	4.01	48.2	193	0.10%	4.13	199	5
D-1A (42)	-	0.00%	-	-	-	0.00%	-	-	-
D-1A (43)	0.00	0.00%	0.00	-	-	0.00%	-	-	-
D- 1B (45)T Peak	8.86	0.25%	9.95	51.12	509	0.25%	9.90	506	-3
D- 1B (45)T Off Peak	62.51	1.75%	70.20	43.87	3,079	1.81%	72.60	3,185	106
D- 2(47,48,49,52)(NOR)	1.28	0.04%	1.43	37.87	54	0.04%	1.65	52	-8
D-2 (47,48,49,52) (SUB)	0.10	0.00%	0.12	-	-	0.00%	-	-	-
D- 2B (50, 51,53,54)T Peak NOR	16.17	0.45%	18.16	37.87	688	0.47%	18.98	719	31
D- 2B (50, 51,53,54)T Off Peak NOR	70.47	1.98%	79.13	37.87	2,997	2.00%	80.03	3,031	34
D- 2B (50, 51,53,54)T Peak (SUB)	-	0.00%	-	-	-	0.00%	-	-	-
D- 2B (50, 51,53,54)T Off Peak (SUB)	-	0.00%	-	-	-	0.00%	-	-	-
Sub-Total:	162.96	4.57%	183.00		7,520	4.68%	187.28	7,702	181
<u>Public Lighting - Tariff G</u>									

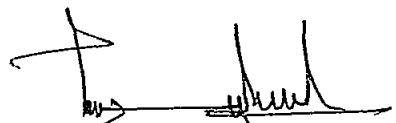


Annual Indexation of Distribution Margin

G(I)	29.14	0.82%	32.73	51.3	1,679	0.84%	33.83	1,735	56
G(II)	-	0.00%							
Sub-Total:	29.14	0.82%	32.73		1,679	0.84%	33.83	1,735	56
Housing Colonies - Tariff H									
H(1)	2.67	0.07%	3.00	51.4	154	0.08%	3.30	170	15
H(2)	-	0.00%							
Sub-Total:	2.67	0.07%	3.00		154	0.08%	3.30	170	15
AJK BULK SUPPLY									
General Services									
A3a(66)	218.31	6.12%	245.16	51.07	12,520	6.18%	247.50	12,640	120
Sub-Total:	218.31	6.12%	245.16		12,520	6.18%	247.50	12,640	120
Total	3,565.30	100.00%	4,003.78		163,580	100.00%	4,003.78	163,422	159

6 Prayer

- 6.1 The Authority is requested to allow the Indexation / Adjustment of Distribution / Supply Margin for the FY 2024-25 along with Prior Year Adjustments pertaining to unrecovered amounts of previous years.


 CHIEF EXECUTIVE OFFICER 12/5/24
 HESCO, HYDERABAD

