



National Electric Power Regulatory Authority  
Islamic Republic of Pakistan

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Registrar

No. NEPRA/CAD/TCD 02/14576-78

August 23, 2017

Chief Executive Officer  
Islamabad Electric Supply Company (IESCO)  
Street No 40, G-7/4,  
Islamabad.

Subject: Order in the matter of Complaint filed by Kohinoor Textile Mills Limited through Mr. Asif Combah under Section 39 of the NEPRA Act, 1997 against IESCO regarding withdrawal of Audit Para No. 335/2014 for the period of DG IR 2012-13 and Refund of Rs.1,058,882/-

Please find enclosed herewith the Order of NEPRA dated 22.08.2017 (05 Pages) regarding the subject matter for necessary action and compliance within thirty (30) days, please.

Encl: As above

23/08/17  
(Iftikhar Ali Khan)  
Director  
Registrar Office

Copy to:

1. C.E. / Customer Service Director  
Islamabad Electric Supply Company Ltd. (IESCO)  
Street No. 40, Sector G-7/4, Islamabad
2. Mr. Muhammad Asif Combah  
Head – Industrial Relations & Admin  
Kohinoor Textile Mills Limited  
Peshawar Road, Rawalpindi



**BEFORE THE  
NATIONAL ELECTRIC POWER REGULATORY AUTHORITY  
(NEPRA)**

Complaint No. IESCO-20/02/2017

**Kohinoor Textile Mills Limited**

Through Mr. Muhammad Asif Combh. ....

Kohinoor Textile Mills Limited, Peshawar Road,  
Rawalpindi.

**Complainant**

**Versus**

**Islamabad Electric Supply Company (IESCO)** .....

Head Office IESCO, Street No. 40, G-7/4  
Islamabad.

**Respondent**

**Date of Hearings:**

May 10, 2017

May 19, 2017

**Date of Order:**

August , 2017

**On behalf of**

**Complainant:**

- 1) Mr. Muhammad Asif Combh, Head IR & Admin
- 2) Mr. Athar Majeed Bhatti, Manager Finance
- 3) Mr. Ibrar Hussain, Manager-Electrical

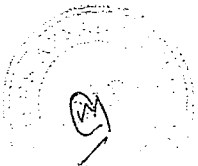
**Respondent:**

- 1) Mr. Arif Mehmood Saddozai, Additional S.E.
- 2) Mr. Muhammad Ishaque Tahir, CSO
- 3) Mr. Zahir Khan, Audit Officer

**Subject:** ORDER IN THE MATTER OF COMPLAINT FILED BY KOHINOOR TEXTILE MILLS LIMITED THROUGH MR. ASIF COMBOH UNDER SECTION 39 OF THE REGULATION OF GENERATION, TRANSMISSION AND DISTRIBUTION OF ELECTRIC POWER ACT, 1997 AGAINST IESCO REGARDING WITHDRAWAL OF AUDIT PARA NO.335/2014 FOR THE PERIOD OF DG IR 2012-13 AND REFUND OF RS. 10,58,882/-

**ORDER**

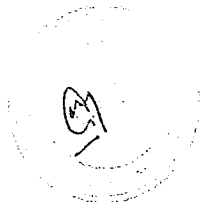
This order shall dispose of the complaint dated February 13, 2017 filed through Mr. Muhammad Asif Combh on behalf of Kohinoor Textile Mills Limited Rawalpindi (hereinafter



referred to as the "Complainant" or "KTML") against the Islamabad Electric Supply Company Limited (hereinafter referred to as the "Respondent" or "IESCO") under Section 39 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (hereinafter referred to as the "NEPRA Act").

2. The Complainant in the complaint submitted as under:

- i. In past, KTML had two connections under tariff category B-3 and one connection under H tariff category. However, all the connections were discontinued in the year 1996 due to installation of own power generation facility by MLECL Maple Leaf Electric Company (initially a Group Company of KTML), having 11.72 MW capacity; which was further increased up to 23.72 MW. Moreover, electricity requirements of KTML, including mills and residential colony, were met through self-generation.
- ii. Due to extension in manufacturing facilities and increased electricity requirement, KTML approached IESCO for a fresh B-3 electricity connection (4.989 MW) which was energized in the month of February 2012 for dedicatedly feeding the Spinning Unit of KTML.
- iii. Considering the continuous hike of oil prices and high cost of self-generation, KTML again approached IESCO in July 2013 and applied for H Tariff (490 kW load) for its residential colony, which was approved and accordingly KTML paid Rs. 294,482/- as Capital Cost and Rs. 764,400/- as Security in October 2013. KTML also applied for a separate B-3 tariff connection in July 2014 for its Processing and Made-ups units, however, the same was refused by IESCO and instead, KTML was advised to apply for B-4 tariff connection.
- iv. Later on, upon drop in petroleum prices in the international market, KTML decided not to pursue the new B-3 connection for Processing and Made-ups units. KTML also lost interest in H tariff connection for residential colony. Accordingly, KTML requested IESCO in September 2016 for refund of deposited amount (i.e. Rs.1,058,882/-) against the H connection. In response, IESCO intimated them about an audit para amounting to Rs.10.661 Million on account of non-installation of separate connection under H Tariff for residential colony attached with industrial premises of KTML and demanded the said amount. In this regard, KTML approached IESCO, however, no response was received from IESCO.



- v. KTML has requested that IESCO be directed to refund the amount of Rs. 1,058,882/- paid by KTML for H connection.

3. The matter was taken up with IESCO for submission of para-wise comments. In response, IESCO vide its letter dated April 18, 2017 submitted (inter alia) that from the year 1996 to 2012, KTML was meeting its electricity requirements from its own power generation plant. During the year 2012, a B-3 connection (4.989 MW) was obtained by KTML on pretext of extension. Request for another B-3 connection was made by KTML in the year 2014 which was turned down due to non-admissibility of second connection within the same premises. As such, KTML was advised to extend the load of the existing connection to B-4 tariff. A connection under tariff H for 490 kW load was applied by KTML for its residential colony on the pretext of hike in oil prices and low pressure of gas. Before applying for connection under tariff H, the prerequisites, i.e. independent circuit and receiving points of supply, were met. KTML is avoiding H Tariff purely on fiscal basis i.e. H Tariff being on higher side as compared to B-3 Tariff, whereas it is a part and parcel of B-3 tariff to avoid misuse of industrial supply. The same observation had also been raised by DG Audit in the inspection report for the year 2012-13 vide Para No. IR-3 (later on converted to Draft Para No. 335/2014) which is pending for implementation of H tariff. Audit is also stressing for recovery of Rs. 10.661 Million for the period from March 2012 to June 2013.

4. In order to proceed further into the matter, two (02) hearings were held on May 10, 2017 and May 19, 2017 at NEPRA Head Office Islamabad wherein both the parties i.e. (IESCO and KTML) advanced arguments based on their earlier submissions. During the hearings, the IESCO representative(s) apprised that the Audit note is based on the Tariff Terms & Conditions determined by NEPRA, whereby the H Tariff is mandatory for one-point supply to residential colonies attached to the industrial supply consumers having their own distribution facilities. KTML representatives added that the electricity supply from IESCO has never been used in its residential colony, rather the electricity requirements of the colony are being met with self-generation. IESCO was also directed to carry out survey to investigate any misuse of tariff at KTML. In response, IESCO informed that there is no doubt in credibility of KTML, as such there is no requirement of any survey.

5. The case has been analyzed in detail in light of documents made so available by the parties, arguments advanced during the hearings and the applicable law. Following has been concluded:



- (i). KTML is engaged in textile business and in past, it had two connections under tariff category B-3 for its units and one connection under H tariff category for its residential colony. KTML had set up its own power plant (23.72 MW) and disconnected all these connections in the year 1996. In the year 2012 due to hike in oil prices, KTML obtained a connection from IESCO under B-3 tariff category having sanctioned load of 4.989 MW exclusively for its spinning unit. Moreover, in the year 2013, KTML again approached IESCO for another electricity connection under H tariff category having load of 490 kW for its residential colony. Accordingly, demand notice(s) amounting to Rs.2,94,482/- as Capital Cost and Rs.7,64,400/- as Security Deposit was paid by KTML on October 04, 2013. However, the connection was not installed by IESCO.
- (ii). As per the version of KTML, due to drop in petroleum prices in the international market, it decided not to pursue the application for a new B-3 connection and also it lost interest in H tariff category connection for the residential colony. In this regard, KTML vide its letter dated September 15, 2016 requested IESCO for refund of Rs.10,58,882/- deposited by KTML against the H tariff connection. In response, IESCO vide letter dated November 02, 2015 intimated KTML about the observations of Audit party for the year 2012-13 that an amount of Rs.10.661 Million on account of loss in revenue has been worked out from March 2012 to June 2013 due to delay in installation of separate electricity connection under H Tariff for residential colony attached with industrial unit of KTML. In response, KTML informed that the residential colony is separate from the industrial supply and electricity requirements of the residential colony are met with self-generation, however, the issue remained unresolved.
- (iii). Audit of IESCO has raised an amount of Rs.10.661 Million against the Complainant on the basis of interpretation of Tariff Terms & Conditions that a separate connection under H tariff category is required for a residential colony attached with the industry.
- (iv). In Tariff Terms & Conditions, the requirement of a separate connection under H tariff for a residential colony is not mandatory. If any industry has its own generation, it cannot be compelled to obtain a separate connection from the distribution company.

- (v). H tariff is applicable for one-point supply to residential colonies attached to the industrial supply consumers having their own distribution facilities. Further, *Special Condition of Supply for H tariff* specify that the supply under H tariff shall not be available to persons who meet a part of their requirement from separate source of supply at their premises. In the instant case, the electricity requirements of the residential colony are met with self-generation, therefore separate connection under H tariff category is not required for the residential colony of KTML.
- (vi). IESCO has never alleged the Complainant for misuse of tariff i.e. provision of supply to the residential colony from the existing B-3 tariff connection. This proves that the tariff has never been misused. Moreover, IESCO's claim for recovering its losses amounting to Rs. 10.661 Million based on the Audit Report/Objection is without any legal grounds.
- (vii). Recently, an industrial consumer of IESCO under Tariff B4 has filed a complaint with NEPRA against IESCO regarding non-provision of a separate connection under tariff H category for their residential colony. Upon inquiry, IESCO reported that the consumer is having separate source of supply i.e. self-generation, therefore, separate connection under tariff H cannot be provided, as special condition of supply of tariff H clearly indicates that a consumer having a separate source of supply cannot be provided connection under tariff H category. Therefore, till amendment in NEPRA Tariff Terms & Conditions, the consumer is not eligible for separate connection under tariff-H.
6. Foregoing in view, it is clear that the consumer has not utilized B3 connection for its colony, therefore, the Audit note is unjustified. —
7. Compliance report be submitted within thirty (30) days. —

  
Member (Consumer Affairs) 22/8/17

Islamabad, August 22, 2017