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Islamic Republic of Pakistan

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No. NEPRA/SA(M&E)/LAD-03/ 17228 October 27, 2025

Chief Executive Officer,
Gujranwala Electric Power Company Limited (GEPCO),
565/A, Model Town, G.T Road,
Gujranwala

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

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1. Guranwala Electric Power Company Limited (GEPCO) (the "Licensee") was granted a Distribution License (No. DL/04/2023) 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 DISCO's 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 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 11.54% in FY 2023-24 as compared to 8.93% in FY 2022-23. Due to this increase, the financial loss has also been increased to Rs. 9.2 billion in FY 2023-24 as compared to Rs. (8) 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 the Licensee's performance has been declined as its recovery percentage has been down to 96% in FY 2023-24 as compared to 98% in FY 2022-23. Due to this decrease, the Licensee's unrecovered amount has been increased to Rs. 18 billion in FY 2023-24 as compared to Rs. 07 billion in FY 2022-23.

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5. Therefore, the Authority decided to initiate legal proceedings against the Licensee under the 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 November 05, 2024, on account of violation of NEPRA Act, terms & conditions of License, tariff determination and other applicable documents.

6. In response, the Licensee vide its letter dated November 20, 2024, submitted the response against said Explanation. The same was considered by the Authority and the Authority was of the view that the Licensee has failed to provide any satisfactory reply to the Explanation served to it, therefore, the Authority decided to issue a Show Cause Notice to the Licensee in terms of Regulations 4(8) & (9) of the NEPRA (Fine) Regulations, 2021.

Show Cause Notice:

7. In view thereof, a Show Couase Notice was served to the Licensee under Regulation 4(8) and 4(9) of NEPRA (Fine) Regulation, 2021, vide NEPRA's letter dated March 25, 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 he T&D losses of the Licensee have been increased to 11.54% in FY 2023-24 as compared to 8.93% in FY 2022-23. Due to this increase, the financial loss has also been increased to Rs. 9.2 billion in FY 2023-24 as compared to Rs. (8) 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 the Licensee's performance has been declined as its recovery percentage has been down to 96% in FY 2023-24 as compared to 98% in FY 2022-23. Due to this

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decrease, the Licensee's unrecovered amount has been increased to Rs. 18 billion in FY 2023-24 as compared to Rs. 07 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 even the recovery of the Licensee has been decreased in FY 2023-24 as compared to FY 2022-23; and

11. WHEREAS, pursuant to clause 76.9 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

8. **WHEREAS,** the Licensee submitted its response vide letter dated 20.11.2024 against the above-mentioned Explanation. The same was evaluated and found unsatisfactory. The Licensee has admitted the allegation by submitting that the losses have been increased due to carrying out billing beyond 30 days and subsequent correction upon the Authority's directions. Further, the Licensee has claimed different figures of recovery percentages rather commenting upon the figures of CD report as highlighted in the served explanation; and

9. **WHEREAS,** the Licensee has failed to satisfy the Authority with its reply and has committed the violation of Section 7 (2) (ac), Section 7 (3) (a), and Section 31 (2) (2) of the NEPRA Act read with other enabling provision of rules and regulation and other applicable documents. Therefore, the Authority hereby rejects the response of Explanation submitted by the Licensee through an Order dated 27.03.2025, recording the reasons of rejection; and

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Submission of the Licencee:

10. In response to the SCN, the Licensee vide its letter dated April 09, 2025 submitted its reply and requested NEPRA to withdraw the SCN based on the grounds mentioned therein. A summary of the same is as under:

"The concerns of honorable Authority with regard to general position of whole power sector with regard to reduction in system sales, increase in losses, decrease in recoveries and resultant impact on Circular Debt are respectfully agreed.

It is admitted that GEPCO's T&D losses have apparently increased at 11.48% in FY 2023-24 compared to 8.91% during FY 2022-23 and 9.00% NEPRA target for FY 2023-24. However, this apparent increase has emerged due to following main non-recurring reasons:

i. *In the backdrop of NEPRA report on alleged overbilling to consumers through readings beyond 30 days, it transpired that the said presumed extra time was the difference of actual and scheduled meter reading dates. Accordingly, it was inter alia directed by the Authority as well as the Ministry of Energy (Power Division) to strictly adhere to (a) monthly billing period, and (b) follow the batch meter reading schedules. While GEPCO made visible progress on the mentioned directions, accordingly, on an average, 4-5 days billing was reduced during the year 2023-24, resulting in extra apparent loss of approximately 1.25%.*

ii. *During the year 2023-24 GEPCO also settled chronic old matter relating to billing corrections, as one-off corrections. This resulted in extra apparent loss of approximately 1.2%.*

While admitting to the apparent increase in T&D losses, GEPCO assures that the progress for current financial year, i.e. FY 2024-25, will be better than the targeted levels. Attention of the Authority is also drawn towards the fact that, with the exception of FY 2023-24, GEPCO has not only made steady and continuous improvements with regards to the T&D losses but has always remained well within the limits determined by the honorable Authority.

With regard to recoveries, it is respectfully submitted that GEPCO's recoveries during FY 2023-24 stood at 99.07% of the computed billing with a slight decline from 99.86% in the year 2022-23. While GEPCO is one of the best performing XWDISCO, all out efforts are made to ensure full recovery of billed dues, however, such efforts are occasionally diluted by the court-injunctions.

It may also be noted that, without prejudice to the above-mentioned apparent increase in T&D losses and slightly short recovery of dues, GEPCO has not contributed to the increase in Circular Debt. The fact may be verified from the CPPA-G that, during FY 2023-24, the remittances/adjustments of GEPCO remained 106% of the Power Purchase invoices of CPPA-G.

It is reiterated that, during the period from 2020-21 to 2022-23, GEPCO made steady and continued improvements with regard to the T&D losses resulting from cost-effective prioritization of investment in STG, DOP and ELR projects. During the year

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2023-24 alone, GEPCO completed 42 HT and 1,131 LT proposals under DOP/ELR heads.

Keeping in view the above submissions, it is clear that apparent underperformance with regard to T&D losses and slight deviation in case of recoveries has neither caused any addition to the Circular Debt nor impacted the consumers.

Accordingly, it is respectfully requested that the matter may kindly be closed without any pecuniary action against GEPCO, as any such action shall neither be in the interest of power sector nor the consumers"

11. In order to proceed further as per law, a hearing in the matter of Show Cause Notice was scheduled for July 10, 2025. During hearing, following submissions were made by Licensees's representatives:

i. GEPCO provided details regarding overbilling, stating that the month-end typically falls on the 8th or 9th of each month. In the previous year, following directions from NEPRA, GEPCO revised its billing practices, resulting in bills being issued five days earlier than usual and this adjustment led to a 1.2% loss.

ii. Additionally, further resolutions of billing-related issues also incurred a separate loss of 1.2%.

FINDINGS:

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

i) The Licensee has submitted that its T&D losses have apparently increased at 11.48% in FY 2023-24 compared to 8.91% during FY 2022-23 and 9.00% NEPRA target for FY 2023-24. However, this apparent increase has emerged due to overbilling to consumers through readings beyond 30 days. Accordingly, it was inter alia directed by the Authority to strictly adhere to (a) monthly billing period, and (b) follow the batch meter reading schedules. The Licensee has further submitted that it made visible progress on the mentioned directions, and on an average, 4-5 days billing was reduced during the year 2023-24, resulting in extra apparent loss of approximately 1.25%. The Licensee has also submitted that during the year 2023-24, it settled chronic old matter relating to billing corrections, as one-off corrections. This resulted in extra apparent loss of approximately 1.2%.

The Authority while reviewing the Licensee 's submissions, observes that the company has acknowledged the allegations outlined in the Explanation and Show Cause Notice. The justifications provided for the observed increase further substantiate the Licensee's non-compliance with NEPRA laws. As a licensed distribution company, the Licensee is legally obligated to comply with the NEPRA Act, the Consumer Service Manual, and other applicable regulatory instruments governing electricity billing. However, the Licensee failed to fulfill these obligations and engaged in overbilling practices that affected millions of consumers. This malpractice led to significant public concern, prompting the Authority to initiate an investigation. Based on the findings, the Licensee was directed to reimburse the overcharged units and amounts to the affected

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consumers. While this corrective action initially resulted in a reduction in reported losses, the subsequent reversal of units caused an increase in the loss percentage. These practices represent a clear and serious violation of NEPRA's regulatory framework.

ii) The Licensee has submitted that it assures that the progress for current financial year, i.e. FY 2024-25, will be better than the targeted levels. The Licensee has further claimed that with the exception of FY 2023-24, the Licensee has not only made steady and continuous improvements with regards to the T&D losses but has always remained well within the limits determined by the honorable Authority.

The Authority while considering the submissions of the Licensee has clarified that the instant proceedings are based on data from FY 2023-24, and the allegations have been framed accordingly and that have been admitted by the Licensee. However, the justification now being provided by the Licensee, citing improved performance in FY 2024-25, does not absolve the company of its non-compliance during FY 2023-24. Furthermore, it appears that overbilling was a recurring practice within GEPCO, seemingly used as a tool to manage T&D losses at its desired levels. In FY 2023-24, however, NEPRA's intervention compelled the Licensee to reverse the overbilled amounts, which consequently led to an increase in reported T&D losses.

iii) With regard to recoveries, the Licensee has submitted that its recoveries during FY 2023-24 stood at 99.07% of the computed billing with a slight decline from 99.86% in the year 2022-23. The Licensee has also claimed that it is one of the best performing XWDISCO, all out efforts are made to ensure full recovery of billed dues, however, such efforts are occasionally diluted by the court-injunctions.

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The Authority has gone through the submissions of the Licensee and noted that the Licensee's claims are not substantiated by factual evidence. The Circular Debt Report for June 2024 clearly reflects a decline in the Licensee's recovery performance, with the recovery percentage decreasing from 98% in FY 2022-23 to 96% in FY 2023-24. While the Licensee has submitted recovery data claiming it is based on computed billing, it has failed to respond to the specific allegations or address the figures reported in the Circular Debt Report.

Decision

13. 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 50,000,000/- (Fifty Million) on the Licnesee due to its failure pertaining to improvement in T&D losses and Recovery in FY 2023-24 as compared to FY 2022-23.

14. The Licensee is directed to pay the fine amount of PKR 50,000,000/- (Fifty 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 Licnesee 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

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