



Registrar

National Electric Power Regulatory Authority

Islamic Republic of Pakistan

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No. NEPRA/SA(M&E)/TCD-05/ 16920

October 23, 2025

Chief Executive Officer,
Lahore Electric Supply Company (LESCO),
22-A, Queen's Road Lahore

Subject: ORDER OF THE AUTHORITY IN THE MATTER OF SHOW CAUSE NOTICE ISSUED TO LESCO UNDER REGULATION 4(8) AND 4(9) OF NEPRA (FINE) REGULATIONS, 2021, ON ACCOUNT OF DECLINE IN PERFORMANCE WITH RESPECT TO TRANSMISSION & DISTRIBUTION (T&D) LOSSES AND RECOVERY BASED ON CIRCULAR DEBT (CD) FOR THE MONTH OF JUNE 2024

Please find enclosed herewith, the Order of the Authority (total 05 pages) in the subject matter for information and compliance.

Enclosure: As above

23/X/25
(Iftikhar Ali Khan)



National Electric Power Regulatory Authority

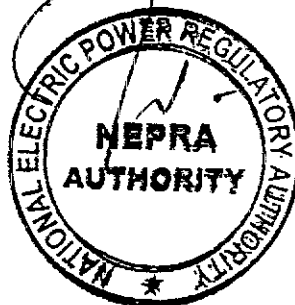
ORDER

**IN THE MATTER OF SHOW CAUSE NOTICE ISSUED TO LESCO 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 BASED
ON CIRCULAR DEBT (CD) FOR THE MONTH OF JUNE 2024.**

1. Lahore Electric Supply Company Limited (LESCO) (the "Licensee") was granted a Distribution License (No. DL/03/2023) 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 DISCO as given in the CD report, it is noted that the Licensee has also contributed to such increase of overall losses and the subsequent financial impact. It is a matter of fact that the T&D losses of the Licensee have increased to 15.92% in FY 2023-24 as compared to 11.88% in FY 2022-23. Due to this increase, the financial loss has also increased to Rs. 47.6 billion in FY 2023-24 as compared to Rs. 25.8 billion.
4. 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.



5. However, in response, the Licensee vide its letter dated December 19, 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:

6. 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 March 27, 2025, on account of violation of NEPRA Act, terms & conditions of License, tariff determination and other applicable documents. The salient features of Show Cause Notice are narrated 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 November 05, 2024. The basis of the 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

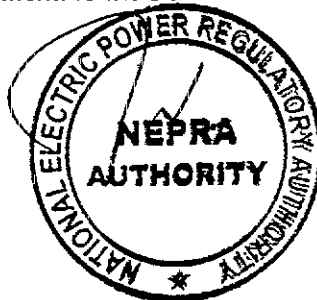
4. WHEREAS, NEPRA's allowed average target of T&D Losses for the FY 2023-24 was 11.77%. Thus, DISCOs have breached the target by 6.54%. This breach of target contributed around Rs. 276 billion in Circular Debt for the FY 2023-24 despite the fact that DISCOs have been allowed an investment amount of Rs. 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 15.92% in FY 2023-24 as compared to 11.88% in FY 2022-23. Due to this increase, the financial loss has also been increased to Rs. 47.6 billion in FY 2023-24 as compared to Rs. 25.8 billion; and

6. 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

7. 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

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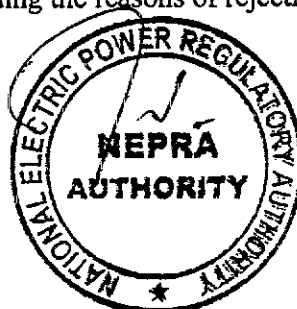
8. **WHEREAS**, pursuant to Section 31 (2) (c) of the NEPRA Act, the Authority, in the determination, modification, or revision of rates, charges and terms and conditions for the provision of electric power services shall keep in view the encouragement of efficiency in licensees, operations and quality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

9. **WHEREAS**, pursuant to clause 5.6 of the Authority's Determination dated April 20, 2023 in the matter of Investment Plan filed by the Licensee for MYT control period for the FY 2023-24 to 2027-28, the Licensee itself claimed that it will achieve the tangible and non-tangible benefits including reduction in transmission & transformation losses. Similarly pursuant to clause 6.2. of the above said determination, the Licensee itself claimed certain billion rupees investment requirement for energy loss reduction program. 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

10. **WHEREAS**, pursuant to clauses 6.18 & 6.19 of the Authority's Determination dated April 20, 2023 in the matter of Investment Plan filed by the Licensee for MYT control period for the FY 2023-24 to 2027-28, the Authority allowed the investment as claimed by Licensee, however, the Authority rationalized the claimed losses of the Licensee as per allowed investment. This means that the Licensee was obligated to utilize the allowed investment in FY 2023-24 and achieve the loss reduction as determined by the Authority. 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

11. **WHEREAS**, pursuant to clause 8.6 of the Authority's Determination dated April 20, 2023 in the matter of Investment Plan filed by the Licensee for MYT control period for the FY 2023-24 to 2027-28, the Licensee itself claimed that it will achieve the tangible and non-tangible benefits from AMI projects including loss reduction and recovery improvement in high loss areas. Moreover, pursuant to clause 8.10 of the above-said determination, the Authority allowed the investment claimed by the Licensee for AMI project, however, the Authority rationalized the claimed losses of the Licensee as per allowed investment. However, the Licensee has failed to achieve the same; and

4. **WHEREAS**, the Licensee submitted its response vide letter dated 19.12.2024 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; and
5. **WHEREAS**, therefore, 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



7. The response of the Licensee against the SCN was not received within the stipulated time. Therefore, in order to proceed further as per law, the Authority decided to provide an opportunity of hearing to LESCO. 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 LESCO stated that during the campaign by law enforcing agencies on overbilling, LESCO's officers/officials were hiding and not attending their offices. The same had severely affected the performance of LESCO in terms of increase in theft and ultimately losses.
- ii. CEO LESCO admitted that the wrong/overbilling was carried out, which was adjusted upon the directions of NEPRA Authority. The same is also a factor in increase of losses.
- iii. CEO LESCO explained that our progressive recovery was 99.7% by the ending of 2025 and losses were 15.8 against 13.4.

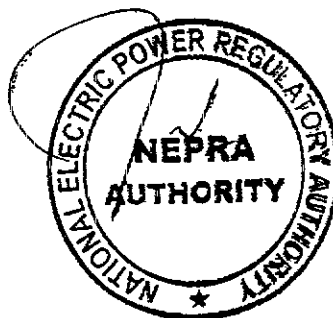
FINDINGS:

8. The non-submission of a reply to the show cause notice by the Licensee itself indicates that the Licensee has no defense and is, in effect, admitting to the allegations leveled against it. The show cause notice was originally issued on March 27, 2025, with a response period of 15 days. However, despite the lapse of more than three months, the Licensee failed to submit any reply, which reflects its lack of seriousness regarding compliance with regulatory directives.

9. During the hearing, the Licensee submitted that their officers were evading various law enforcement agencies due to ongoing inquiries related to wrong/excessive billing. As a result, they were unable to focus on the company's operational performance, particularly with regard to losses. This further substantiates that the Licensee actions concerning metering and billing were improper, leading to their inability to face law enforcement agencies. Had they not been at fault, they would have been able to attend office and concentrate on their responsibilities, which they ultimately failed to do.

10. In addition to the above, the Licensee has itself admitted to carry out overbilling in violation of the NEPRA Consumer Service Manual (CSM), and that the excess amount was returned or adjusted in compliance with the directions of the NEPRA Authority. This further constitutes an admission by the Licensee, reinforcing the validity of the allegations outlined in the show cause notice.

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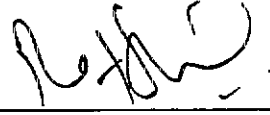
Decision

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 25,000,000/- (Twenty Five 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 25,000,000/- (Twenty Five 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

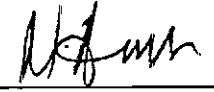
Rafique Ahmed Shaikh
Member (Technical)



Amina Ahmed
Member (Law)



Engr. Maqsood Anwar Khan
Member (Development)



Waseem Mukhtar
Chairman

Dated 23-10-2025

