SUKKUR ELECTRIC POWER COMPANY

SUKKUR ELECTRIC POWER COMPANY
SEPCO

DISTRIBUTION LICENSE
NO.21/DL/2011

INDEXATION OF DISTRIBUTION MARGIN FOR SUPPLY & DISTRIBUTION FUNCTIONS FOR CY 2027 & PRIOR YEAR ADJUSTMENT UNDER MULTI YEAR TARIFF REGIME FY 2025-26 to FY 2029-30

10th September-2026

INDEX

Sukkur Electric Power Company Ltd.

1. Applicant

1.1 SUKKUR ELECTRIC POWER COMPANY (hereinafter referred to as SEPCO)
Admin Block, Thermal Power Station, Old Sukkur, Sukkur

1.2 Representatives of SEPCO

Mr. Aijaz Ahmed Channa	Chief Executive Officer.
Mr. Imdad Ali Mirani	Chief Financial Officer
Mr. Mushtaque Ahmed Abbasi	Chief Commercial Officer.
Mr. Muhammad Ali Memon	Operation Director.
Mr. Khalid Hussain Shaikh	D.G MIRAD

1.3 SUKKUR ELECTRIC POWER COMPANY LIMITED (SEPCO) is a licensed public limited company providing utility service to distribute and supply electricity to the area of Sukkur Electric Power Company Limited, as set out in SEPCO's license, granted by NEPRA under the NEPRA Act.

2. Background

2.1 SEPCO had filed Multi-Year Tariff Petition for the Determination of its Consumer End Tariff for FY 2025-26 to 2029-30 on dated 30-04-2025 as per revised NEPRA Act for the Determination of Distribution (Non-sale element) Tariff and Supply of Power (Consumer End Tariff), The Authority had determined on dated 07-01-2026 respectively and same was notified by Government of Pakistan (GoP) through Ministry of Energy (Power Division) vide SRO No. 172(I)/2022 dated 12-02-2026.

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), SEPCO has to submit its Annual Adjustment / Indexation of Distribution Margin for CY 2027 along-with Prior Year Adjustment under Multi year Tariff Regime. The Prior Year Adjustment (PYA) has been worked out on the basis of actual data for FY 2024-25 & FY2025-26 (Provisional), which allows SEPCO 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 Calendar Year 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 dated 07-01-2026 respectively and notified by GoP dated 12-02-2026, the following adjustments / indexations are here by

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submitted as per amended NEPRA Act, 2018 with all supporting documents for consideration of the 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 Multi year 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 SEPCO 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 FY 2025-26 to FY 2029-30 dated 07-01-2026, the projected components for the CY- 2027 of the Company's tariff are as under:

Table-1

Rs. In M.

Description	Supply of Power	Distribution Tariff	TOTAL
O&M Cost	2,484	25,707	28,191
Depreciation	7	1,967	1,974
Return on Rate Base (RORB)	8	4,210	4,217
Less: Other Income	(190)	(2,180)	(2,370)
Distribution Margin(D.M)	**2,309**	**29,703**	**32,012**
Prior Year Adjustments	36,296	-	36,296
Gross Revenue Requirement	38,605	29,703	68,309

3.1 Summary of tariff assumptions:

i) *Inflation:* The NCPI 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 of 26.14% of Mar- 2026 has been taken.

ii) *Efficiency Factor:* The X factor has been set a 0% for the tariff period.

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iii) *Operating Gross Fixed Asset (GFA):* The value of the Opening GFA used for the indexation/adjustment for FY 2024-25 has been taken on the basis of the financial statements of FY2024-25.

iv) *Basis for Bifurcation:* The bifurcation of Revenue Requirements component for Distribution & Supply functions of SEPCO has been made as per the approved mechanism in the MYT Determination, as given below in Table-2.

Table-2: Bifurcation of Distribution Margin

Description	Distribution Tariff	Supply of Power	Overall
	%Share	%Share	%Total
O&M Costs:			
Pay & Allowances & Post Retirement benefits	90%	10%	100%
Travelling Expenses	89%	11%	100%
Vehicle Running Expenses	97%	3%	100%
Other Expenses	97%	3%	100%
Repair & Maintenance	99.9%	0.03%	100%
Total O&M Cost	**91%**	**9%**	**100%**
Depreciation	99.65%	0.35%	100%
Return on Rate Base	99.82%	0.18%	100%
Less: Other Revenues	92%	8%	100%
Distribution Margin(D.M)	**84%**	**16%**	**100%**

4. Distribution Margin:

The proposed adjustment under Distribution Margin for CY 2026-27 for Distribution & Supply Function is as under:

Table-3: Breakup of Distribution Margin Rs. In M.

Sr.	DESCRIPTION	Determined	PROVISIONAL	PROJECTED
		CY 2026	FY 2025-26	CY 2026-27
i	O&M Cost	17,669	24,903	28,191
ii	Depreciation	1,894	1,705	1,974
iii	Return on Rate Base	9,284	3,939	4,217
iv	Less Other Income	(2,665)	(2,389)	(2,370)
v	Distribution Margin	26,182	28,158	32,012

5. Operating & Maintenance Cost:

According to said MYT mechanism, the O&M cost which is part of SEPCO's Distribution Margin (DM) shall be indexed with Consumer Price Index (CPI). Accordingly, the O&M cost will be indexed every year according to the following formula:

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$$O\&M_{Rev} = O\&M_{Ref} \times [1+(\Delta CPI - X\ factor)]$$

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 March-26 against the CPI as on March-25 of the Reference Year in terms of percentage.

X= Efficiency factor

Based on this mechanism, the projected O&M Cost for the CY 2027 for Distribution of Electric Power and Supply of Electric Power comes to Rs.28,191 Million as elaborated below:

Table-4: Breakup of O&M Cost Rs. in M

Description	Unit	Determined CY 2026			Projected CY 2027		
		SOP	DOP	Total	SOP	DOP	Total
O&M Cost							
Pay & Allowance	Mln. Rs.	1,228	5,854	7,082	944	8,500	9,445
Post Retirement Benefit	Mln. Rs.	1,112	5,430	6,542	1,332	11,987	13,319
Repair & Maintenance	Mln. Rs.	72	1,373	1,445	81	2,612	2,693
Travelling Allowance	Mln. Rs.	45	387	432	62	501	563
Vehicle Maintenance	Mln. Rs.	8	280	288	15	499	514
Other Expenses	Mln. Rs.	49	1,830	1,879	50	1,607	1,657
Sub Total	Mln. Rs.	**2,515**	**15,154**	**17,669**	**2,484**	**25,707**	**28,191**

5(i) Pay & Allowances:

The pay and allowances includes salaries of regular and contract employees, wages of daily wages, which includes all benefits such as house rent and acquisitions allowances, medical allowances and facilities, free electricity and pension contribution. Considering the impact of increase in salaries annual increment e.t.c. by the Govt: as per the finance bill.

5(ii-a) Post-Retirement Benefits (Cash):

Similarly, as per MYT determination the amount of post-retirement benefits will also be adjusted every year with the Pension increase announced by the GoP for the respective year, till the time SEPCO remains in the public sector. Based on this mechanism, and assuming 7% increase in pension for CY 2027, the projected cost of for the CY 2026-27 comes to Rs . 13,319 Million. However, the cost pertaining to new retirees will be claimed separately on the basis of actual as was allowed by the Authority in MLR decision of SEPCO.

Moreover, Authority in SEPCO MLR decision has directed to submit the matter in the next indexation/adjustment request, accordingly, the same has been included/claimed as part of PYA with the request to allow the same to SEPCO.

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5(ii-b) Post-Retirement Benefits (Non-Cash):

As per the Authority directions, SEPCO has created a separate Pension fund, and provision for post-retirement benefits expenses is required to enable it to transfer the funds to the designated bank account. Authority is therefore requested to allow the annual provision for post-retirement benefits amounting to Rs.13,319 million for CY 2027.

5(iii) Repair & Maintenance:

The repair and maintenance expenditures pertains Grid Station, Transmission line, Distribution line, Distribution material, building & Civil works, Computers and Equipments.

5(iv) Travelling Allowance:

The Govt. of Pakistan has revised the rate of Daily allowance & rate of per kilo meter by road vide office memorandum No. F-7(3)R-10/2023 dated 06-08-2023.

a- Revision in Daily allowance is as under:-

Description	Existing		Revised		Increased		
	Ordinary Rate	Special Rate	Ordinary Rate	Special Rate	Ordinary Rate	Special Rate	%
BPS-1-4	496	800	744	1200	248	400	50%
BPS-5-11	624	880	936	1320	312	440	50%
BPS-12-16	1120	1440	1680	2160	560	720	50%
BPS-17-18	2000	2560	3000	3480	1000	920	36%
BPS-19-20	2480	3280	3720	4920	1240	1640	50%
21	2800	4000	4200	6000	1400	2000	50%
22	2800	4800	4200	7200	1400	2400	50%
Average Rate of Ordinary Daily Allowance	1760	2537	2640	3754	880	1217	48%

b- Revision of travelling and mileage allowance is as under:-

Description	Unit	Existing Rates	Revised Rates (w.e.f 1st July 2023)	Increase
Transportation		Rs.	Rs.	Rs.
i) Motor Car	Rs./k.m	5	7.5	2.5
ii) Motor Cycle/Scooter	Rs./k.m	2.5	3.75	1.25
Mileage Allowance				
i) Personal Car/Taxi	Rs./k.m	10	15	5
ii) Motor Cycle/Scooter	Rs./k.m	4	6	2
iii) Bicycle	Rs./k.m	2	3	1
iv) Public Transport	Rs./k.m	2.5	3.75	1.25
Travel by Air	No change			
Carriage of personal effects on Transfer / Retirement	Rs./k.g&k.m	0.02	0.03	0.01

The travelling expenses for daily movement from allied formation to all bank branched and collect the scroll from banks and submit to MIS Directorate & other operational activities.

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5(v) Transportation Charges:

The transportation charges include repair and maintenance of vehicles, POL and annual renewal of registration fees.

Analysis of the increase in POL prices for the last three years is tabulated below:

Table-5: Analysis of POL prices

Description	June-25	June-26	Sep-26
Average Price of Petrol (Annual)	**258.16**	**299.5**	**367.75**
%Increase (yoy)	10%	16%	23%
Average Price of Diesel (Annual)	**262.59**	**311.47**	**392.67**
%Increase (yoy)	0%	19%	26%
Average POL Price (Petrol+Diesel)	**305.485**	**380.21**	**119.835**
%Increase(yoy)	5%	17%	24%

(Reference-PSO price bulletin, Comparative Statement.

5(vi) Others and Miscellaneous Expenditures:

a) Other Expenditures includes PITC fee, PPMC fee, Audit fee, overhead charges and NEPRA fees etc..

b) Miscellaneous expenditures office equipment, stationery and Photostat charges, postage and telecommunications, etc...

6. Depreciation:

As per the mechanism provided in the MYT determination for the FY 2025-26 to FY 2029-30, the depreciation will be assessed in accordance with the following formula/mechanism:

$$DEP(Rev) = DEP(Ref) \times \frac{GFAIO(Rev)}{GFAIO(Ref)}$$

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

(Ref)=Reference Depreciation Expense for the Reference Year

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

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

7. Return on Rate Base (RORB):

As per the mechanism provided in the MYT determination for the FY 2025-26 to FY2029-30, the Return on Rate Base (RORB) will be assessed in accordance with the following formula/mechanism:

$RORB_{(Rev)} = RORB_{(Ref)} \times RAB_{(Rev)} / RAB_{(Ref)}$

$RORB_{(Rev)}$=Revised Return on Rate Base for the Current Year

$RORB_{(Ref)}$ =Reference Return on Rate Base for the Reference Year

$RAB_{(Rev)}$ =Revised Rate Base for the Current Year

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$RAB_{(Ref)}$=Reference Rate Base for the Reference Year

Based on above mechanism, the RORB worked out for FY 2025-26 KIBOR 1-year 11.51% + 2% spread as of Aug-26 is provided below in Table-06:

Table-06: RORB Calculation

Description	Unit	2025	2026	2027
Gross Fixed Assets in Operation-B/F	[MlnRs]	49,623	52,438	55,535
Addition in Fixed Assets	[MlnRs]	2,815	3,097	3,406
Gross Fixed Assets in Operation-C/B	[MlnRs]	52,438	55,535	58,941
Less: Accumulated Depreciation	[MlnRs]	24,972	26,831	28,804
Net Fixed Assets in Operation	[MlnRs]	27,466	28,704	30,137
Add:Capital Work In Progress-C/B	[MlnRs]	8,379	9,217	10,138
InvestmentinFixedAssets	[MlnRs]	35,845	37,921	40,275
Less:DeferredCredits	[MlnRs]	7,651	7,804	7,960
RegulatoryAssetsBase	[MlnRs]	28,195	30,117	32,315
AverageRegulatoryAssetsBase	[MlnRs]	27,418	29,156	31,216

Rate of Return	%age	13.51%	13.51%	13.51%
Return on Rate basis	[MlnRs]	3,704	3,939	4,217

Based on above references of NEPRA Guidelines, 2015, it is evident that the treatment adopted in the MYT Determination and later in the Review Decision with regards to insufficient Cash Balances is not covered under the Rules and hence, needs to be reconsidered.

8. Other Income:

As per the mechanism provided in the MYT determination for the FY 2025-26 to FY 2026-30, the other income will be assessed in accordance with the following formula/mechanism:
Where;

$$OI_{(Rev)}=OI_{(1)}+\{OI_{(1)}-OI_{(0)}\}$$

$OI_{(Rev)}$=Revised Other Income for the Current Year

$OI_{(1)}$ =Actual Other Income as per latest Financial Statements.

Other Income for the FY2024-25 as per above mechanism is assessed as under;

$$OI_{(Rev)}=OI_{(1)}+\{OI_{(1)}-OI_{(0)}\}$$

9. Prior Year Adjustment:

9.1 Recovery of Quarterly Adjustments

SEPCO has been allowed Quarterly Adjustments during 3rd & 4th Quarter of FY 2024-25 & 1st & 2nd Quarter of FY 2054-26, which were subsequently notified by Government of Pakistan. The recovery period of is 03 months, the un -recovered cost under / over has been calculated.

9.2 Under-Recovered Distribution Margin (DM) FY 2024-25

The Authority has been allowed Distribution Margin (DM) for the FY 2024-25 Amounting Rs.17,403(Million) for the FY 2024-25, Whereas actual recovery is amounting to Rs. 17,302 million.

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9.3 Late payment Surcharge FY 2024-25

CPPA-G has issued the advices against Late Payment Surcharge for the FY 2024-25 amounting to Rs. 34,141 Million whereas SEPCO has recovered from consumer amounting Rs. 2,325 Million the impact of under recovery Amounting Rs. 31,815 Million in the PYA.

9.4 Management fee of Power Planning and Monitoring Company (PPMC).

The Authority in the MYT determination for the control period FY 2025-26 to 2026-30 vide para No. 8.49 of the determination regarding PPMC fee has decided as under:-

> *Accordingly, the Authority has decided to pend upfront allowing such cost on account of PPMC at this stage and may consider the same as part of the PYA, subject to the Petitioner furnishing the above details, with proper justification and supporting documentary evidence, along with fulfillment of the process prescribed in the SRO No. 1358(1)12025.*

During the F.Y 2025-26 PPMC, has issued fee amounting Rs. 8.737 (Million), the same is claims in the PYA.

The detail of prior year adjustment (PYA) worked out under the following heads is as under:-

Particulars	Amount in Million
QTA 3rd Quarter FY 2024-25	(1,893)
QTA 4th Quarter FY 2024-25	(1,924)
QTA 1st Quarter FY 2025-26	632
QTA 2nd Quarter FY 2025-26	(663)
Distribution Margin FY 2024-25	101
PYA FY 2024-25	21
Turnover Tax FY 2018-19 to FY 2024-25	8,198
Late Payment Surcharge FY 2024-25	31,815
Management Fee of Power Planning and Monitoring Company (PPMC) for the FY 2025-26	9
Total	**36,296**

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10. Indexation Request:

Based on the information given in the preceding paragraphs the estimated adjustment/indexation for the CY-2027 on projected Sales of 2,677 MkWh is given here under:

Table-10: PROPOSED ADJUSTMENT/INDEXATION FOR CY 2027

Description	Unit	Projected			
		CY 2027			
		SoP	DOP	Total	Per Unit Rs./kWh
Pay & Allowance	Mln. Rs.	944	8,500	9,445	3.53
Post Retirement Benefit	Mln. Rs.	1,332	11,987	13,319	4.97
P.M Pacakge	Mln. Rs.	26	834	860	0.32
Repair & Maintenance	Mln. Rs.	81	2,612	2,693	1.01
Travelling Allowance	Mln. Rs.	62	501	563	0.21
Vehicle Maintenance	Mln. Rs.	15	499	514	0.19
Other Expenses	Mln. Rs.	24	773	797	0.30
Sub Total	Mln. Rs.	**2,484**	**25,707**	**28,191**	**10.53**
Depreciation Expense	Mln. Rs.	7	1,967	1,974	0.74
RORB	Mln. Rs.	8	4,210	4,217	1.58
Other Income	Mln. Rs.	(190)	(2,180)	(2,370)	(0.89)
Distribution Margin	Mln. Rs.	**2,309**	**29,703**	**32,012**	**11.96**
Prior Year Adjustment	Mln. Rs.	36,296	-	36,296	13.56
Revenue Requirement	Mln. Rs.	**38,605**	**29,703**	**68,309**	**25.51**

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11. Pray / Request

The Authority is requested to allow Distribution Margin with Prior year Adjustment of Supply & Distribution of Power for the CY 2027.

The Authority is also request to grant of permission to raise additional ground / points at the time of hearing.

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SUKKUR ELECTRIC POWER COMPANY
LEDGER POSTING SUMMERY - 03/2026
DEBIT MEMO RECEIVED

PPA-133/SEPCO-15 DATED:31-03-2026

Suplemental Charges PPMC MANAGEMANT FEE Invoice for the 1st quarter 2025-26 (july-Sep) and remaing portion of last invoice.

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S. No:	NAME OF COMPANIES	CODE	DEBIT	CREDIT
1	CPPA-G	150126		8,737,350.00
2	MANAGEMANT FEE	750000	8,737,350.00	-
GRAND TOTAL :			**8,737,350.00**	**8,737,350.00**

Prepaired By:
(A/A)

Checked By:
(A.B.O)

Approved By:
(A.M)

12

Central Power Purchasing Agency Guarantee Limited

DEBIT NOTE SETTLEMENT

Document No: 32998
PPA-133/SEPCO-15

ISSUNING OFFICE:	**CENTRAL POWER PURCHASING AGENCY-GUARANTEE LIMITED**	**Effective Date**	**: 31-MAR-26**
		Issue Date	**: 31-MAR-26**

RECEIVING OFFICE: **SUKKUR ELECTRIC POWER COMPANY**

TYPE: **Debit Memo for PEPCO Fee Allocation to DISCOs**

Your account has been Debited for the amount Rs. 8,737,350

Eight million seven hundred thirty-seven thousand three hundred fifty rupees only.
Being the Debit raised on account of Payment made to PPMC Management fee Invoice for the Ist Quarter 2025-26 (Jul-Sep), and the remaing portion [redacted] of Last Invoice, as per invoice and detail attached herewith.

ACCOUNT CODE	DESCRIPTION	DEBIT	CREDIT
1212100	Accounts Receivables - Settlement Advice	8,737,350	
	TOTAL	8,737,350	

PREPARED BY **CHECKED BY** **APPROVED BY**

Server: erpprod.cppa.gov.pk User: MUSHTAQ.HUSSAIN Print Date: 31-Mar-26 03:03:11