Annex-A

BEFORE THE NATIONAL ELECTRIC POWER REGULATORY AUTHORITY, ISLAMABAD

APPLICATION FOR ANNUAL ADJUSTMENT/INDEXATION OF DISTRIBUTION MARGIN (DM) FOR CY 2027 & PRIOR YEAR ADJUSTMENT (PYA) FOR FY 2024-25 UNDER MULTIYEAR TARIFF (MYT) REGIME FY 2025-26 TO FY 2029-30

THE PESHAWAR ELECTRIC SUPPLY COMPANY LTD. (PESCO) WAPDA HOUSE, SHAMI ROAD, PESHAWAR THROUGH ITS CHIEF EXECUTIVE OFFICER, ENGR. AKHTAR HAMID KHAN.

1. Applicant

1.1 Peshawar Electricity Supply Company Limited (PESCO) is an Ex-WAPDA Distribution Company (DISCO) owned by the Government of Pakistan (GOP) and incorporated as a Public Limited Company on 25th April 1998 vide company registration No. L09497 of 1997-98 under section 32 of the Companies Ordinance 1984.

1.2 Principal business of PESCO is to provide electricity in Khyber Pakhtunkhwa jurisdiction of PESCO under License No.07/DL/2002 dated 30-04-2002 (the Distribution License) which is extended vide letter No. NEPRA/R/DG(Lic)/LAD-07/23507 dated 13-12-2022, issued by NEPRA. NEPRA has also granted Electric Power Supply License (Supplier License) to PESCO to act as Supplier of Last Resort (SoLR) in its designated service territory under License No. SOLR/07/2023 dated 27-12-2023.

2. Background

2.1 PESCO filed Multi-Year Tariff Petition for the Determination of its Consumer End Tariff for FY 2025-26 to FY 2029-30 on 29-04-2025 as per revised NEPRA Act for the Determination of Distribution (Non-sale element) Tariff and Supply of Power (Consumer End Tariff) and NEPRA issued determinations on 07-01-2026 respectively. In addition, in compliance with the directives of the Ministry of Energy (Power Division) conveyed vide letter No. TARIFF/XWDISCOS-2022 dated 16.10.2025, PESCO also submitted references for determination of the Consumer End Tariff for the remaining period up to December 2026. The Authority was accordingly requested to determine the Consumer End Tariff for the period from July 01, 2026, to December 31, 2026, in line with the revised annual rebasing timeline effective January 01, 2026, to ensure a smooth and timely transition to the revised rebasing regime. Accordingly, the hearing was held on 03rd November, 2025 and the determination for Distribution ad Supply Tariff was made by NEPRA vide letter No. NEPRA/R/ADG(Trf)/TRF-627/PESCO-Supply/2025/291-98 & No. NEPRA/R/ADG(Trf)/TRF-627/PESCO-Distribution/2025/300-07 dated January 07, 2026 and notified by the Federal Government on 12-02-2026. Currently, PESCO is charging Consumer End Tariff of CY 2026 as notified vide SRO No. 279(I)/2026 dated 12-02-2026. It is pertinent to mention that PESCO filed a Review Motion on 16-01-2026 against the tariff determined by NEPRA. NEPRA has subsequently issued its decision on the Review Motion on 14-07-2026, which has been notified by the Federal Government vide S.R.O. No. 1141(I)/2026 dated 17-08-2026.

2.2 Pursuant to the directions of the Authority given in Tariff Determination for Distribution (Non-Sale Element) Tariff and Supply of Power (Consumer End Tariff), PESCO has to submit its Annual Adjustment / Indexation of Distribution Margin for CY 2027 along-with Prior Year Adjustment under Multiyear Tariff Regime. The Prior Year Adjustment (PYA) has been worked out on the basis of actual data for FY 2024-25, which allows PESCO for truing up certain O&M expenditure for recovery of its cost of service at current market prices to maintain its financial viability, this request for indexation is being submitted for the CY 2027.

2.3 According to the NEPRA directions in Determinations for Distribution (Non-sale element) Tariff and Supply of Power (Consumer End Tariff) issued on 07-01-2026 respectively and notified by GoP dated 12-02-2026, the following adjustments/indexations are hereby submitted as per amended NEPRA Act, 2018 with all supporting documents for consideration of Authority.

2.4 **Salient Features of the Application**

The main objective of this application is to request NEPRA to allow Annual Adjustments/Indexations of Distribution Margin for CY 2027 along-with Prior Year Adjustment under Multiyear Tariff Regime. The input data, Deferred Credits together with calculation of WACC, Salaries & Wages, Post-Retirement Benefits, Repair & Maintenance Costs, Other Operating Expenses, and other matters as discussed in subsequent sections used for determination of Power Purchase Price, Distribution Margin and Prior Year Adjustment be allowed enabling PESCO to generate enough revenue to perform its obligatory duties as prescribed by Authority.

3. TARIFF ANALYSIS

According to the approved mechanism of indexation/adjustment provided in the MYT Determinations for Control Period FY 2025-26 to FY 2029-30 dated January 07, 2026 the projected components of the Company's tariff for CY 2027 are as under:

Table-I

Mln Rs.

Description	Distribution Tariff	Supply of Power	TOTAL
CY	**2027**	**2027**	**2027**
O&M Cost	27,587	14,854	42,441
Depreciation	5,229	581	5,810
Return on Rate Base	9,892	2,473	12,364
Less: Other Income	(3,228)	(1,450)	(4,678)
Distribution Margin (D.M)	**39,480**	**16,458**	**55,938**
Turnover Tax		3,695	3,695
Prior Period Adjustments		22,556	22,556
Cost of Working Capital	(405)	90	(316)
Gross Revenue Requirement	**39,074**	**42,799**	**81,873**

3.1 Summary of tariff assumptions:

i) *Inflation:* The CPI to be used in indexing the tariff yearly is the one that is notified by the Pakistan Bureau of Statistics. For the purposes of this petition, NCPI-General of 11.07% for June 2026 has been taken for O&M expenses, other than vehicle running expenses. Whereas, for Vehicle Running expenses, NCPI-Transport of 25.72% for June 2026 has been used.

ii) *Efficiency Factor:* The X factor 30% has been applied to the third year of the MYT period (FY 2027-28).

iii) *Operating Gross Fixed Asset (GFA):* The value of the Opening GFA used for the indexation/adjustment for CY 2027 has been taken on the basis of the financial statements of FY 2024-25 (enclosed as **Annex-B**).

iv) *Cost of Debt:* In view of Tariff Determination for MYT period, the Cost of Debt has been computed on the basis of fluctuation in the reference KIBOR.

v) *Basis for Bifurcation:* The bifurcation of Revenue Requirements component for Distribution & Supply functions of PESCO has been made as per the approved mechanism in the MYT Determination.

Table-2: Basis for Bifurcation

Description	Distribution Tariff	Supply of Power	Overall
	% Share	% Share	% Total
O&M Costs:			
Pay & Allowances	66%	34%	100%
Travelling Expenses	71%	29%	100%
Vehicle Running Expenses	76%	24%	100%
Other Expenses	14%	86%	100%
Repair & Maintenance	96%	4%	100%
Total O&M Cost	**65%**	**35%**	**100%**
Depreciation	90%	10%	100%
Return on Rate Base	80%	20%	100%
Less: Other Revenues	69%	31%	100%
Distribution Margin (D.M)	**57%**	**43%**	**100%**

4. Distribution Margin:

The proposed adjustment under Distribution Margin for CY 2027 for Distribution & Supply Function is hereunder:

Table-3: Breakup of Distribution Margin *Mln Rs.*

DESCRIPTION	FY'2024-25	FY'2025-26	FY'2026-27	FY'2027-28	CY'2027
	ACTUAL	PROV.	PROJ.	PROJ.	PROJ.
O & M Cost	29,861	34,470	40,577	44,305	42,441
Depreciation	4,180	5,168	5,491	6,129	5,810
Return on Rate Base	9,101	8,358	11,203	13,526	12,364
Less Other Income	(5,677)	(4,678)	(4,678)	(4,678)	(4,678)
Distribution Margin	**37,465**	**43,317**	**52,593**	**59,282**	**55,938**

The projected Distribution Margin for the CY 2027 comes to Rs. 55,938 million considering the already determined Distribution Margin and various pending adjustments.

Table-4: Projected Distribution Margin for FY 2025-26 *Mln Rs.*

DESCRIPTION	FY'2024-25	FY'2025-26		
	Actual (Base Year)	Re-Determined	Pending Adjustments	Revised (Prov.)
O & M Cost	29,861	31,263	3,207	34,470
Depreciation	4,180	4,171	997	5,168
Return on Rate Base	9,101	8,358	-	8,358
Less Other Income	(5,677)	(6,270)	1,592	(4,678)
Distribution Margin	**37,465**	**37,522**	**5,795**	**43,317**

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5. Operating & Maintenance Cost:

According to MYT mechanism, the projected O&M Cost for the CY 2027 for Distribution of Power and Supply of Power come to Rs. 42,441 million as elaborated below:

Table-5: Breakup of O&M Cost *Mln Rs.*

DESCRIPTION	FY'2024-25	FY'2025-26	FY'2026-27	FY'2027-28	CY'2027
	ACTUAL	*PROV.*	*PROJ.*	*PROJ.*	*ADJUSTMENT*
Operating & Maintenance Salaries and Benefits	12,469	14,535	15,559	17,065	16,312
Manpower Outsource Services	-	-	1,860	2,046	1,953
Post-Retirement Benefits (Cash)	11,631	12,794	14,073	15,480	14,777
Cash Contribution	1,609	2,840	4,260	4,473	4,366
Sub-Total	**25,709**	**30,169**	**35,752**	**39,064**	**37,408**
Repair and Maintenance	1,481	1,541	1,712	1,844	1,778
Traveling Expenses	288	297	330	356	343
Vehicle Expenses	314	326	410	484	447
Other Expenses	2,070	2,137	2,373	2,557	2,465
O & M Cost	**29,861**	**34,470**	**40,577**	**44,305**	**42,441**

It is pertinent to mention that the actual amounts recorded for Traveling Expense and Other Expenses in FY 2024-25 used by the Authority as the basis for determining FY 2025-26 amounts differ from the audited accounts, hence, need reconsideration and baseline may be revised to align with the audited expenditure of FY 2024-25 in line with the basis used for other components in MYT determination. The projected O&M costs for FY 2025-26 have been revised to reflect the MYT decision for PESCO and the annualized effects of various pending adjustments.

Consequently, the baseline for FY 2026-27 has been updated to calculate the indexation request for CY 2027, as summarized in Table 6 below.

Table-6: Basis for Projected O&M

DESCRIPTION	FY'2024-25	FY'2025-26			FY'2026-27		FY'2027-28		CY'2027
	Actual	Deter'd	Pending Adj.	Prov.	Multiplying Factor	Proj.	Multiplying & 30% Efficiency factor	Proj.	Adj.
Operating & Maintenance									
Salaries and Benefits	12,469	14,535	-	14,535	7%	15,559	*10%*	17,065	16,312
Manpower Outsource Services	-	-	-	-		1,860	*10%*	2,046	1,953
Post-Retirement Benefits (Cash)	11,631	12,794	-	12,794	*10%*	14,073	*10%*	15,480	14,777
Cash Contribution	1,609	-	2,840	2,840	*50%*	4,260	5%	4,473	4,366
Sub-Total	**25,709**	**27,329**	**2,840**	**30,169**		**35,752**		**39,064**	**37,408**
Repair and Maintenance	1,481	1,541	-	1,541	*11.07%*	1,712	*7.75%*	1,844	1,778
Traveling Expenses	288	252	45	297	*11.07%*	330	*7.75%*	356	343
Vehicle Expenses	314	326	-	326	*25.72%*	410	*18.00%*	484	447
Other Expenses	2,070	1,815	322	2,137	*11.07%*	2,373	*7.75%*	2,557	2,465
O & M Cost	**29,861**	**31,263**	**3,207**	**34,470**		**40,577**		**44,305**	**42,441**

5.1 Pay & Allowances:

Under Para 17.6 of the Authority's determination dated 07-01-2026, the mechanism for indexation/adjustment of Salaries, Wages and Post-retirement Benefits provides for the impact of salary and employee-related benefit increases announced by the Government of Pakistan. Accordingly, CY 2026 allowed Pay & Allowances have been taken as the reference cost, with subsequent Government revisions and actual expenditure duly incorporated for CY 2027.

The Federal Budget for FY 2026-27 provides, inter alia:

- Ad-hoc Relief Allowance @ 7% of running basic pay;
- Disparity Reduction Allowance @ 15% on Basic Pay as on 30-06-2022; and
- Conveyance Allowance @ 50%, along with other admissible benefits.

As PESCO employees are governed under Government Pay Scales, the above revisions are applicable to them. Accordingly, the Pay & Allowances requirement for CY 2027 is Rs. 16,312 million.

An additional Rs. 1,953 million for CY 2027 is required for Manpower Outsource Services, including specialized manpower such as Crane Mounted Truck Drivers and Bucket Mounted Truck Drivers-cum-Operators (**Annex-C**).

Accordingly, the total proposed requirement is Rs. 18,265 million for CY 2027. The Authority is respectfully requested to allow the same in accordance with the MYT adjustment mechanism. The detailed calculation is enclosed as **Annex-D**.

5.2 Post-Retirement Benefits (Cash):

Similarly, as per the MYT Determination for FY 2026-27 to FY 2029-30, Post-Retirement Benefits shall be adjusted based on the pension increase announced by the Government of Pakistan for the respective year and actual cash payments made to pensioners during the relevant period.

PESCO has implemented a comprehensive Pension Management System (PMS) having complete database of pensioners. Based on the PMS data, the analysis of pensioners, new retirees, commutation payments and actual pension payments made during the relevant period has been carried out. The details are as under:

Table-7: Pensioners Information

Description	FY 2024-25	FY 2025-26
Nos of Pensioners	**18,585**	**18,978**
increase In Nos.	*730*	*393*
% Increase (YoY)		*2.1%*
Total Pension (Rs. Mln)	**1,001**	**1,031**
Increase in Amount (Mln Rs.)		*30.25*

The pension expenditure of PESCO has increased due to annual pension increases announced by the Government of Pakistan, addition of new pensioners and commutation payments. Accordingly, the impact of pension increase announced by the Government of Pakistan for FY 2026-27 and actual cash payments made during the relevant period has been incorporated while calculating the Post-Retirement Benefits for CY 2027.

In light of the position explained above and considering the increase in Federal Budget and increase in pensioner numbers for FY 2025-26, the projected cost for the CY 2027 comes to Rs. 14,777 million.

The Authority is respectfully requested to allow the Post-Retirement Benefits (Cash) for CY 2027 in accordance with the mechanism prescribed under the MYT Determination.

5.3 Post-Retirement Benefits (Cash Contribution):

The Authority in its MYT Determination for FY2025-26 to FY2029-30 has only allowed actual cash payment made to the pensioners during the said period. PESCO is of the view that as per Authority directions, PESCO has created a separate Pension fund, hence Cash Contribution should be allowed to PESCO to enable it to transfer the same to the fund account. Authority is therefore requested to allow Cash Contribution of Rs. 2,840 million for FY 2025-26 and Rs. 4,366 million for CY 2027, respectively.

5.4 R&M, Travelling, Vehicle Running & Other Expenses:

Repair and Maintenance:

An amount of Rs. 1,778 million has been projected for CY 2027 by applying NCPI of 11.07% on the provisional expenditure of FY 2025-26. PESCO's audited expenditure under the head of Repair & Maintenance for FY 2024-25 was Rs. 1,481 million, whereas an amount of Rs. 1,541 million has been considered for FY 2025-26 based on historical trends, prevailing market conditions and inflationary impact.

Table-8: Proposed Adjustments

Rs. in Mln

Description	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	CY 2027
R&M Expense	1,481	1,541	1,712	1,844	1,778
% Increase (YoY)		3%	11%	8%	

Traveling Expense:

An amount of Rs. 343 million has been projected for CY 2027 by applying NCPI of 11.07% on the provisional expenditure of FY 2025-26. PESCO's audited expenditure under the head of traveling expense for FY 2024-25 was Rs. 288 million, whereas an amount of Rs. 297 million has been considered for FY 2025-26 by applying NCPI of 3.23% for June, 2025. It is worth mentioning that the actual amounts recorded for Traveling Expense in FY 2024-25 used by the Authority as the basis for determining FY 2025-26 amounts differ from the audited accounts.

Table-9: Proposed Adjustments

Rs. in Mln

Description	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	CY 2027
Traveling Expense	288	297	330	356	343
% Increase (YoY)		3%	11%	8%	

Vehicle Running Expenses:

The Authority has determined Rs. 326 million for FY 2025-26, subsequently indexed to Rs. 346 million for FY 2026-27, while Rs. 325 million has been determined for CY 2026. The amount determined for CY 2026 is insufficient to meet PESCO's actual vehicle running expenses due to continued increases in fuel, maintenance, transportation and other vehicle-related costs. Accordingly, for CY 2027, NCPI-Transport of 25.72% for June 2026, as notified by the Pakistan Bureau of Statistics (PBS), has been applied as the appropriate index reflecting transportation-related cost pressures. Based on the prevailing inflationary trend, Rs. 447 million has been projected for Vehicle Running Expenses for CY 2027.

Table-10: Proposed Adjustments

Rs. in Mln

Description	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	CY 2027
Vehicle Running Expense	314	326	410	484	447
% Increase (YoY)		4%	26%	18%	

Other O&M Expenses:

The Authority, in its MYT decision dated 07-01-2026, determined Rs. 1,815 million for Other O&M Expenses for FY 2025-26. However, the basis adopted by the Authority does not fully reflect the actual expenditure reported in PESCO's audited financial statements.

The determined amount is therefore insufficient to meet the Company's actual and unavoidable operational requirements. Considering inflation and rising operating costs, PESCO has assessed Other O&M Expenses at Rs. 2,137 million for FY 2025-26 and Rs. 2,465 million for CY 2027, based on NCPI of 11.07% as of June 2026.

The increase in costs is mainly attributable to rent, postage & telephone, PITC charges, auditor's remuneration, advertisement & publicity, and other essential operational expenses. These costs have further increased due to higher tariffs, expanded ERP/IBS/PITC/AMI/APMS requirements, broader audit activities and increased regulatory/public communication needs.

Further, the Efficiency Factor-X may be applied on an actual expenditure basis instead of a fixed 30% adjustment. Where actual expenditure is lower than the indexed amount, the resulting saving may be passed on to consumers. Since indexation is already based on NCPI, a fixed 30% adjustment may not reflect actual cost conditions. Considering PESCO's financial constraints, resource shortfalls and prevailing operational realities, it is more appropriate to link the efficiency adjustment with actual expenditure.

Table-11: Proposed Adjustments

Rs. in Mln

Description	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	CY 2027
Other O&M Expense	2,070	2,137	2,373	2,557	2,465
% Increase (YoY)		3%	11%	8%	15%

The Authority is respectfully requested to allow the above O&M expenses for CY 2027 in accordance with the mechanism prescribed under the MYT Determination.

6. Depreciation:

As per the mechanism provided in the MYT determination for the FY 2025-26 to FY 2029-30, the investment allowed for FY 2025-26 & FY 2026-27 and net book value of the assets as per audited financial statements of FY 2024-25, the depreciation of Rs. 5,168 million for FY 2025-26 and Rs. 5,810 million for CY 2027 has been projected. The proposed depreciation calculation is given below:

Table-12: Depreciation Expense *Mln Rs.*

DESCRIPTION	FY'2024-25	FY'2025-26	FY'2026-27	FY'2027-28	CY'2027
	AUDITED	PROV.	PROV.	PROV.	ADJ,
Gross Fixed Assets in Operation (GFAIO) — Opening Balance	114,778	127,168	138,293	156,606	147,450
Addition in Fixed Assets	12,390	11,125	18,313	12,868	15,591
Fixed Assets in Operation (GFAIO) — Closing Balance	127,168	138,293	156,606	169,475	163,040
Depreciation-Expense	**4,180**	**5,168**	**5,491**	**6,129**	**5,810**

According to the MYT Decision for CY 2026, the authority decision to trued up depreciation downward only for the previous year based on allowed investment, without considering unavoidable factors, like natural calamities, may lead to negative consequences for service quality and inefficiencies in the long term. The scope and the amount of the investment allowed are not matching due to abnormal increase in inflation.

Considering this fact in view, an investment of Rs. 26,931 million for FY 2026-27 & Rs. 18,924 million for FY 2027-28 has been considered for the calculation of depreciation. Because, it is not possible for PESCO to carry out the scope as per the approved investment plan and may not be able to achieve the targets. Hence, based on estimated investment, the above projected depreciation may be allowed.

7. Return on Rate Base (RORB):

As per the mechanism provided in the MYT decision dated 07-01-2026, the Regulatory Asset Base (RAB) is worked out by taking into account investment in fixed assets, accumulated depreciation, capital work in progress, deferred credits and other relevant components in accordance with the prescribed regulatory mechanism.

For the purpose of the present CY 2027 Indexation Petition, the RORB determined/re-determined by the Authority for FY 2025-26 and FY 2026-27 has been considered as the basis of the existing tariff, whereas the RORB for FY 2027-28 has been projected based on the projected RAB investment and applicable rate of return.

Table-13: RORB Calculation

Mln Rs.

DESCRIPTION	UOM	FY'2024-25 AUDITED	FY'2025-26 PROV.	FY'2026-27 PROJ.	FY'2027-28 PROJ.	CY'2027 ADJ.
Gross Fixed Assets in Operation-B/F	[Mln Rs]	**114,778**	**127,168**	**138,293**	**156,606**	**147,450**
Addition in Fixed Assets	[Mln Rs]	12,390	11,125	18,313	12,868	15,591
Gross Fixed Assets in Operation-C/B	[Mln Rs]	**127,168**	**138,293**	**156,606**	**169,475**	**163,040**
Less: Accumulated Depreciation	[Mln Rs]	43,925	48,892	54,383	60,512	57,448
Net Fixed Assets in Operation	[Mln Rs]	**83,243**	**89,401**	**102,223**	**108,962**	**105,592**
Add: Capital Work In Progress - C/B	[Mln Rs]	18,748	32,635	41,253	47,309	44,281
Investment in Fixed Assets	[Mln Rs]	**101,991**	**122,036**	**143,476**	**156,271**	**149,873**
Less: Deferred Credits	[Mln Rs]	47,132	50,157	50,712	50,247	50,480
Regulatory Assets Base	[Mln Rs]	**54,859**	**71,879**	**92,763**	**106,024**	**99,393**
Average Regulatory Assets Base	[Mln Rs]	**53,379**	**63,369**	**82,321**	**99,393**	**90,857**
Rate of Return	[%age]	**17.05%**	**13.19%**	**13.61%**	**13.61%**	**13.61%**
Return on Rate Base	[Mln Rs]	**9,101**	**8,358**	**11,203**	**13,526**	**12,364**

*(Detailed Working is enclosed as **Annex-E**)*

It is pertinent to mention that the Authority, in its MYT Determination dated 07-01-2026, determined an Average RAB of Rs. 65,463 million and Rs. 70,179 million for FY 2025-26 and FY 2026-27, respectively, against which RORB of Rs. 8,634 million and Rs. 9,256 million, respectively, was determined at a WACC of 13.19%.

Subsequently, the Authority, in its MLR decision dated 14-07-2026, re-determined the RORB at Rs. 8,358 million for FY 2025-26 and Rs. 10,979 million for FY 2026-27, respectively, based on the RAB considered by the Authority at a WACC of 13.19%.

PESCO respectfully submits that, for the purpose of CY 2027 indexation, the aforesaid RORB may be further adjusted in accordance with the MYT mechanism, particularly in view of the provision for adjustment on account of variations in KIBOR on a biannual basis, as tabulated below:

TABLE-14: REVISED WACC CALCULATIONS

FY	KIBOR *(JUL 2026)*	KIBOR *(JUL 2026)*	Cost of Debt *Ave-Biannually (KIBOR+1.5%)*	Cost of Equity	WACC
2026-27	11.74%	11.74%	13.24%	14.47%	13.61%
Jul-Dec 27	-	-	13.24%	14.47%	13.61%

Moreover, the Authority had initially provisionally considered investment for FY 2025-26 under the MYT framework, whereas PESCO's Investment Plan has subsequently been approved in May 2026 by the Authority that is at the close of FY 2025-26. However, the investment approved for FY 2025-

26 remains significantly lower than the actual investment already incurred by PESCO during the year and, therefore, does not fully reflect the Company's actual investment and funding requirements.

Since the RORB is determined with reference to the Regulatory Asset Base (RAB), and investment in fixed assets constitutes a major component of the RAB, the lower investment considered/allowed by the Authority has resulted in a corresponding understatement of the RAB and, consequently, the RORB. Upon upward revision of the investment to the justified level, the allowed Rate Base will increase, leading to a proportionate increase in the allowed RoRB for PESCO. Accordingly, the Authority is requested to consider the necessary adjustments to RoRB based on the requested investment.

TABLE-15: PROPOSED WACC *Mln Rs.*

Description	2026-27
Regulatory Asset Base (RAB)	82,392
RORB Determined *(WACC @13.19%)*	9,256
RORB Re-Determined *(WACC @13.19%)*	10,979
Proposed:	
WACC	**13.61%**
Revised RORB	**11,203**

Furthermore, the Authority, under para 16.4 of its decision regarding the adjustment/ indexation mechanism, has directed PESCO that any savings from financing at a spread below 1.50%, or any lower total cost of debt than allowed, shall be entirely passed on to consumers through Prior Year Adjustment (PYA) and any financing cost above the allowed spread shall be borne by PESCO.

8. Other Income:

As per the mechanism provided in the MYT decision dated 07-01-2026, and based on the provisional accounts for FY 2025-26, the other income is Rs. 4,678 million and the same amount has been projected for FY 2026-27 and FY 2027-28.

The breakup of other income is given below:

Table-16: Other Income

DESCRIPTION	ACTUAL	Prov.	Proj.
	FY' 2024-25	FY' 2025-26	CY' 2027
Other Income	10,224	10,421	10,421
Add: Rental & Service Income	40	23	23
Add: Amortization of Deferred Credits	2,490	2,678	2,678
TOTAL Other Income	**12,755**	**13,122**	**13,122**
Less: Wheeling Charges	1,877	2,496	2,496
Less: Late Payment Surcharge	5,200	4,857	4,857
Less: LD deducted from Suppliers	-	188	188
Less: Interest Income on Deposit	-	687	687
Less: Scarp Sales		216	216
Net Other Income	**5,677**	**4,678**	**4,678**

8.1 Cost of Working Capital:

The Authority, in its previous determinations, has allowed Cost of Working Capital separately for Distribution (DOP) and Supply (SOP) functions. For DOP, receipts against Deposit Works have also been deducted from the working capital requirement.

PESCO has followed the Authority's prescribed methodology in preparing its CY 2027 working. However, PESCO respectfully submits that non-cash portion i.e. store and work in progress under Deposit Works should not be deducted from the general working capital requirement, as these amounts are received for specific customer-funded works.

The existing treatment significantly reduces the working capital requirement and results in an understated financing requirement, which would materially reduce the working capital allowance despite PESCO continuing to finance its receivables, stores and other operating requirements.

PESCO therefore requests the Authority to allow Cost of Working Capital of Rs. (316) million for CY 2027, comprising Rs. (405) million for DOP and Rs. 90 million for SOP (working enclosed as **Annex-F**).

9. Prior Year Adjustment:

PESCO is requesting various Prior Year Adjustments relating to Quarterly Adjustments, Distribution Margin, Sales Mix Variance, positive FCA for Lifeline Consumers, inadmissible input tax, Turnover/Advance Tax, PPMC Management Fee, pending capacity charges, Cost of Working Capital, Pension Fund Contributions and other pending adjustments. These claims represent actual costs incurred, under-recoveries and amounts remaining unadjusted and are supported by relevant workings and documentary evidence. Accordingly, PESCO respectfully requests the Authority to allow the total Prior Year Adjustment of Rs. 22,556 million for CY 2027, as summarized in the table below and supported by the relevant annexes.

Table-17: Summary of Prior Year Adjustments (PYA)

Mln Rs.

Sr.No	Description	Total	Annexure
1	Under / (Over) recovery of Qtr adjustment for FY 2024-25 (4th Quarter) & FY 2025-26 (1st & 2nd Qtrs)	(567)	G
2	Under / (Over) recovery of Distribution Margin for FY 2025-26	(1,565)	H
3	Under / (Over) recovery of PYA 2024-25	8,176	I
4	Sales Mix Variances FY 2024-25 & FY 2025-26	(1,134)	J
5	Impact of positive FCA regarding Lifeline Consumers	43	
6	Impact of Negative FCA	(246)	K
7	PPMC Management Fee FY 2025-26	82	L
8	Pending Capacity Transfer Charges of Jabori HPP	59	M
9	Pending Capacity Transfer Charges of Machai HPP	349	N
10	Turnover Tax FY 2024-25 & FY 2025-26	5,666	O
11	Pension Fund Contributions	2,840	P
12	Adjustment allowed as PYA in MLR decision for CY 2026	613	Q
13	Pending Prior Period Adjustments	8,240	R
Total Prior Period Adjustment		**22,556**	

9.1 PPMC Management Fee:

The Authority, in its decision dated January 7, 2026, did not allow the management fee of Rs. 444 million as requested by PESCO. However, the Authority directed PESCO to submit details of the actual costs incurred for services provided by PPMC, along with documentation and justification of the functions and services performed by PPMC as the "designated entity" for DISCOs, and to ensure compliance with the process prescribed in SRO 1358-I (2025).

In compliance, PESCO hereby submits the detailed actual costs invoiced to CPPA-G on its behalf, as per CPPA-G letter No. CPPA-G/CEO/CFO/C(PCRA/BR/6259 dated October 24, 2025, fulfilling the requirements of SRO 1358-I (2025). Furthermore, the justification of the functions and services performed by PPMC as the designated entity for DISCOs, along with supporting documentation, is attached at **Annex-L**. PESCO respectfully requests the Authority to consider these submissions for approval of the PPMC management fee amounting to Rs. 444 million upto FY 2024-25 and Rs. 82 million for FY 2025-26.

9.2 Pending Capacity Charges of Jabori and Machai HPP:

The Jabori HPP remained under the jurisdiction of PESCO from its Commercial Operation Date (COD) in August 2023 until June 2025. Subsequently, following the transfer of the relevant area and assets to HAZECO, Jabori HPP ceased to fall under PESCO's jurisdiction. However, the capacity cost pertaining to the period from its COD up to June 2025, amounting to Rs. 59 million, was neither claimed by PESCO nor allowed by the Authority through the Quarterly Tariff Adjustments (QTAs). Since the said capacity cost relates to the period during which Jabori HPP was part of PESCO, the amount of Rs. 59 million remains attributable to PESCO and is therefore required to be considered for recovery through the appropriate tariff adjustment mechanism.

Similarly, the capacity cost pertaining to Machai HPP was claimed by PESCO in the 2nd Quarterly Adjustment request for FY 2025-26; however, an amount of Rs. 349 million was not allowed by the Authority. Subsequently, the outstanding capacity cost of Machai HPP was specifically included and claimed by PESCO in its 1st Quarterly Adjustment request for CY 2026. However, the said amount was again not allowed by the Authority in the respective quarterly adjustment. Consequently, the capacity cost of Machai HPP remains pending for recovery through the quarterly tariff adjustment mechanism.

In view of the above, the Authority is respectfully requested to allow the pending capacity charges of Jabori and Machai HPPs as part of PYA, so that the unrecovered legitimate costs are appropriately reflected in PESCO's tariff and do not continue to impose an undue financial burden on the Company (Working attached as **Annex-M & N**).

9.3 INADMISSIBLE INPUT TAX:

In accordance with the NEPRA Guidelines for Determination of Consumer End Tariff and Tariff Determination for FY 2017-18, actual taxes pertaining to the relevant financial year are allowable for tariff determination purposes. Further, taxes constitute pass-through items under Clause 16(2) of the NEPRA Guidelines for Determination of Consumer End Tariff (Methodology and Process), 2015.

During FY 2023-24, FY 2024-25 & FY 2025-26, due to changes in the applicable sales tax regime and the classification of certain electricity supplies as exempt supplies, input tax credits amounting to Rs. 4,586 million, Rs. 5,651 million & Rs. 5,012 million, respectively, became inadmissible to PESCO under Section 8(2) of the Sales Tax Act, 1990, read with Rule 25 of the Sales Tax Rules, relating to exempt supplies. Consequently, the sales tax paid on such supplies could not be adjusted as input tax and was required to be borne by PESCO, resulting in an increase in the Power Purchase Price (PPP) in accordance with the applicable IFRS.

After the enactment of the 25th Constitutional Amendment, the supply of electricity to the erstwhile Tribal Areas was classified as an exempt supply under the Sales Tax Act, 1990, for the period from 23rd July 2018 to 30th June 2023. As input tax adjustment is not allowable against exempt supplies under the relevant provisions of the Sales Tax Act, the input tax attributable to electricity supplied to the erstwhile PATA/FATA areas became inadmissible. Resultantly, the sales tax charged by CPPA-G on the corresponding power purchases had to be borne by PESCO.

Furthermore, supplies of electricity made to AJK during FY 2024-25 were exempted from sales tax through the Finance Act, 2024. Consequently, the related input tax credit also became inadmissible, further increasing the tax cost borne by PESCO.

Based on the declarations made in PESCO's Sales Tax Returns, the actual inadmissible input tax incurred during the relevant periods is summarized below:

FY	**Sales Tax on Supplies to erstwhile Tribal Areas (PATA)** *(Rs. Mln)*
2018-19	3,315
2019-20	2,628
2020-21	2,298
2021-22	4,257
2022-23	4,780
2023-24	4,586
2024-25	5,651
2025-26	5,012
Total	**32,527**

The aforesaid taxes are not recoverable by PESCO through input tax adjustment under Section 8(2) of the Sales Tax Act, 1990, read with Rule 25 of the Sales Tax Rules, and have therefore resulted in an actual increase in PESCO's power purchase cost.

PESCO has already requested the Authority, through its MYT and MLR petitions, to allow the aforesaid inadmissible input tax as an actual cost incurred by the Company.

Moreover, during the discussion/session held with NEPRA on 30-07-2026, the matter of inadmissible input tax was discussed in detail. The representatives of the Authority suggested that PESCO may incorporate and claim the admissible amount of actual inadmissible input tax in its upcoming Indexation Petition for CY 2027, along with supporting documentary evidence and reconciliation based on the actual amounts declared in the Sales Tax Returns.

Accordingly, PESCO is submitting this claim for consideration in the Indexation Petition for CY 2027 and respectfully requests the Authority to allow the aforesaid amount of Rs. 32,649 million, or such actual amount as may be verified from PESCO's relevant Sales Tax Returns and supporting record, as a pass-through cost. Since the amount represents an actual tax expenditure incurred by PESCO due to statutory restrictions on input tax adjustment against exempt supplies, it is requested that the same may be allowed in accordance with the applicable tariff guidelines and Clause 16(2) of the NEPRA Guidelines for Determination of Consumer End Tariff (Methodology and Process), 2015.

9.4 Turnover Tax

The Authority, while determining the allowable Turnover Tax for FY 2024-25, allowed an amount of Rs. 3,277 million, comprising Rs. 2,096 million based on the actual tax paid up to February 2025 and a provisional amount of Rs. 1,181 million in respect of March 2025.

However, the actual Turnover Tax paid by PESCO for the month of March 2025 amounted to Rs. 1,401 million, as against the provisional amount of Rs. 1,181 million allowed by the Authority. Consequently, an amount of Rs. 220 million, being the difference between the actual tax payment and the provisionally allowed amount for March 2025, remained pending for adjustment.

Accordingly, the pending adjustment of Rs. 220 million pertaining to FY 2024-25 is being claimed based on the actual tax payment made by PESCO. The same is duly supported by the relevant income tax return and Computerized Payment Receipt (CPR).

Furthermore, PESCO has paid an amount of Rs. 5,446 million on account of Turnover Tax/Advance Tax during FY 2025-26 under Section 147 of the Income Tax Ordinance, 2001. The said amount shall be declared in the relevant income tax returns within the stipulated period. Copies of the relevant income tax returns and CPRs are enclosed as **Annex-O**.

The detail of the pending adjustment and tax payments is summarized below:

Detail of Advance Tax for Tax Year 2025				
Sr. No.	**Month of Payment**	**Actual**	**Allowed**	**Pending**
1	September	889	889	-
2	December	908	908	-
3	February	300	300	-
4	March	1,401	1,181	220
Total		**3,497**	**3,277**	**220**

Detail of Advance Tax for Tax Year 2025 & 2026			
Sr. No.	**Month of Payment**	**FY 2024-25** *(Pending)*	**FY 2025-26**
1	March	220	-
2	September	-	922
3	November	-	120
4	December	-	806
5	February	-	250
6	March	-	434
7	June	-	2,914
Total		**220**	**5,446**

In view of the above, PESCO respectfully requests the Authority to allow the pending adjustment of **Rs. 220 million** pertaining to FY 2024-25, being the difference between the actual Turnover Tax paid for March 2025 and the provisional amount allowed by the Authority. Further, the Authority is requested to allow the Turnover/Advance Tax amounting to **Rs. 5,446 million** paid by PESCO during FY 2025-26 under Section 147 of the Income Tax Ordinance, 2001, based on the actual payments and supporting documentary evidences.

9.5 Pension Fund Contributions:

PESCO has established a separate Post-Retirement Benefits Fund in compliance with the Authority's directions to ensure prudent funding of its pension and other post-retirement liabilities. The Fund balance increased from Rs. 425 million in FY 2023-24 to Rs. 1,609 million in FY 2024-25 and further to Rs. 2,840 million in FY 2025-26.

Since the Authority, in its determination, allowed that any additional amount deposited in the Fund may be considered as Prior Year Adjustment (PYA), PESCO requests that the actual incremental contribution/deposit made in the Post-Retirement Benefits Fund, to the extent not already recovered through tariff, may kindly be allowed as PYA in the present Indexation Petition, without duplication of any amount already allowed under Distribution Margin.

9.6 Other pending adjustment under MLR

Various adjustments were claimed in the application for CY 2026 under MYT regime and review motion for the same period, however, some adjustments under review motion were not allowed. The detail of pending adjustments claimed as PYA is given below:

Table-18: Pending PYA Adjustments of CY 2026 *Mln Rs.*

SN	Description	Pending Adjustments
1.	Sales Mix Variance FY 2022-23 & FY 2023-24	7,154
2	PPMC Management Fee	444
3	RORB	642
	Total	**8,240**

(Copy of the MYT petition for CY 2026 is enclosed as **Annex-R**)

Keeping foregoing in view, it is requested to kindly allow the Prior Year Adjustment of amounting to **Rs. 22,556 Million** for CY 2027.

10. Indexation Request:

Based on the information given in the preceding paragraphs the estimated adjustment/indexation for the CY 2027 on projected Sales of 7,689 MkWh is given here under:

Mln Rs.

Table-19: PROPOSED ADJUSTMENT/ INDEXATION FOR CY 2027

Description	Distribution Tariff	Supply of Power	Proposed Adjustment	Rate per Unit
O&M Cost	27,587	14,854	42,441	5.52
Depreciation	5,229	581	5,810	0.76
Return on Rate Base	9,892	2,473	12,364	1.61
Less: Other Income	(3,228)	(1,450)	(4,678)	(0.61)
Distribution Margin (D.M)	**39,480**	**16,458**	**55,938**	**7.28**
Turnover Tax	-	3,695	3,695	0.48
Prior Period Adjustments	-	22,556	22,556	2.93
Cost of Working Capital	(405)	90	(316)	(0.04)
Proposed Adjustment	**39,074**	**42,799**	**81,873**	**10.65**

Prayer / Request.

The Authority is requested to allow the Prior Year Adjustment for the FY 2025-26 along-with left over amounts pertaining to previous years and adjustment / indexation of Distribution / Supply Margin for the CY 2027.

Any other appropriate order deems fit by the honourable Authority may also be passed.

CHIEF EXECUTIVE OFFICER
PESCO PESHAWAR

Government of Pakistan
Ministry of Energy
(Power Division)
*****

No: MDPPMC/SOP/01 Islamabad, the 30th July, 2025

Subject: **STATUTORY REGULATORY ORDER (SRO)**

I am directed to enclose herewith Power Division's SRO No.1358-I (2025), dated July 29, 2025, for information and necessary action.

Encl: As Above.

(Umer Vaqar)
Section Officer (Corporate Affairs)

DISTRIBUTION.

1. The Chairman, NEPRA, Islamabad
2. The Chief Executive Officer, CPPA-G, Islamabad.
3. The Managing Director, NGC, Islamabad.
4. The Managing Director, EIDMC, Islamabad.
5. The Managing Director, ISMO, Islamabad.
6. The Managing Director, PPMC, Islamabad.
7. The Chief Executive Officer, IESCO, Islamabad.
8. The Chief Executive Officer, FESCO, Faisalabad.
9. The Chief Executive Officer, LESCO, Lahore.
10. The Chief Executive Officer, GEPCO, Gujranwala.
11. The Chief Executive Officer, SEPCO, Sukkur.
12. The Chief Executive Officer, PESCO, Peshawar.
13. The Chief Executive Officer, HAZECO, Hazara.
14. The Chief Executive Officer, QESCO, Quetta.
15. The Chief Executive Officer, TESCO, Peshawar.
16. The Chief Executive Officer, HESCO, Hyderabad.
17. The Chief Executive Officer, MEPCO, Multan.
18. The Chief Executive Officer, GHCL, Islamabad
19. The Chief Executive Officers of all GENCOs.
20. The Chief Executive Officer, PITC, Lahore.
21. The Managing Director, PPIB, Islamabad.

Copy for information to:

1. Special Assistant to the Minister, Power Division, Islamabad
2. Staff Officer to the Secretary, Power Division, Islamabad.
3. PS to Special Secretary, Power Division, Islamabad
4. SPS to the Additional Secretary-I, II and III Power Division, Islamabad.
5. PA to the Joint Secretary (CA&D), Power Division, Islamabad.

TO BE PUBLISHED IN THE OFFICIAL GAZETTE
GOVERNMENT OF PAKISTAN

Government of Pakistan
Ministry of Energy
(Power Division)

Islamabad, the, July 29, 2025

NOTIFICATION

S.R.O: 1358-I (2025). National Electricity Policy. 2021 (the "Policy"), as approved by Council of Common Interests (CCI), mandates that the Federal Government may designate an entity to perform the tasks assigned in Sections 5.3.5 and 6.2 of the Policy. Such functions, inter alia, include the monitoring of implementation of the Policy and the National Electricity Plan, as formulated from time to time, and formulation, implementation and monitoring of strategic roadmap for state-owned distribution companies.

2. In pursuance thereof as well as the National Electricity Plan (2023-27) (the "Plan"), the Federal Government, inter alia, designated Power Planning and Monitoring Company (Pvt.) Limited (the "Company") as a designated entity for the implementation of Priority Areas of the Plan.

3. Federal Cabinet, through its decision dated 27-10-2021, also approved the functions to be performed by the Company. Such functions, inter alia, also include management, planning, monitoring in respect of various functions, and business of power sector entities as well as to act as support for the Ministry of Energy in monitoring, coordination and policy formulations in respect of DISCOs, GENCOs and NTDC.

4. Federal Cabinet also directed that the Company may continue to charge a fee from DISCOS, for the services rendered as may be approved by the Board of Directors of the Company, from time to time.

5. The purpose of these SOPs is to ensure an efficient and transparent structure for the allocation of the fee between DISCOs, as decided by the Board of Directors of the Company, from time to time, in the following manner:

(a) Board of Directors of the Company may, on annual basis, approve the annual budget and allocation of fees to DISCOs.

(b) The allocated amount for DISCOs shall be distributed and met as per approved ratio based on Distribution Margin of the respective DISCO.

(c) The invoice by the Company for the payment of the allocated amount for each respective DISCO shall be made to DISCOs through CPPA-G.

(d) Upon receipt of such invoice, the amount shall be paid by CPPA-G, on behalf of the respective DISCO, to the Company directly by making adjustment in relevant account of the concerned DISCO. Such payment shall be, accordingly, reflected by the respective DISCO in its accounts.

(e) Invoice(s) shall be issued by the Company on quarterly basis, in advance, and payment shall be made accordingly.

(f) A reconciliation exercise shall be conducted on quarterly basis, between the Company, CPPA-G and the respective DISCO for settlement of any excess / under-payment of the fee amount.

(Umer Vaqar)
Section Officer (Corporate Affairs)

No. F. 3(3)/2021-Policy
Government of Pakistan
Ministry of Energy
Power Division

Islamabad, 20th September, 2021

Subject: **<u>DESIGNATED ENTITY FOR MONITORING UNDER THE NATIONAL ELECTRICITY POLICY 2021</u>**

The undersigned is directed to refer to the above subject and to state the Section 6.2.4 of the National Electricity Policy provides that for the purposes of Section 6.2 and 5.3.5, the Ministry of Energy (Power Division) may designate any entity (or entities) to perform the tasks assigned under these sections. Moreover, Section 5.3.5, inter-alia, states that *the Ministry of Energy (Power Division) or its designated entity shall also be responsible for monitoring the performance of state-owned distribution companies in the context of the roadmap approved.*

2. In pursuance to the above provision in the National Electricity Policy, 2021 Pakistan Electric Power Company (PEPCO) has been designated as the focal entity for supporting the Ministry in terms of the above stipulations of the Policy.

Ehtisham 22/09/2021

(M. Ehtisham ul Haq)
Section Officer (Policy)
051-9103954

Managing Director,
PEPCO, Lahore

Copy to :-

a) CEOs of all XWDISCOs
b) Chairman NEPRA, Islamabad
c) PSO to Secretary, Power Division, Islamabad
d) PS to JS (PF), Power Division, Islamabad

No. F. 3(3)/2021-Policy
Government of Pakistan
Ministry of Energy
Power Division
*****

Islamabad, 30th October, 2023

Subject: **APPROVAL FOR NOMINATION OF DESIGNATED ENTITY UNDER NATIONAL ELECTRICITY PLAN (2023-27)**

I am directed to state that pursuance to the National Action Plan (2023-27), having diversified priority areas, the Secretary, Ministry of Energy (Power Division) has been pleased to approve PPMC and PIU of CPPA-G as *"Designated Entities"* for implementation of Priority Areas (tasks) of NE Plan as mentioned against each ***(Annex-I)***. After PPMC is fully manned, it would be a sole Designated Entity.

2. The Secretary, Power Division has further been pleased to constitute the Plan Implementation & Monitoring Committee (PIMC) having the responsibility of Designated Entity to perform the functions of monitoring and coordination in respect of tasks assigned to both PPMC and PIU of CPPA-G (Copy enclosed).

3. PPMC and PIU of CPPA-G may furnish implementation report to the Plan Implementation & Monitoring Committee (PIMC) as required.

(Muhammad Naeem)
Section Officer (Policy)
Tele: 051-9103954

Distribution: -

i. The Managing Director,
PPMC,
Islamabad.

ii. The Chief Executive Officer,
CPPA-G,
Islamabad.

Copy for information to: -

- PSO to Secretary, Power Division, Islamabad
- PS to JS (PF), Power Division, Islamabad

ANNEX C

FUNCTIONS OF POWER PLANNING AND MONITORING COMPANY (PPMC)

Below are the brief functions of the PPMC pursuant to the National Electricity Policy (NE-Policy) and National Electricity Plan (NE-Plan) being the designated entity and the function assigned by the Federal Cabinet vide its decision dated 27th October 2021 to act as technical arm of the Ministry of Energy (Power Division), PPMC supports the Power Division by providing analytical, technical, and strategic assessments, including the evaluation of policy decisions and their impact on the power sector and end consumers. This support is also extended to other sectoral entities across the power value chain.

Policy & Strategic Planning:

Policy Analysis & Development

- Development/Updation of Five-year National Electricity Plan
- Energy Policy Tracking Framework – monitor global energy transition trends, business models, regulatory developments
- Recommend localized policies, planning and regulatory adjustments
- Analysis and research in support of any policy area including but not limited to HR capacity building, Reduction in losses, Technology interventions, and all legacy matters.
- Economic analysis on policy directives/interventions, relevant macro & micro economic indicators, Transfer of Technology (ToT) & local content, concessional packages, generation business models, and electricity market structure.
- Development of R&D frameworks, identification of R&D areas through sectoral consultations and delegation of R&D areas to research institutes, and management of R&D fund, etc.

Integrated Planning

- Develop, maintain, and upgrade multi-year integrated energy models.
- Integrated planning, economic analysis, climate/ environmental analysis and risk assessment

Strategic Risk Management Unit

- Develop and operationalize a strategic risk management framework
- Identify strategic risks and exposures & recommend hedging strategies

Economic & Environment Assessments

- Develop and update the power sector's GHG emissions inventory
- Develop integrated models for assessing Wider Economic Impacts (WEIs) of energy policies

Research & Development Secretariat

- International collaborations with policy & strategic energy institutes
- Develop and roll out the Five-Year Research & Development Plan (FRDP)

Advanced Analytics for Policy Support

- Development of advanced data analytics, ML, AI, and GIS-based models

Monitoring & Reporting:

Performance Benchmarks & Monitoring

- Support MoE (Power Division) in developing and monitoring DISCOs' strategic roadmaps
- Coordination and monitoring of strategic roadmaps of PMO, Cabinet, and policy units
- Performance Contract Management & Monitoring of Power Sector entities; BoDs and development and monitoring of KPls of Generation/Transmission & Distribution Entities
- Coordination of external audit compliance of directives of PAC/DAC

Strategic Plans

- Oversee implementation and progress of strategic plans including NE-Plan and Power Sector Reforms Plan

Regulatory Discrepancy Assessment

- Conduct periodic assessments of regulatory and constitutional discrepancies
- Identify areas requiring alignment with evolving legal & policy frameworks

Progress Monitoring of Projects

- Monitoring progress of Donor-funded and PSDP projects of DISCOs

Provincial Coordination

- Coordination with provinces for policy implementation and strategic planning

Technical Services:

Design Standards & Material Inspections

- Develop/amend specifications for distribution network materials and equipment
- Establish central design & standards registry and protocols for emerging technologies
- Review of PC-l documents submitted by power sector Entities for approval
- Automation through development of IT enabled infrastructure

Power Sector Resource Planning & Indigenization

- Develop 10-year resource requirements for power sector
- Support EDB for Power Sector Indigenization Plan (PSIP)
- Develop strategies and legal instruments to achieve PSIP targets

Parliamentary & Government Liaison

- Engage with parliamentary bodies, track legislative developments
- Act as one-window unit for coordination and information provision

Stakeholder Coordination

- Harmonization of design & standards across national and provincial utilities

Government & Legislative Liaison

- Engage with parliamentary bodies, track legislative developments, and act as central coordination point

Planning Support & Regulatory Affairs:

Circular Debt Management & Reporting

- Circular Debt Management Plan (CDMP) & related assessments

Engagement with DFIs

- Approvals of key policy decisions related to tariffs, subsidies etc.

Strategic Roadmaps Development

- Support development of strategic roadmaps of DISCOs and business plans

Electrification

- Development of Central Electrification Registry & least cost-based electrification plan

Consumer Roles & Utility Business Models

- Assessment of consumer behaviors, evolving utility business models, and alignment of regulatory framework

Support to Ministry of Energy (PD) & Other Entities

- Incentive packages, tariff designs, subsidies, restructuring & adjustments
- Planning support to NTDC/ISMO – IGCEP
- Facilitation in the development/amendment of HSEe (Health, Safety, Environment and Quality).
- Assistance to DISCOs on the regulatory & policy forums

Strategic Energy Financing:

Donor Financing Coordination

- Facilitate and manage donor financing for power sector projects aligned with national policies

Green Energy Financing

- One-window facility for Green Climate Fund project development
- Implement financing mechanisms for clean energy including climate funds, carbon credits, concessional financing

PSDP Oversight

- Monitor and support PSDP-funded energy sector projects for efficient utilization

Public-Private Partnerships (PPP)

- Develop and promote PPP models to attract private sector investment

Foreign Exchange & Banking Coordination

- Project sectoral FOREX needs and coordinate with SBP and banks for financial management

Others Functions under NE Plan:

Integrated Energy Plan (IEP):

- Develop and maintain the Integrated Energy Plan, including high-level design, initial development, and periodic updates.
- Prepare feasibility analyses related to energy-sector institutional integration.

Generation Policy Framework:

- Support the formulation, update, and circulation of national generation policy framework for consultation and approval.

Integration of Bilateral Contracts in IGCEP

- Provide Support for development of mechanisms enabling the inclusion of bilateral-contract-based generation projects into IGCEP.

Distributed Energy Resources (DER) Integration

- Assess DER penetration and potential across the system and develop DER deployment strategies.
- Provide support for integration of provisions for DER participation and services in the central e-platform.

Cross-Border Electricity Trade

- Assessments related to import/export of electricity in coordination with stakeholders
- Develop guidelines, frameworks, and feasibility studies for electricity import/export.
- Formulate open-access rules and support export under the CASA-1000 initiative.

Electricity Market Development

- Assess requirements and support phased development of electricity market products and platforms.

GOVERNMENT OF PAKISTAN
PESHAWAR ELECTRIC SUPPLY COMPANY
******

No.133-35/FD/PESCO/CPC **Peshawar, the 21st November , 2025**

From

Muhammad Zubair Khan
(O/B) Chief Executive Officer

To

1- Registrar-1, NEPRA, Islamabad

SUBJECT: ADDITIONAL INFORMATION CONTINUITY ON INCORPORATION OF PPMC FORMERLY PEPCO FEE IN O AND M EXPENSES

It is apprised that the Authority has scheduled a hearing in the matter of PESCO request for determination of Multi Year Tariff (MYT) for FY 2025-26 to FY 2029-30 on November 03, 2025, during which the issue of the Management Fee was brought to the attention of the Authority. In this regard, the following additional submissions are made for the consideration of the honorable Authority:

a. After approval of the National Electricity Policy, 2021 ('**NE Policy**') by the Counsil of Common Interests (CCI) and National Electricity Plan (2023–2027) ('**NE Plan**'), PPMC was entrusted the role of the Designated Entity by Ministry of Energy (Power Division) under Sections 5.3.5 and 6.2 of the NE Policy and Clause 3.1(c)(iii) of NE Plan, made pursuant to Section 14A of the NEPRA Act.

b. The Federal Cabinet also directed that PPMC may continue to charge a fee from DISCOs for the services rendered as may be approved by the Board of Directors of the company. In accordance with Clause 3.1(c)(iii) of Part B of the National Electricity Plan, the Designated Entity is entitled to charge a regulatory fee for the performance of its functions, which shall be allowed by the Authority.

c. Accordingly, in compliance with the Cabinet Decision read with NE Policy and NE Plan, Ministry of Energy issued SRO No. 1358(I)/2025 dated July 29, 2025 (enclosed as MD PPMC letter Annex-A), instructing all stakeholders including XW-DISCOs and CPPA-G, regarding the designation of PPMC and collection of the said fee.

d. Historically, this fee has been allowed as part of O&M Expenses, however, in the absence of an appropriate structure, the Authority had not included the same in O&M Expenses of DISCOs. Now, Clause 3.1(c)(iii) of the NE Plan read with Section 14A(5) of the NEPRA Act provides appropriate framework for the Authority to include the said fee as part of the O&M Expenditure.

e. Furthermore, to assist the honorable Authority on the subject matter, the functions of PPMC received from MD, PPMC Islamabad, are attached at **Annex B.**

Keeping foregoing in view, the Authority is requested to allow the PPMC Management Fee as part of O&M Expenses in the Revenue Requirement for the MYT control period for FY 2025-26 to FY 2029-30 and the previous period adjustment of Rs. 445 million may be allowed as PYA for FY 2025-26 to PESCO, please.

DA/As above.

Muhammad Zubair Khan
(O/B) Chief Executive Officer

Copy for information to:-

1- Addl Secretary-II, MOEPWD, Islamabad
2- Managing Director, PPMC, Islamabad
3- Dy. GM-Finance, PESCO, Peshawar

Muhammad Zubair Khan
(O/B) Chief Executive Officer

SOP