TRIBAL AREAS ELECTRICITY SUPPLY COMPANY PESHAWAR

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Office of the
CHIEF EXECUTIVE OFFICER TESCO
213- WAPDA House, Shami Road Peshawar

No. 305 /CEO/TESCO/ Dated 30/ 05 /2025

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

Ref: NEPRA/R/TESCO/TRF-573/6914 dated 23, May 2025

Subject: **INTERIM RELIEF FOR FY 2025-26 UNDER MTY TARIFF PETITION FY 2025-26 TO FY 2029-30 FOR BOTH SUPPLY AND DISTRIBUTION BUSINESS OF TESCO**

Dear Sir,

With utmost respect, we hereby submit the Interim Tariff Petition Relief for TESCO's Distribution and Supply Business, covering the period from July 1, 2025, to June 30, 2026, for your kind consideration.

It is important to mention that TESCO has already submitted its Multi Year Tariff Petition for FY 2025-26 to FY 2029-30 to the Authority for approval.

Encl: As above

1. Interim Tariff Petition of TESCO`s Distribution and Supply Business FY 2025-26
2. Affidavit by Chief Executive Officer TESCO.

REGISTRAR OFFICE
Diary No: 6620
Date: 02-06-25

Chief Executive Officer,
TESCO, Peshawar

Copy To:

1. Chief Engineer (Development/PMU), for information.
2. Director General (MIRAD), TESCO, for information.
3. Director Finance, TESCO, for information.
4. Additional Director Commercial, TESCO, for information.

Tariff Division Record
Dy No. 2496
Dated 3-6-25

Forwarded please:
For nec. action | For Information

DG (Lic.)	DG (Admn/HR)
~~DG~~ (M&E) SA	DG (CAD)
DG (Tech.)	DG (ATC)
ADG (TR.)	ADG (Fin.)
SLA	Dir. (I.T)
Consult (Tech.)	Consult (CTBCM)

For ~~kind information please.~~
~~1. Chairman~~ ~~2. M (Tech)~~
~~3. M (Law)~~ ~~4. M (Dev)~~

DRO(I)

TARIFF (DEPARTMENT)
Dir (T-I)........ Dir (T-II)........
Dir (T-III)........ Dir (T-IV)........
Dir (T-V)........ Addl. Dir (RE)........
Date 3-6-25

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AFFIDAVIT

I, Syed Tahir Jamal S/O Syed Jamal Shah, having CNIC No.17301-1555801-7, Chief Executive Officer, Tribal Electric Supply Company (TESCO), a company incorporated under the laws of Islamic Republic of Pakistan, having office at TESCO WAPDA house Peshawar, do hereby, solemnly affirm and testify that the contents of the application for Interim Relief for Supply and Distribution Business of TESCO for FY 2025-26 and the Annexed documents are true and correct to the best of my knowledge, belief on the basis of provided confirmations by the concerned formations put before me; and further declare that.

1. I am the Chief Executive Officer of the Tribal Electric Supply Company (TESCO), being duly authorized representative of the Company and fully aware of the affairs of the Company particularly to endorse application Interim Relief for Supply and Distribution Business of TESCO for FY 2025-26.
2. Whatsoever stated in the application and accompanied documents is true and nothing has been mis-stated and concealed.

Deponent

Syed Tahir Jamal
Chief Executive Officer TESCO

KHALID MAHMOOD
NOTARY PUBLIC
Peshawar High Court

TRIBAL AREAS ELECTRICITY SUPPLY COMPANY

Interim Tariff Petition for Supply & Distribution Business FY 2025-26

dgmiradtesco@gmail.com

Before

The National Electric Power Regulatory Authority (NEPRA)
Distribution Business Tariff Petition

Pursuant to NEPRA (Tariff Standards and Procedure) Rules, 1998

Read With the Provisions Of

The Regulation for Generation, Transmission and Supply of Electric Power (Amendment) Act 2018 & the Rules and Regulations Made Thereunder

On Behalf Of

Tribal Areas Electricity Supply Company Limited

For NEPRA's Approval of Consumer End Tariff of Distribution of Power Business

For The Financial Years from 2025-26

Tribal Areas Electricity Supply Company Limited
Address: TESCO H/Q Shami Road WAPDA House Peshawar
Phone : 091-9212843
Fax: 091-9212950

Contents

1. Details of the Petitioner:

1.1. Name and Address:

Tribal Areas Electricity Supply Company Ltd. WAPDA House, Shami Road Peshawar.

Head Office and Registered Office:

TESCO H/Q Shami Road WAPDA House Peshawar

1.2. Representative of TESCO:

• Mr. Tahir Jamal	Chief Executive Officer
• Mr. Hammad Ammer Hashmi	Director General (MIRAD)
• Mr. Fazl-i-Wahab	Director Finance
• Mr. Tajammul Hussain Bhutto	Addl: Director Commercial

2. Background of the Company (TESCO):

Tribal Areas Electricity Supply Company (TESCO) incorporated as a Public Limited Company on 3rd July 2002, is responsible for the delivery of electricity to 447,730 consumers of all 7 Merged Tribal Districts formerly known as FATA and all FR-Regions of Pakistan as set out in TESCO's Distribution License no. 22/DL/2013, granted by NEPRA under the NEPRA Act on August 12, 2013. The major objectives of the company include ensuring uninterrupted and stable power supply to all its customers along with state-of-the-art customer care as well as establishing and operating reliable electricity distribution networks.

Under the provisions of Regulation of Generation, Transmission & Distribution of Electric Power (Amendment) Act, 2018, TESCO is deemed to hold a "Power Supply" License to perform the function of sale of electric power in addition to existing licensee as Distribution Company. The Distribution function now shall, under Section 20, be limited to ownership, operation, management or control of distribution facilities for the movement or delivery to consumers of electric power.

3. Grounds And Facts Forming Basis of The Interim Petition:

The following grounds and factual details form the basis of this petition:

NEPRA, established under the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (hereinafter referred to as the "NEPRA Act"), as amended by the Regulation of Generation, Transmission and Distribution of Electric Power (Amendment) Act, 2018, is the competent authority responsible for regulating the electricity sector in Pakistan. This includes the determination of revenue requirements, tariffs, and other terms and conditions for the supply of electric power by Generation, Transmission, and Supply Licensees, and for making recommendations to the Federal Government for notification thereof.

For this purpose, NEPRA has prescribed specific guidelines and procedures under the NEPRA Tariff (Standards and Procedure) Rules, 1998, along with any subsequent amendments and relevant notifications issued from time to time.

This interim petition is being submitted in accordance with the updated NEPRA Act, wherein significant structural reforms have been introduced through parliamentary legislation—most notably, the separation of the "wire business" (distribution infrastructure) from the commercial supply services of Distribution Companies.

As per **Section 20 of the amended NEPRA Act**, a Supply Licensee shall be limited to the ownership, operation, management, or control of supply facilities for the delivery of electric power to consumers. The Act further provides that a distribution licensee is responsible for delivering distribution services within its service territory on a **non-discriminatory basis** to all consumers who meet the eligibility criteria specified by the Authority.

Additionally, the licensee is required to **publicly make available its tariff**, reflecting NEPRA-approved rates, charges, and other terms and conditions for distribution services. This ensures transparency and regulatory compliance in the provision of electricity supply to eligible consumers.

TESCO, being a bona fide power supply licensee as of the date of the enactment of the NEPRA Act (Amendment 2018), is deemed to be a Supplier Licensee of Last Resort and also have distribution license. In this capacity, TESCO is obligated to fulfill various statutory responsibilities as prescribed by NEPRA under the NEPRA Act (Amendment 2018), the NEPRA Performance Standards Rules, 2005, the NEPRA Licensing (Distribution) Regulations, 2022.

In order to effectively discharge these obligations, TESCO requires sufficient financial resources to meet its revenue requirements. The primary sources of funding available to the petitioner include:

3.1. internal efficiency improvements.
3.2. generation of adequate revenue through tariff.

In order to effectively discharge its statutory and regulatory obligations, as outlined in the preceding sections, and to ensure the continued financial viability of the Tribal Areas Electricity Supply Company (TESCO) Distribution Business, it is imperative that the company is permitted to recover all prudently incurred costs along with a reasonable return on its investments. This is essential not only for the operation and maintenance of its existing power supply infrastructure and services, but also to facilitate future investments required for the sustainable expansion and enhancement of its supply network.

Accordingly, this interim petition is being submitted for the determination and approval of the Consumer-End Tariff of the Distribution and Supply Business and associated revenue requirements for the financial years 2025–26. The petition is filed through the Chief Executive Officer and other authorized officers of TESCO, in accordance with the applicable provisions of the NEPRA Act, its amendments, and the NEPRA Tariff (Standards and Procedure) Rules, 1998.

4. Key Aims and Features of the Petition:

4.1. Aims of The Petition

This Tariff Petition outlines the tariff methodology and the revenue requirements necessary to ensure tariff balancing within TESCO's supply area. The primary objective of this petition is to seek approval for the timely implementation of a cost-reflective tariff structure that will enable the recovery of TESCO's required revenues for the financial years 2025–26 from its consumers.

The adoption of cost-reflective tariffs is expected to yield multiple benefits for both consumers and TESCO, as it will:

- Enable TESCO to enhance the quality and reliability of its power supply services, ensuring that consumers receive uninterrupted and stable electricity aligned with national performance standards.
- Provide sufficient funding for the operation, maintenance, and expansion of the supply network, allowing TESCO to meet growing consumer demand and evolving regulatory requirements.
- Support the execution of TESCO's investment plan, aimed at improving system reliability, achieving N-1 contingency compliance, expanding infrastructure, and progressively reducing reliance on the PESCO network by developing independent grid connectivity.

- Send appropriate signals for the efficient utilization and future investment in the supply infrastructure, encouraging cost-effective upgrades and long-term planning.
- Promote efficient consumption of electricity through appropriate pricing signals, thereby fostering responsible consumer behavior and optimizing load management.
- Support the long-term financial sustainability and operational stability of TESCO's Distribution Business, enabling it to continue fulfilling its mandate under the NEPRA framework.

5. Features of the Petition

This petition proposes the adoption of a transparent and predictable framework for the determination and periodic revision of tariffs within TESCO's licensed area. Establishing such a formula is essential to ensure consistency, regulatory clarity, and investor confidence while aligning with NEPRA's principles of fairness and cost-reflectiveness in tariff setting.

Furthermore, the petition seeks the approval of an average tariff level that is sufficient to allow TESCO to fully recover all prudently incurred operating costs. This includes expenses necessary for maintaining reliable supply services, meeting performance standards, and complying with regulatory obligations. Additionally, the proposed tariff structure aims to provide a reasonable return on TESCO's invested assets, enabling the company to meet its operational cash flow requirements and maintain long-term financial viability. This, in turn, will support the continuity and improvement of power supply services in TESCO's service area.

6. Structure Of the Petition:

This Tariff Petition comprises two distinct yet interrelated components that together form the basis for determining the tariffs applicable to TESCO's Distribution and Supply Business during the control period.

The first component focuses on the **tariff methodology**, which sets out the framework and formula to be applied in the determination of TESCO's Distribution Margin. This methodology defines the principles, parameters, and adjustments that will govern tariff setting throughout the duration of the control period. It is designed to ensure transparency, predictability, and regulatory consistency, while also aligning with NEPRA's prescribed standards and broader objectives for sectoral efficiency and consumer protection.

The second component addresses the **determination of TESCO's required revenue** for the revenue control period. This section provides a comprehensive breakdown of the revenue requirement, including all elements essential to the sustained operation and growth of the company. These components encompass operating and maintenance costs, planned capital investments necessary for the improvement and expansion of the supply network, and a reasonable rate of return on the regulated asset base. The calculation of required revenue is grounded in the principles of prudent cost recovery, financial sustainability, and the need to ensure that TESCO remains capable of fulfilling its service obligations while continuing to invest in system reliability and performance enhancement.

Together, these two components establish a balanced and forward-looking approach to tariff determination that aims to safeguard the interests of both consumers and the utility.

6.1.1. Tariff Review Formulas and Process:

The proposed tariff formula offers a transparent and predictable approach for determining TESCO's Distribution Margin on an annual basis. It reduces uncertainty for both the utility and consumers, allowing for better financial planning. Additionally, it provides NEPRA with a straightforward tool to encourage efficiency by linking performance incentives—such as loss reduction and operational improvements—directly to the tariff-setting process..

6.1.2. Tariff Methodology

6.1.3. TESCO`s Distribution and Supply Business Margin

The proposed formula calculates TESCO's Distribution Margin based on forecasted unit sales, operating expenses, depreciation, investments, and return on investment (cost of capital). Generation and transmission costs are treated as pass-through charges. The formula determines the revenue requirement for each year within the tariff control period. Revisions to the revenue may be made during the control period in the event that actual inflation deviates from initial forecasts.

Under the proposed tariff-setting methodology, the average retail tariff will comprise:

- The average Distribution Margin, which will be determined using the formula-based methodology.

For the purposes of this tariff determination methodology, the following definitions apply:

- **Base Year:** Refers to FY 2024–25, which serves as the foundational year for projecting the annual or multiyear tariff.
- **Tariff Control Period:** Denotes the assessment period under the interim, spanning from FY 2025–26.

6.1.4. Revenue Requirement:

The Revenue Requirement of TESCO has the following components i.e. Distribution and Supply margin. From here on both the Supply and Distribution Business Margin would be collectively referred to as Distribution Margin. Distribution Margin is equally important as TESCO must earn sufficient Distribution Margin and adequate stream of cash flow to maintain its system, discharge its financial commitments, invest to expand and maintain the network ancillary to supply business and to provide a reasonable return to the sponsors on their investment.

TESCO is submitting the interim tariff petition for the period FY 2025-26 in light of the NEPRA (Amendment) Act 2018. Following are the cost categories to be considered as per the Tariff Guidelines:

- Power Purchase
- Distribution Margin.

- Financial Charges.

Formula for Revenue Requirement:

$$RR_D = PPP_D + DM_D \pm PYA_D$$

Where:

RR_D is the eligible Supply company's revenue requirement

PPP_D is the power purchase cost for an eligible Supply company

DM_D is the Distribution Margin for an eligible Supply company

PYA_D is the prior year adjustment for an eligible Supply company

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6.1.5. Power Purchase Price (PPP)

TESCO will pay a Power Purchase Price (in Rs/kWh) for the electricity it procures from CPPA / NTDC or other sources, which would include the generation and transmission charges (regulated by NEPRA). This Power purchase Price, adjusted for TESCO's distribution losses, would then be simply added to TESCO's overall distribution margin to yield the retail tariffs. Thus, the cost of the purchase electricity would be "passed through" to consumers through the retail tariff, without affecting TESCO's distribution margin.

When passing through PPP, it is recognized that all distribution companies experience some level of distribution losses, defined as the percentage of the difference between the units received by the Company and the units invoiced to the consumers. The PPP should be adjusted such that TESCO would be compensated for target losses.

$$PPP = \frac{\text{Unadjusted PPP}}{1-L}$$

Where;

- Unadjusted PPP is the cost of electricity supply charged by CPPA or any other source at any given time.
- L is the target T & D losses for the year, defined as a percentage of purchased units, in accordance with a schedule established for the control period.

Formula for Power Purchase Cost:

$$PPP = PP(EC) * Q(p) + PP(cc) + TC$$

$$PPP = PP(EC) * Q(p) + PP(cc) + TC + MoF$$

Where:

PPP is the Power Purchase Price

PP(EC) is the energy charge part of PPP

Q(p) is quantity purchased by the company

PP (cc) is the capacity charge part of PPP

TC is the transmission cost

MoF is the Market Operator Fee

For a multi-year tariff following periodic adjustments have been proposed for the tariff control period based on the periodic performance of the distribution companies evident in actual results:

For adjustments with regards to the power purchase cost:

- Quarterly PPP Adjustments the scope of which would be limited to:
    i. The adjustments pertaining to the capacity and transmission charges.
    ii. The impact of T&D losses.
    iii. Adjustment of Variable O&M.

- Monthly Fuel Adjustments:
    i. The adjustments on account of variation in fuel cost component of PPP would be done on monthly basis. This adjustment reflects in the consumers' monthly bill as Fuel Adjustment Charge.
    ii. In view of any abnormal changes the Authority may review these references along with any quarterly adjustment. Here it is pertinent to mention that PPP is pass through for all the DISCOs (variable cost) and its monthly references would continue to exist irrespective of the financial year, unless the new Schedule of Tariff (SOT) is notified by the GOP.

6.1.6. Distribution Margin:

The formula calculates TESCO's Distribution Margin based on forecast unit sales, operating expenses, depreciation, investment and return on investment (cost of capital) Generation and transmission costs are treated as pass-through. The formula determines revenues for each year of the tariff control period. Revisions may be made to revenues within that period if actual inflation is different from forecast.

Under the proposed tariff-setting methodology, the average retail tariff would be comprised of (i) the Power Purchase Price (PPP), which would be passed through to the end users in the retail tariff, and (ii) the average Distribution Margin, which would be set based on the formula-based methodology.

Formula for Distribution Margin

$$DM_D = RB_D * RORB_D + D_D + E_D + t_D \pm ORC_D$$

Where:

DM_D is the eligible Supply company's Distribution Margin

RB_D is the eligible Supply company's rate base

$RORB_D$ is the eligible Supply company's cost of capital

D_D is the eligible Supply company's depreciation expense

E_D is the eligible Supply company's expenses including but not limited to operation, maintenance and human resources

T_D is the eligible Supply company's federal and provincial taxes (allowed as pass through)

ORC_D is the eligible Supply company's other regulatory costs including other income.

For adjustments with regards to the different components of the Distribution Margin will be reflected as follows:

For Salaries and Wages and pension components of the margin, TESCO proposes that salaries, wages and pension be adjusted as per the Federal Government Enhancements in the salary and pension announced at time of annual budget, while the other O&M component of the Distribution Margin shall be indexed with CPI. Accordingly, the O&M will be indexed every year according to the following formula except salaries, wages and pension:

$$O\&M_{Rev} = O\&M_{Ref} * [1 + (\Delta CPI)]$$

Where:

O&M (Rev) = Revised O&M Expense for the Current Year.

O&M (Ref) = Reference O&M Expense for the Reference Year

ΔCPI = Change in Consumer Price Index published by Pakistan Bureau of Statistics latest available on 1st July against the CPI as on 1st July of the Reference Year in terms of percentage.

The average Distribution Margin for each year within the control period has been set in accordance with expected revenue requirements of Supply of power, based on the following formula;

$$\textbf{Avg. Margin t} = \frac{\textbf{O \& M t + Depreciation t + ROA t}}{\textbf{Total Units Sold t}}$$

The Operations and Maintenance (O&M) component has been developed using projections based on forecasted electricity demand, expected inflation rates, and anticipated efficiency gains over the control period. This approach ensures that the cost estimates reflect both current economic conditions and performance improvements expected from TESCO during the tariff term.

TESCO's total Distribution Revenue Requirement is calculated by summing the O&M costs, depreciation, and return on rate base (RORB), and then subtracting any projected other income. This net figure represents the overall revenue needed to sustain and operate the Supply Business.

To derive the average Distribution Margin on a per-unit basis, the total revenue requirement is divided by the total number of units (kWh) forecasted to be sold during the period. This calculation results in the average Distribution Margin per kWh, which forms a key component of the overall tariff to be recovered from consumers.

7. Calculation Of Revenue Requirement for Supply of Power:

Based on the tariff methodology described, the average tariff of Supply of Power business for the financial years from 2025-26 have been projected and the results of the calculations are summarized in the table.

The following is the summary of the company`s power purchase cost.

Description	Units	2025-26 Projected
Energy Charge	[Mln Rs]	16,682
Capacity Charge	[Mln Rs]	40,339
Transmission Charge	[Mln Rs]	3,909
Total Power Purchase Cost	**[Mln Rs]**	**60,930**

8. Calculation Of Revenue Requirement for Distribution and Supply Business:

Based on the tariff methodology described, the average tariff of Supply and Distribution of Power business for the financial years from 2025-26 have been projected and the results of the calculations are summarized in the table.

The following is the summary of the company`s supplier distribution margin cost.

TESCO Distribution Margin for Distribution Business Rs. Mln.		
Description	**FY 2024-25 Actual**	**FY 2025-26 Projected**
O & M Expenses	2888	3340
Depreciation	699	837
RORB	1584	1604
Gross DM	5172	5781
Less: Other Income	680	736
Net DM	**4492**	**5045**
Net DM Rs. /kWh	**3.385**	**3.731**

The following is the summary of the company`s supplier distribution margin cost.

TESCO Distribution Margin for Supply Business Rs. Mln.		
Description	**FY 2024-25 Un-Audited**	**FY 2025-26 Projected**
O & M Expenses	1911	2205
Depreciation	9	7
RORB	34	34
Gross DM	1954	2247
Less: Other Income	0	0
Net DM	**1954**	**2247**
Average Tariff	**1.472**	**1.662**

The following is the summary of TESCO Total Revenue Requirement for Both Supply and Distribution Business.

DESCRIPTION	Units	FY 2025-26 Projected
Power Purchase Price	Rs. Mln	60930
Distribution Margin of Supply of Power	Rs. Mln	2247
Distribution Margin of Distribution Business	Rs. Mln	5045
Financial Charges	Rs. Mln	12
Total	Rs. Mln	68234
Sale of units	MkWh	1352
Average Tariff	**Rs./kWh**	**50.469**

8. Component Wise Justification of the Tariff Petition:

8.1. Target Distribution Losses:

TESCO has recently conducted a third-party independent loss study to assess the efficiency and performance of its power distribution system. The study concluded that total system losses stand at **12.02%**, reflecting both technical and structural challenges within the network. However, through planned operational improvements and system optimization, TESCO has projected actual losses for FY 2024–25 at **9.6%**.

For the control period spanning **FY 2025–26**, TESCO has maintained a constant projected loss level of **9.6%**. This projection is underpinned by the company's investment strategy focused on network expansion, adherence to **N-1 contingency standards**, and the **reallocation of load from PESCO's grid to TESCO's own grid stations**. These efforts are expected to enhance system efficiency and stabilize loss levels despite anticipated increases in consumer demand.

The principal factors contributing to the current loss levels include:

- Lengthy and extended transmission lines.
- Undersized conductors within the transmission network.
- Overloaded and aging grid infrastructure.
- Elevated technical losses due to the outdated condition of the supply and grid systems.

Accordingly, for the control period, TESCO has projected **Transmission and Distribution (T&D) losses at 8.6%**, broken down as **0.78% transmission losses** and **7.82% distribution losses**—with the latter being within TESCO's direct operational scope.

Description	Units	2024-25	2024-25	2025-26
		NEPRA	Un-Audited	Projected
Units Received	[MkWh]	1499	1451	1479
Units Lost	[MkWh]	133	124	127
Units Lost	[%age]	8.89%	8.6%	8.6%
Units Sold	[MkWh]	**1366**	**1327**	**1352**

8.2. Operating & Maintenance Expenses:

The Operations and Maintenance (O&M) expenses of the Supply component include Salaries and Wages, Repair and Maintenance, Travelling, Vehicle Running, Management Fee, Computer Services, Damages and Injuries, Rent and Rates, Bad Debts, and other miscellaneous expenses. All expenditures related to Revenue Offices are fully charged to the Supply of Power component. Expenses incurred at the Head Office are allocated based on the level of services provided, and 80% of Computer Center expenses are apportioned to the Supply component using the number of employees as the cost driver.

The projection of O&M expenses for the control period from FY 2025–26 has been prepared using the **audited financial accounts of FY 2023–24** and the **first three quarters of actual expenses for FY 2024–25** as the baseline. Salaries have been projected based on an expected **17.5% annual increase**, which aligns with government policy—comprising an average **12.5% budgetary increase** announced by the Federal Government and an additional **5% annual increment**. Pension costs have been projected with a **15% annual increase**, while Repair & Maintenance and all other operating expenses have been escalated based on the **historical 10-year average Consumer Price Index (CPI) inflation**, which averages out to **10.81%**.

A summary of the projected O&M expenses for the Supply component over the control period is provided in the table below.

Operations & Maintenance Expenses				
Description	Unit	DoP 2025-26	SoP 2025-26	Total 2025-26
Employees Cost **				
Salaries, Wages & Benefits	[Mln Rs]	1,354	338	1,692
Retirement Benefits	[Mln Rs]	519	130	649
Total Employees Cost	[Mln Rs]	1,873	468	2,341
Repair & Maintenance	[Mln Rs]	240	27	267
Travelling	[Mln Rs]	44	11	55
Transportation	[Mln Rs]	67	17	84
Other Expenses	[Mln Rs]	40	10	50
Management fee / Bod Fee	[Mln Rs]	16	2	18
Consultancy, audit & legal fee	[Mln Rs]	4	4	8
Computer services	[Mln Rs]	4	2	6
Damages and Injuries	[Mln Rs]	8	1	9
Rent, rates and taxes	[Mln Rs]	4	1	5
Other miscellaneous expenses	[Mln Rs]	4	1	5
Wheeling charges	[Mln Rs]	1,035	0	1,035
Bad Debts		0	1661	1661
Total O&M	[Mln Rs]	**3,340**	**2,205**	**5,546**

Justification for Increase in Salaries & Wages & Pension:

Employment costs—including salaries, wages, and employee retirement benefits—constitute a major portion of TESCO's Operations and Maintenance (O&M) expenses. In the Annual Budget for FY 2024–25, the Government of Pakistan announced a significant increase in public sector compensation, including a **20% ad hoc allowance for officers, 25% for officials**, and a **15% increase in pensions**.

In addition to these budgetary measures, the impact of the **annual increment cycle** further contributes to the increase in employment costs. Furthermore, **TESCO anticipates new hiring** during the control period to meet growing operational needs, network expansion, and compliance obligations. Also, TESCO has unbundled its welfare fund from WAPDA so the relevant expenses in respect of marriage grant, monthly grant and scholarships will be paid out of TESCO's own resources.

Considering these factors collectively, **an average increase of 17.5% in employment-related costs** has been projected and requested, ensuring that TESCO can continue to attract, retain, and adequately compensate its workforce in line with government policies and operational demands.

Justification for Increase in Travelling Expenses

Due to the aging infrastructure and the increased requirement for major system overhauls, TESCO has had to deploy additional manpower to remote and far-flung areas for extended periods. In parallel, to enhance the capacity and skillset of its workforce, a range of training programs and technical courses have been conducted—resulting in increased travel and accommodation needs for staff.

In addition, the Federal Government has revised the rates for **Daily Allowance, Travelling Allowance, and Mileage Allowance**, leading to an overall **30% increase in travel-related costs.** This revision has had a significant impact on TESCO's expenditure under the Travelling Allowance head.

For the purpose of projecting Travelling Expenses during the control period starting from **FY 2025-26**, TESCO has applied a **historical Consumer Price Index (CPI)-based increase of 10.81%**, reflecting the 10-year average inflation trend. This approach ensures a realistic and inflation-adjusted forecast of travel-related costs aligned with national economic conditions.

Accordingly, the requested increase in Travelling Expenses is fully justified and forms an essential part of TESCO's O&M cost projections for the control period.

Justification for Increase in Vehicle Maintenance and POL Costs:

TESCO operates across an extensive area of approximately 27,219 square kilometers, necessitating the maintenance of a substantial fleet to ensure reliable service delivery. As of the latest data, TESCO manages a fleet of 112 operational vehicles. To enhance operational efficiency and meet the growing demands of its service area, TESCO has recently procured additional vehicles, including 8 bucket-mounted trucks, 27 porters, and 21 pickup vehicles.

The cost of petroleum products has seen a significant rise over the years. Notably, the average petrol price during FY 2019-20 was Rs. 117.50 per liter. As of April 2025, the petrol price stands at Rs. 254.63 per liter, reflecting an increase of approximately 116.6% over the period.

In projecting vehicle maintenance and POL (Petrol, Oil, and Lubricants) expenses for the control period starting FY 2025-26, TESCO has applied a historical Consumer Price Index (CPI)-based inflation rate of 10.81%, which represents the average inflation trend over the past ten years. This adjustment accounts for the rising costs associated with vehicle operation and maintenance, including fuel, spare parts, and service charges.

Considering these factors, TESCO requests approval for the adjusted vehicle maintenance and POL costs to ensure the continued reliability and efficiency of its fleet operations throughout the control period.

Justification for Increase in Other Expenses

The "Other Expenses" head includes all essential costs that are not covered under previously discussed categories. Major components of these expenses include Injuries and Damages, Consultancy Fees, ERP Charges, Safety Consultant Fees, Legal Fees, Board of Directors Fees, Rent, Advertising Charges, Telephone and Communication Services, Computer Services, and utilities such as Power, Light, and Water, among others.

To project these costs for the control period from **FY 2025-26**, TESCO has applied a **historical Consumer Price Index (CPI)-based inflation rate of 10.81%**, which reflects the average general inflation trend over the past decade. This approach provides a balanced and economically sound basis for forecasting future costs without overstating inflationary impacts.

Accordingly, TESCO requests approval for the indexed increase in "Other Expenses" to ensure continuity of critical administrative and operational functions throughout the control period.

Justification for Increase in Repair & Maintenance Expenses

In the MYT determination for the period FY 2020-21 to FY 2024-25, the share of Repair and Maintenance (R&M) expenses in TESCO's base reference tariff was kept on the lower side. This was largely due to the fact that much of the distribution system's maintenance was financed through grants provided by the Government of Khyber Pakhtunkhwa (Gap). However, due to the prevailing financial constraints at the GoKP level, TESCO is now compelled to bear the full burden of these costs from its own resources—expenses which justifiably form part of the distribution margin.

TESCO's jurisdiction covers a geographically vast and scattered region extending from Bajour Tribal District to South Waziristan. The company currently operates a significant and aging infrastructure, including 20 grid stations, 346 11kV feeders, 872 km of 132kV and 66kV transmission lines, 6,324 km of HT lines, and 19,298 distribution transformers. A considerable portion of this network is in dilapidated condition, attributed both to aging and to the prolonged consequences of the war on terror—necessitating regular and intensive maintenance.

In addition, law and order challenges, coupled with the limited writ of the state in certain areas, have resulted in repeated acts of sabotage—particularly targeting transmission towers. TESCO's infrastructure has also suffered damage from flooding, theft, and vandalism, leading to unplanned repair needs. Routine maintenance is further required for grid station equipment, protection systems, and residential colonies, all of which are vital to maintaining operational stability.

Moreover, the overloading of the distribution system, worsened by non-metered supply, poses significant safety hazards and remains a barrier to reliable electricity delivery. Compounding these technical challenges are rising inflation, material cost escalations, and macroeconomic instability, which have placed substantial pressure on TESCO's cash flows and led to unavoidable cost overruns in system maintenance.

Additional cost drivers include the repair of high-voltage transmission lines, the growth in 11kV feeders, and system improvement activities, such as earthing upgrades, construction of cable trenches, installation of protection walls, and other unpredictable maintenance requirements that arise from operational realities in challenging terrain.

For the purpose of projecting R&M expenses during the control period from **FY 2025-26**, TESCO has applied a **historical Consumer Price Index (CPI)-based inflation rate of 10.81%**, which reflects the average inflation trend over the last ten years. This inflation-adjusted forecast ensures that the company can maintain its operational infrastructure efficiently and respond promptly to maintenance needs, thereby supporting service quality and regulatory compliance.

Justification for Wheeling Charges

The Honorable Authority in its Tariff determination of Supply Tariff for FY 2019-20 of TESCO dated 14-12-2020 determination approved the wheeling charges (Use of System Charges) which is rewritten here as:

23. Wheeling Charges

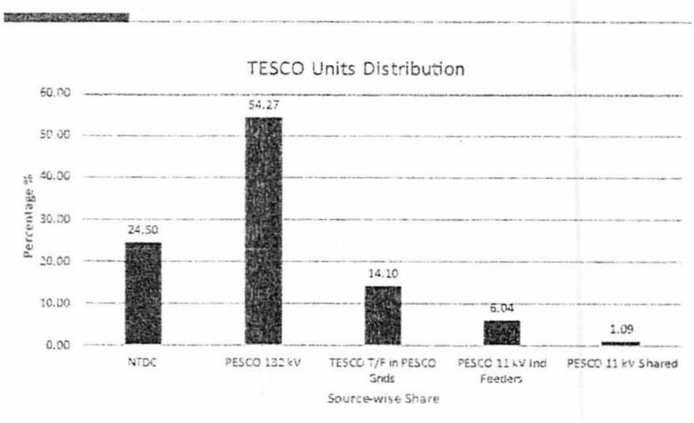
23.1. The Petitioner in its instant petition has requested an amount of Rs.2,550 million on account of wheeling charges. However, no further working/ supportive evidence and justification has been provided by the Petitioner.

23.2. The Petitioner is using both 11kV and 132 kV transmission lines of PESCO, consequently the Wheeling charges payable to PESCO are calculated according to the use of system charges given in the tariff determination of PESCO for the FY 2024-25.

Description	*For 132 kV Only*	*For 11 kV only*	*For Both 132 kV & 11 kV*
Asset Allocation	*23.65 %*	*43.65%*	*67.30%*
Level of Losses	*2.44 %*	*11.82 %*	*13.97 %*
UoSC Rs. /kWh	*0.87*	*1.92*	*2.90*

However, PESCO is rising wheeling charges based on Rs 2.90/kWh at all units received by TESCO during FY 2024-25 and the determined tariff for previous years . TESCO is receiving power from NTDC, WAPDA at 132 kV only, while from PESCO at 132 kV & 11 kV feeders. The Units received by TESCO at different voltage levels are shown below

Units Received Distribution



Based on the above %, the Units received and subsequent rate raised by PESCO & actual calculated by TESCO are hereby given

Wheeling Charges For FY 2022-23				
Source	Percentage Share %	Total Units (GWh)	PESCO Claim of UoSC Rs. Millions	UoSC as per A.A. Factor by NEPRA Rs. Millions
NTDC-WAPDA	23.46%	403.512	2,012.205	-
PESCO 132 kV	53.06%	912.632		266.9
PESCO Ind Feeders	20.59%	354.148		98.90
PESCO 11 kV Shared	2.89%	49.708		40.13
Total	**100.00%**	**1720.00**	**2012.205**	**405.97**

Wheeling Charges Projection For FY 2023-24				
Source	Percentage Share %	Total Units (GWh)	PESCO Claim of UoSC Rs. Millions	UoSC as per A.A. Factor by NEPRA Rs. Millions
NTDC-WAPDA	23.46%	358.938	3,901.50	-
PESCO 132 kV	53.06%	811.818		517.533975
PESCO Ind Feeders	20.59%	315.027		200.8297125
PESCO 11 kV Shared	2.89%	44.217		77.7998115
Total	**100.00%**	**1530.00**	**3901.50**	**796.16**

Wheeling Charges Projection For FY 2024-25				
Source	Percentage Share %	Total Units (GWh)	PESCO Claim of UoSC Rs. Millions	UoSC as per A.A. Factor by NEPRA Rs. Millions
NTDC-WAPDA	23.46%	424.391	4,612.95	-
PESCO 132 kV	53.06%	959.855		611.9078175
PESCO Ind Feeders	20.59%	372.473		237.4516013
PESCO 11 kV Shared	2.89%	52.280		91.98683595
Total	**100.00%**	**1809.00**	**4612.95**	**941.35**

Furthermore, TESCO has submitted its clarification on the non-utilization of the funds allocated to the Authority vide Letter No. 4526 dated 4/06/2024. The Authority is therefore requested to allow wheeling charges for the controlled periods of FY 2025-26.

8.3. Return on Rate Base (RORB):

A hearing regarding **TESCO's Investment Plan** was conducted by the Honorable Authority on **January 02, 2025**. However, the final decision on the approval of the proposed investment plan is still **pending**. In the meantime, TESCO submits this petition with the understanding that the projects identified remain critical for improving system reliability, achieving N-1 contingency compliance, addressing future industrial demand, and meeting NEPRA's prescribed benchmarks. The detailed **Investment Plan** is therefore **attached as an annexure to this petition** for the Authority's kind consideration.

TESCO Distribution investment plan:

Department	2025-26
DOP	674.3
STG	2,128.1
Meterization	48.0
Vehicles	15.8
IT & Other Interventions	3.2
Total	**2,869.6**

TESCO Supply investment plan:

Department	2025-26
Meterization	12.0
Vehicles	4.0
IT & Other Interventions	3.2
Total	**19.2**

TESCO Total Investment Plan Both Supply & Distribution Business	
Description	**2025-26**
Own Sources	1,510
Funded	1,379
Total	**2,889**

Calculation of projected RORB for FY 2025-26 is as under.

Tribal Electric Supply Company (TESCO)

RETURN ON RATE BASE DISTRIBUTION BUSINESS

Description	FY 2025-26 Projected
Figures	Rupees in Million
Gross Fixed Assets in Operation-Opening Balance	21022
Addition in Fixed Assets	2869
Gross Fixed Assets in Operation-Closing Balance	23891
Less Accumulated Depreciation	7145
Net Fixed Assets in Operation	16745
Add: Capital Work in Progress-Closing Balance	9246
Investment in Fixed Assets	25991
Less Deferred Credits	16072
Regulatory Assets Base	9919
Average Regulatory Assets Base	9212
Rate of Return	0.174
Return on Rate Base	**1604**

Tribal Electric Supply Company (TESCO)

RETURN ON RATE BASE SUPPLY BUSINESS

Description	FY 2025-26 Projected
Figures	Rupees in Million
Gross Fixed Assets	210
Addition in Fixed Assets	19
Gross Fixed Assets in Operation-Closing Balance	229
Less Accumulated Depreciation	26
Net Fixed Assets in Operation	204
Add: Capital Work in Progress-Closing Balance	0
Investment in Fixed Assets	204
Less Deferred Credits	0
Regulatory Assets Base	204
Average Regulatory Assets Base	198
Rate of Return	0.174
Return on Rate Base	**34**

8.4. Average Regulatory Asset Base:

In accordance with NEPRA's Tariff Standards and Procedure Rules, 1998, TESCO has calculated the Regulatory Asset Base (RAB) for the financial years 2025–26 by summing the projected net fixed assets and the closing balance of work-in-progress (CWIP), and then deducting the projected deferred credits.

Deferred credits, primarily comprising consumer contributions towards capital assets, are treated as deductions from the RAB. This treatment aligns with NEPRA's regulatory principles, ensuring that the utility does not earn a return on assets financed by consumers, thereby maintaining fairness and preventing double recovery.

To determine the Average Regulatory Asset Base for each year, the RAB values at the beginning and end of the year are averaged. The Return on Rate Base (RORB) is then calculated by applying the Weighted Average Cost of Capital (WACC) to this average RAB. This approach ensures that TESCO's return is commensurate with its investment risk profile and capital structure, promoting continued investment in the power sector.

8.5. Weighted Average Cost of Capital:

For the assessment of the Weighted Average Cost of Capital (WACC) for FY 2025–26 onward, TESCO has followed NEPRA's prescribed methodology, incorporating globally accepted practices to ensure regulatory consistency and transparency.

To estimate the **Return on Equity (RoE)**, TESCO has applied the **Capital Asset Pricing Model (CAPM)**—a widely recognized model used by regulatory agencies across the world to determine the cost of equity for regulated utilities. Under this model, the following inputs have been used:

- **Risk-Free Rate (RFR):** 0.554%, derived from the 5-year PIB return
- **Market Return:** 11.92%, based on long-term average performance of the KSE-100 index
- **Beta:** 1.1, indicating the volatility of TESCO relative to the market

Based on the above parameters, the estimated **RoE** for FY 2025–26 has been calculated as **16.92%**.

For the **Cost of Debt**, TESCO has considered the **6-month KIBOR rate as of April 28, 2025**, which stood at **12.01%**, and added a **spread of 7%** to reflect risk and borrowing conditions, resulting in a total **Cost of Debt of 19.01%**.

In line with NEPRA's regulatory framework, TESCO has also applied the capital structure guidance, whereby in cases of negative equity, a **minimum equity level of 20%** is assumed. Furthermore, any equity exceeding **30%** of the capital structure is treated as notional debt for the purpose of calculating WACC, ensuring fairness and alignment with prudent financing principles.

Accordingly, the WACC has been worked out as under;

WACC= ((Ke x (E/V) + (Kd x (D/V))

Where E/V and D/V are equity and debt ratios respectively taken as 30% and 70%

WACC = [13.11%*30%] + [19.01%*70%] = **17.41%**

TESCO has projected 17.41%, 15.91%, 14.41%, 12.91%, 11.41% WACC for FY 2025-26 respectively while incorporating same methodology.

8.6. Depreciation Expense

The projected depreciation expense has been calculated based on the value of existing fixed assets, along with anticipated additions during each year of the control period. Depreciation is applied in accordance with standard utility accounting practices using the **straight-line method** over the useful life of the assets.

The applicable depreciation rates for various asset categories are as follows:

- **Buildings and Civil Works:** 2%
- **Plant and Machinery:** 3.5%
- **Office Equipment and Vehicles:** 10%
- **Other Assets:** 10%

8.7. FINANCIAL CHARGES

Financial charges are calculated in the light of supplementary business transfer agreement (SBTA) between WAPDA and TESCO and applicable bank charges and are part of Supply Business

DESCRIPTION	Unit	FY 2025-26 Projected
Financial Charges	Rs. Mln	12

8.8. Other Income

TESCO's **Other Income** primarily comprises **profit on bank deposits**, **amortization of deferred credits**, and **income from non-utility operations**. These income streams are incidental to core operations but are accounted for in the overall revenue framework as per regulatory practice. A detailed breakup of Other Income components is provided below for the kind consideration of the Honorable Authority and part of Distribution Business.

DESCRIPTION	Unit	FY 2025-26 Projected
Profits on Deposits	Rs. Mln	127
Amortization	Rs. Mln	609
Income Non-Util Oper	Rs. Mln	0.03
Total Other Income	**Rs. Mln**	**736**

9. Consolidated Revenue Requirement:

The consolidated revenue requirement for both the Supply and Distribution businesses of TESCO for the control period **FY 2025-26** is presented below. This comprehensive financial projection represents the total revenue necessary to cover all prudently incurred costs, including operations and maintenance, power purchase, depreciation, return on assets, and other essential expenditures. The calculation has been carried out in accordance with NEPRA's regulatory framework and approved methodologies. It ensures that TESCO can continue to provide reliable, efficient, and sustainable electricity services to its consumers while maintaining financial viability and meeting all statutory and operational obligations.

Tribal Electric Supply Company (TESCO)

CONSOLIDATED STATEMENT OF REVENUE REQUIREMENT OF TESCO

DESCRIPTION	Units	FY 2025-26 Projected
Power Purchase Price	Rs. Mln	60930
Distribution Margin of Supply of Power	Rs. Mln	2247
Distribution Margin of Distribution Business	Rs. Mln	5045
Financial Charges	Rs. Mln	12
Total	Rs. Mln	68234
Sale of units	MkWh	1352
Average Tariff	**Rs./kWh**	**50.469**

Description	Units	Base FY 2024-25			Projected FY 2025-26		
		SoP	DoP	Total	SoP	DoP	Total
Units Received	GWh	1451	1451	1451	1479	1479	1479
Units Sold	GWh	1327	1327	1327	1352	1352	1352
Units Loss	GWh	124	124	124	127	127	127
Percentage Loss	%	8.55%	8.55%	8.5%	8.59%	8.59%	8.6%
Energy Charges	Mln. Rs.	16,139	0	16,139	16,682	0	16,682
Capacity Charges	Mln. Rs.	31,148	0	31,148	40,339	0	40,339
Transmission Charges	Mln. Rs.	2,634	0	2,634	3,909	0	3,909
Total Power Purchase	**Mln. Rs.**	**49,921**	**0**	**49,921**	**60,930**	**0**	**60,930**
Pay & Allowances	Mln. Rs.	288	1152	1440	332	1,330	1,662
Post-Retirement Benefits	Mln. Rs.	112.8	451.2	564	130	519	649
New Hiring	Mln. Rs.	0	0	0	6	24	30
Repair & Maintenance	Mln. Rs.	42.6	170.4	213	27	240	267
Travelling Allowance	Mln. Rs.	10	40	50	11	44	55
Vehicle Maintenance	Mln. Rs.	15.2	60.8	76	17	67	84
Earthing of HT/LT Poles	Mln. Rs.	0	0	0	0	0	0
Other Expenses	Mln. Rs.	18.2	72.8	91	20	81	101
Allowance for Bad Debts		0	0	0	1,662		1,662
Total O & M Costs	**Mln. Rs.**	**487**	**1,947**	**2,434**	**2,205**	**2,305**	**4,510**
Depreciation	Mln. Rs.	9	699	708	7	837	845
RORB	Mln. Rs.	34	1584	1618.2	34	1,604	1,638
Other Income	Mln. Rs.	0	-680	-680	0	-736	-736
Wheeling Charges	Mln. Rs.	0	941	941	0	1,035	1,035

Financial Charges	Mln. Rs.	10	0	10	12	0	12
Distribution Margin	**Mln. Rs.**	**540**	**4492**	**5032**	**2259**	**5045**	**7304**
PYA	Mln. Rs.	1993.00	0.00	1993.00	0.00	0.00	0.00
Revenue Requirement	**Mln. Rs.**	**53,878**	**4,492**	**58,370**	**63,189**	**5,045**	**68,234**
Power Purchase	Rs. /kWh	37.62	0.00	37.62	45.07	0.00	45.07
Distribution Margin	Rs. /kWh	0.41	3.39	3.79	1.67	3.73	5.40
Average Tariff	**Rs. /kWh**	**38.03**	**3.39**	**41.41**	**46.74**	**3.73**	**50.47**

10. Key Assumptions to Financial Projection/Relief Sought

- **Total Unit Sales:** The projected unit sales for the control period from **FY 2025-26 to FY 2029-30** are as follows: **1,352 million units** in FY 2025-26, **1,368 million units** in FY 2026-27, **1,388 million units** in FY 2027-28, **1,410 million units** in FY 2028-29, and **1,433 million units** in FY 2029-30.

- **Target Transmission & Distribution Losses:** The combined Transmission and Distribution (T&D) losses have been projected at a constant **8.6%** for the entire control period. This comprises **0.78% transmission losses** and **7.82% distribution losses**, reflecting TESCO's commitment to maintaining loss levels through targeted investments, operational improvements, and structural reforms.

- **Power Purchase Price (PPP):** Approval is requested for the projected PPP, amounting to Rs. 60,930 million in FY 2025–26, Rs. 64,491 million in FY 2026–27, 72,681 million in FY 2027–28, 73,157 million in FY 2028–29, increasing to Rs. 78,219 million in FY 2029–30, in accordance with projected demand and CPPA allocations under the single-buyer model.

- **Distribution Margin – Distribution Business:** Approval is sought for the Distribution Margin of the Supply of Power Business, which covers all prudently incurred O&M costs, depreciation, return on rate base, and other components, projected at Rs. 5,045 million in FY 2025–26, Rs. 5,418 million in FY 2026–27, Rs. 5,992 million in FY 2027–28, Rs. 6,613 million in FY 2028–29 and rising to Rs. 7,258 million in FY 2029–30.

Distribution Margin – Supply Business: Approval is sought for the Distribution Margin of the Supply of Power Business, which covers all prudently incurred O&M costs, depreciation, return on rate base, and other components, projected at Rs. 2,247 million in FY 2025–26, Rs. 2,438 million in FY 2026–27, Rs. 2,750 million in FY 2027–28, Rs. 2,891 million in FY 2028–29 and rising to Rs. 3,159 million in FY 2029–30.

- **Other Income:** Approval is also requested for projected other income, estimated at Rs. 736 million in FY 2025–26, Rs. 782 million in FY 2026–27, Rs. 845 million in FY 2027–28, Rs. 911 million in FY 2028–29 and gradually rising to Rs. 960 million by FY 2029–30.

- **WACC:** Approval is requested for the Weighted Average Cost of Capital (WACC), proposed at **13.50% in FY 2025-26, 17.41% in FY 2026-27, 15.91% in FY 2027-28**, and **12.91% for FY 2028-29 and 11.41 for FY 2029-30**, in accordance with projected financial conditions and capital requirements over the control period.

11. Prayer to the Authority

In view of the foregoing submissions, detailed justifications, and projections provided in this petition, **TESCO respectfully requests the Honorable Authority to kindly consider and** approve the interim relief tariff for both the Supply and Distribution businesses for the control period **FY 2025-26 until the decision of the main tariff petition of TESCO**. This approval is essential to enable TESCO to recover its prudently incurred costs, ensure financial sustainability, and continue delivering reliable and uninterrupted electricity services to its valued consumers across its licensed service territory. The company remains committed to regulatory compliance, operational efficiency, and service improvement in line with the objectives set forth by NEPRA.

PETITIONER
TRIBAL ELECTRIC SUPPLY COMPANY LTD.
Through:

Mr. TAHIR JAMAL
Chief Executive Officer TESCO