



National Electric Power Regulatory Authority Islamic Republic of Pakistan

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No. NEPRA/SA(M&E)/LAD-09/ 17222

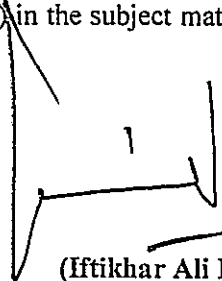
October 27, 2025

Chief Executive Officer
Quetta Electric Supply Company Ltd. (QESCO),
Zarghoon Road, Quetta

Subject: ORDER OF THE AUTHORITY IN THE MATTER OF SHOW CAUSE NOTICE ISSUED TO QESCO UNDER REGULATION 4(8) & (9) OF NEPRA FINE REGULATIONS, 2021, ON ACCOUNT OF DECLINE IN PERFORMANCE WITH RESPECT TO TRANSMISSION & DISTRIBUTION (T&D) LOSSES AND RECOVERY

Please find enclosed herewith, the Order of the Authority (total 07 pages) in the subject matter for information and compliance.

Enclosure: As above


(Iftikhar Ali Khan)



National Electric Power Regulatory Authority

ORDER

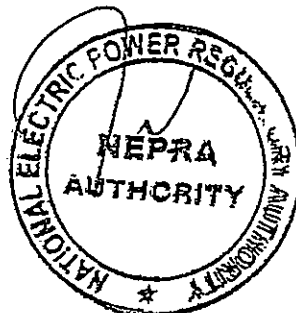
**IN THE MATTER OF SHOW CAUSE NOTICE ISSUED TO QESCO UNDER
REGULATION 4(8) AND 4(9) OF NEPRA (FINE) REGULATIONS, 2021, ON
ACCOUNT OF DECLINE IN PERFORMANCE WITH RESPECT TO
TRANSMISSION AND DISTRIBUTION (T&D) LOSSES AND RECOVERY.**

1. Quetta Electric Supply Company Limited (QESCO) (the "Licensee") was granted a Distribution License (No. DL/08/2023) by the National Electric Power Regulatory Authority (the "Authority") on 09.05.2023, for providing Distribution Services in its Service Territory as stipulated in its Distribution License, pursuant to section 21 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 ("NEPRA Act").

Background:

2. NEPRA received a Circular Debt (CD) Report for the month of June, 2024 from CPPA-G through an email dated 30.07.2024. The report reveals that DISCOs electricity purchases for the FY 2023-24 have been reduced to 115,142 GWh i.e., 1% as compared to 116,696 GWh for the FY 2022-23. Further, DISCO's losses during FY 2023-24 have increased to 18.31% as compared to 16.84% during FY 2022-23 i.e., increase of 1.47%. NEPRA's allowed average target of T&D Losses for the FY 2023-24 was 11.77%. Thus, DISCOs have breached the target by 6.54%. This breach of target contributed around Rs. 276 billion in Circular Debt for the FY 2023-24 despite the fact that DISCOs have been allowed an investment amount of Rs. 163.1 billion for the FY 2023-24 to improve their network.
3. While reviewing the losses of each & individual DISCO as given in CD report, it is noted that the Licensee has also contributed in such increase of overall losses and subsequent financial impact. It is a matter of fact that the T&D losses of the Licensee have been increased to 29.77% in FY 2023-24 as compared to 26.74% in FY 2022-23. Due to this increase, the financial loss has also been increased to Rs. 36.7 billion in FY 2023-24 as compared to Rs. 21.2 billion.
4. With respect to recovery point of view, the CD report highlights that the overall recovery percentage remained the same i.e., 92% for the FY 2023-24 as compared to FY 2022-23. However, the financial impact of unrecovered amount has increased to Rs. 315 billion in FY 2023-24 as compared to Rs. 236 billion for the FY 2022-23. Similarly, the Licensee's figures indicate that its performance did not improve as its recovery percentage remained the same in FY 2023-24 i.e., only 32% as compared to FY 2022-23. However, the Licensee's unrecovered amount has been increased to Rs. 104 billion in FY 2023-24 as compared to Rs. 76 billion in FY 2022-23.

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5. Therefore, the Authority decided to initiate legal proceedings against the Licensee under NEPRA Fine Regulations, 2021. In view thereof, an Explanation was served to the Licensee under Regulation 4(1) and 4(2) of NEPRA (Fine) Regulation, 2021, vide NEPRA's letter dated Nov 05, 2024, on account of violation of NEPRA Act, terms & conditions of License, tariff determination and other applicable documents.
6. However, the Licensee has failed to submit its response within the specified time frame. Therefore, it was assumed that the Licensee has nothing to say in its defense and it appeared that the Licensee has admitted the allegations levelled against it in the aforementioned Explanation.

Show Cause Notice:

7. In view thereof, a Show Cause Notice was served to the Licensee under Regulation 4(8) and 4(9) of NEPRA (Fine) Regulation, 2021, vide NEPRA's letter dated January 15, 2025, on account of violation of NEPRA Act, terms & conditions of License, tariff determination and other applicable documents. The salient points of the Show Cause are as under:

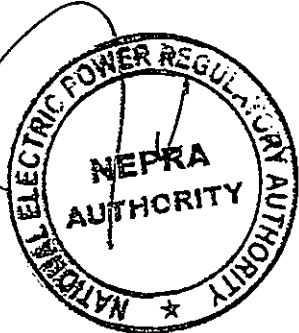
"3. **WHEREAS**, the Authority issued an Explanation to the Licensee under Rule 4 (1) and 4 (2) of NEPRA Fine Regulation, 2021 on 05.11.2024. The basis of Explanation to the Licensee included the following;

3. WHEREAS, NEPRA received a Circular Debt Report for the month of June, 2024 from CPPA-G through an email dated 30.07.2024. The report reveals that DISCOs electricity purchases for the FY 2023-24 have been reduced to 115,142 GWh i.e., 1% as compared to 116,696 GWh for the FY 2022-23. Further, DISCO's losses during FY 2023-24 have increased to 18.31% as compared to 16.84% during FY 2022-23 i.e., increase of 1.47%; and

4. WHEREAS, NEPRA's allowed average target of T&D Losses for the FY 2023-24 was 11.77%. Thus, DISCOs have breached the target by 6.54%. This breach of target contributed around Rs. 276 billion in Circular Debt for the FY 2023-24 despite the fact that DISCOs have been allowed an investment amount of Rs. 163.1 billion for the FY 2023-24 to improve their network; and

5. WHEREAS, while reviewing the losses of each & individual DISCOs as given in CD report, it is noted that the Licensee has also contributed in such increase of overall losses and subsequent financial impact. It is a matter of fact that the T&D losses of the Licensee have been increased to 29.77% in FY 2023-24 as compared to 26.74% in FY 2022-23. Due to this increase, the financial loss has also been increased to Rs. 36.7 billion in FY 2023-24 as compared to Rs. 21.2 billion; and

6. WHEREAS, with respect to recovery point of view, the CD report highlights that the overall recovery percentage remained the same i.e., 92% for the FY 2023-24 as compared to FY 2022-23. However, the financial impact of unrecovered amount has increased to Rs. 315 billion in FY 2023-24 as compared to Rs. 236 billion for the FY 2022-23. Similarly, the Licensee's figures indicate that its performance did not improve as its recovery percentage



remained the same in FY 2023-24 i.e., only 32% as compared to FY 2022-23. However, the Licensee's unrecovered amount has been increased to Rs. 104 billion in FY 2023-24 as compared to Rs. 76 billion in FY 2022-23; and

7. *WHEREAS*, pursuant to Section 7 (2) (ac) of the NEPRA Act, the Authority shall ensure efficient tariff structures and market design for sufficient liquidity in power markets; and

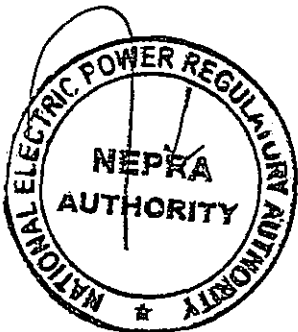
8. *WHEREAS*, pursuant to Section 7 (3) (a) of the NEPRA Act, the Authority shall determine tariff, rates, charges and other terms and conditions for supply of electric power services by generation, transmission and distribution companies and recommend to the Federal Government for notification; and;

9. *WHEREAS*, pursuant to Section 31 (2) (c) of the NEPRA Act, the Authority, in the determination, modification, or revision of rates, charges and terms and conditions for the provision of electric power services shall keep in view the encouragement of efficiency in licensees, operations and quality of service; and

10. *WHEREAS*, pursuant to the decision of the Authority dated 01.07.2017, in the matter of reconsideration request filed by the Federal Government, on the issue of allowing 100% recovery to DISCOs, decided that the inefficiencies of DISCOs cannot be passed on to the consumers and maintain its earlier decision that the DISCOs tariffs be determined on the basis of 100% recovery. This means that all the distribution companies are obligated to achieve the 100% target of recovery in order to make better financial health and to avoid the unnecessary burden on national exchequer in terms of circular debt. However, the Licensee has failed to achieve the 100% target and the recovery of the Licensee remained same in FY 2023-24 as compared to FY 2022-23; and

11. *WHEREAS*, pursuant to clause 46.3 of the Authority's Tariff Determination dated June 02, 2022 in the matter of petition filed by the Licensee for determination of distribution tariff under MYT regime for the FY 2020-21 to 2024-25, the Authority encourages the Licensee to achieve better results in the MYT control period that the requested T&D loss targets. Further, an overall reduction of 0.49% in distribution losses at 11kV level is required to be achieved by the Licensee due to planned investment in the head of ELR. However, the Licensee failed to do the same, which has resulted in an increase in losses in FY 2023-24 as compared to FY 2022-23; and

12. *WHEREAS*, pursuant to clause 53.13 of the Authority's Tariff Determination dated June 02, 2022 in the matter of petition filed by the Licensee for determination of distribution tariff under MYT regime for the FY 2020-21 to 2024-25, the Authority observed that the MYT petition filed by the Licensee has been for the multiyear tariff i.e., for a period of five (05) years, keeping the responsibilities and functions including but not limited to rehabilitation, augmentation and expansion in system through ELR projects for reduction in T&D losses and improving quality parameters including performance indices as laid down in NEPRA Performance Standards (Distribution) Rules, 2005. However, the Licensee has failed to prudently utilize the investments as the T&D losses have been increased in FY 2023-24 as compared to FY 2022-23; and



13. *WHEREAS, pursuant to clause 56.2 of the Authority's Tariff Determination dated June 02, 2022 in the matter of petition filed by the Licensee for determination of distribution tariff under MYT regime for the FY 2020-21 to 2024-25, the Authority directs the Licensee to prioritize its investments claimed under STG, DOP, and ELR etc. In this respect, removal of system constraints for transferring power from NTDC system must be first priority, followed by reduction in T&D losses and improvement in metering system through ELR and overloaded grids and 11kV feeders. However, the Licensee failed to do the same, which has resulted in an increase in losses in FY 2023-24 as compared to FY 2022-23; and*

4. **WHEREAS**, the Licensee has not submitted any response in this regard. Hence, it is assumed that the licensee has nothing to say in its defense; and
5. **WHEREAS**, therefore, the licensee is in violation of NEPRA Act, Rules, Regulations, codes and other applicable documents; and..."

HEARING:

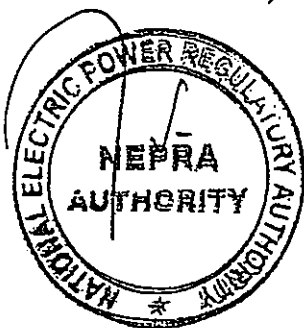
8. The response of the Licensee against the SCN was not received within the stipulated time. Therefore, in order to proceed further as per law, a hearing in the matter of Show Cause Notice was held on July 10, 2025. During hearing, following submissions were made by Licensees's representatives:

- i. CEO QESCO stated that during FY 2023-24 and 2022-23, QESCO was unable to improve recovery rates primarily due to prevailing law and order issues. The local administration remained engaged in maintaining public security, which hindered QESCO's efforts to effectively curb electricity theft.
- ii. However, in areas with tube wells which account for approximately 78% or more of consumption, the transition to solar energy resulted in a 7 to 8% improvement in recovery. Despite these localized gains, the overall impact remained below 20% compared to the previous year.

SUBMISSIONS OF THE LICENSEE:

9. Meanwhile, the Licensee vide its letter dated 08.07.2025 submitted its reply against the subject SCN. A summary of the same is as under:

- i) Approximately, 69% of QESCO's total electricity demand is consumed in the agriculture sector, primarily through tube wells. It is crucial to underscore that as per the Federal and Provincial Government subsidy decisions, the agriculture consumers were required to pay their share of the electricity bills, with the remaining to be settled through government subsidies. However, neither the Government of Balochistan (GoB), the Government of Pakistan (GoP) nor the agriculture consumers themselves have fulfilled these payment obligations in line with the subsidy structure. This has resulted in substantial accumulation of arrears and directly contributed to the circular debt, currently amounting to over Rs. 104 billion in unrecovered receivables in FY 2023-24 alone.



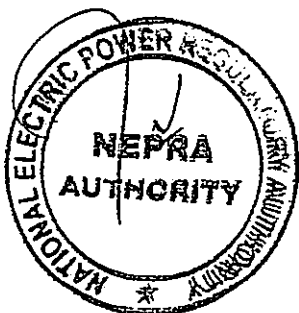
- ii) The topographical spread of QESCO's network necessitates long transmission lines, particularly in remote areas such as Mekran, Zhob, and Makran divisions, where distances between grid stations and end-users often exceed standard planning benchmarks. The recent interconnection of the Mekran region with the National Grid, while critical for energy security and development, has further exacerbated technical losses due to extended length and aging nature of the transmission infrastructure.
- iii) QESCO continues to operate under extremely poor law & order conditions in several districts. These security challenges adversely affect our ability to access certain areas for meter readings, disconnection, and recovery. Nevertheless, the company strived persistently under these adverse circumstances to maintain service delivery and pursue recoveries.
- iv) Despite allocated investment under STG, DOP, and ELR heads, the ground realities and security situation in many areas limit the effective and timely execution of infrastructure upgrades. Additionally, the limited revenue base, low recovery rates, and a high share of unremunerated agricultural consumption severely constrain out financial capacity to implement targeted loss-reduction initiatives at the desired pace.
- v) Despite all odds, QESCO launched an aggressive and well-coordinated anti-theft campaign, achieving the best results among all DISCOs nationwide. A summary of same is as follows:
 - Total FIRs lodged: 631 Nos.
 - Total arrests made: 205 Nos.
 - Electricity theft units detected (kWh): 13,383,833
 - Amount Recovered (PKR): 649,767,791/-
 - Illegal connections removed: 39,161 Nos.
 - Illegal Transformers Uprooted: 407 Nos.

FINDINGS:

10. Keeping in view the above submissions of the Licensee following are the findings:

- i) The Licensee has submitted that approximately 70% of its demand is consumed by the agricultural sector, particularly tube wells. However, none of the stakeholders i.e., the Government of Balochistan (GoB), the Government of Pakistan (GoP), or the consumers themselves are paying the bills or subsidy amounts, despite a clear subsidy decision being on record. The Licensee has emphasized that this non-payment has resulted in a substantial accumulation of arrears, adversely affecting its overall recovery position.

The Authority while examining the submissions of the Licensee noted that the company has shifted the responsibility for its poor recovery performance to other stakeholders, including the GoB and GoP. While the Licensee's argument regarding the recovery from agricultural consumers carries some weight, it should have also provided the recovery position for other consumer categories. The available data indicates that the recovery percentage in FY 2023-24 remains



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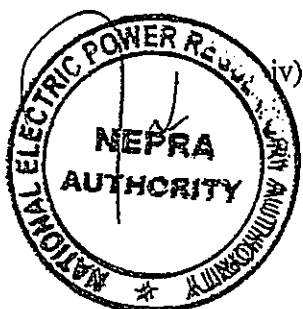
the same as in FY 2022-23, i.e., 32%. This suggests that the Licensee has made no significant efforts to improve the recovery rate for other consumer categories. The Licensee should have provided reasons for this lack of improvement so that it could be assessed whether the failure is due to a genuine, unavoidable cause or due to the Licensee's inability to enhance recovery without any cogent justification. However, no such explanation has been provided.

- ii) With regard to the increase in losses, the Licensee has attempted to justify that its network comprises long transmission lines in remote areas, where distances between grid stations and consumers often exceed standard benchmarks. The Licensee has further highlighted that the recent interconnection between the Mekran Region and the National Grid has exacerbated technical losses due to the extended length and aging condition of the transmission infrastructure.

The submissions of the Licensee have been examined, and it is observed that the reasons provided for the increase in losses are not convincing. The Licensee received its distribution license approximately 22-23 years ago and committed at that time to serve remote areas while ensuring reliable, continuous, and safe power supply, taking into account the network's topography. Presently using these same factors as excuses for failing to meet the loss targets is entirely unjustified. The Licensee should have considered these challenges at the time of obtaining its license and, if necessary, refused to serve areas where it was not feasible to do so effectively.

Furthermore, the reliance on aged and deteriorated transmission infrastructure for such lengthy interconnections raises serious questions about the planning and design of these projects. This reflects another failure on the Licensee's part, rather than a valid justification for increased losses.

- iii) The Licensee has submitted that it is operating under extremely poor law and order conditions, and that these security challenges adversely affect its ability to carry out meter readings, disconnections, and recoveries. In this regard, it is acknowledged that operating a company covering such a vast area is a challenging task; however, these difficulties can and should be addressed with the assistance of law enforcement agencies. The Licensee should have sought and should continue to seek support from the local/provincial government and other relevant agencies to mitigate such challenges. Moreover, the Licensee is not the only distribution company operating under such conditions; all distribution companies face similar issues with different sensitivity levels, yet they manage to cope by adopting and implementing effective strategies.



iv) Regarding the investment utilization and getting benefits, the Licensee has stated that infrastructure upgrades could not be timely executed due to security situation in many areas. Additionally, the Licensee has linked this poor utilization with limited revenue base, low recovery rates and a high share of unremunerated agricultural consumption.

The justifications presented by the Licensee for delays in infrastructure upgrades and loss-reduction initiatives are not entirely convincing. While

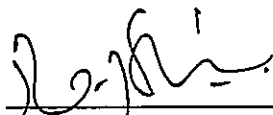
ground realities and security challenges in certain areas may pose operational difficulties, these factors were well-known to the Licensee at the time of securing its license and should have been accounted for in its long-term planning and investment strategy. The company has received allocations under STG, DOP, and ELR, yet there is insufficient evidence to suggest that these funds have been utilized with the efficiency, prioritization, and monitoring necessary to maximize results despite constraints.

Decision

11. After due deliberations and taking into account the facts, submissions/arguments made by the Licensee, and in light of the NEPRA Act, NEPRA (Fine) Regulations, 2021, and other applicable documents, the Authority is of the considered opinion that the Licensee has failed to provide any satisfactory reply to the Show Cause Notice served to it. Therefore, the Authority hereby decides to impose a fine amounting to PKR 40,000,000/- (Forty Million) on the Licensee due to its failure pertaining to improvement in T&D losses and Recovery in FY 2023-24 as compared to FY 2022-23.
12. The Licensee is directed to pay the fine amount of PKR 40,000,000/- (Forty Million) in designated bank of the Authority within a period of 15 days from the date of issuance of this order and forward a copy of the paid instrument to the Registrar Office for information, failing which the Authority may recover the amount due under section 41 of the NEPRA Act as arrears of the land revenue or through any other appropriate legal means in addition to taking any other appropriate legal action against the Licensee for non-compliance.

AUTHORITY

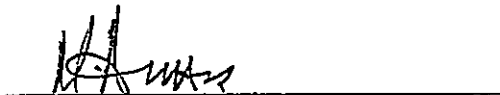
Rafique Ahmed Shaikh
Member (Technical)



Amina Ahmed
Member (Law)



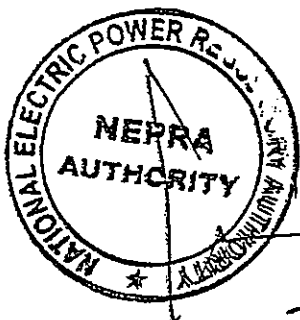
Engr. Maqsood Anwar Khan
Member (Development)



Waseem Mukhtar
Chairman



Dated 27-10-2025



27/X/25