



**National Electric Power Regulatory Authority**  
**Islamic Republic of Pakistan**

NEPRA Tower, Ataturk Avenue(East), G-5/1, Islamabad  
Ph: +92-51-9206500, Fax: +92-51-2600026  
Web: www.nepa.org.pk, E-mail: registrar@nepa.org.pk

**Registrar**

No. NEPRA/R/D(CAD)/TCD.09/901

January 22, 2015

Chief Executive Officer  
K-Electric Limited  
KE House No. 39-B,  
Sunset Boulevard, Phase-II,  
DHA Karachi

**Subject: DECISION OF THE AUTHORITY IN THE MATTER OF SHOW CAUSE NOTICE UNDER RULE 4(8) AND 4(9) OF THE NEPRA (FINES) RULES, 2002 REGARDING CHARGING OF METER RENT BY K-ELECTRIC LIMITED (FORMERLY KESC)**

Please find enclosed the decision of NEPRA in the subject matter for necessary action and compliance in its true letter and spirit. Further, the amount of fine i.e. Rs. 10 Million imposed upon K-Electric vide the subject decision be deposited to NEPRA for further crediting to Federal Consolidated Fund. Compliance report be submitted within 30 days of the receipt of this decision.

Encl:/As above

  
22.01.15  
(Syed Safer Hussain)  
Registrar



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

**Date of Hearings:** May 22, 2014  
October 30, 2014

**Subject: DECISION OF THE AUTHORITY IN THE MATTER OF SHOW CAUSE NOTICE UNDER RULE 4(8) AND 4(9) OF THE NEPRA (FINES) RULES, 2002 REGARDING CHARGING OF METER RENT BY K-ELECTRIC LIMITED (FORMERLY KESC)**

**Decision**

1. National Electric Power Regulatory Authority (hereinafter referred to as the "Authority or NEPRA") is established under Section 3 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (hereinafter referred to as the "Act").
2. The Authority granted distribution licence to K-Electric Limited (KE), formerly Karachi Electric Supply Company Limited, to engage in distribution business vide licence No. 09/DL/2003, and being a licensee, it is required to charge rates, tariff and charges as approved by the Authority and to follow the provisions of the Act and rules / regulations made there-under.
3. KE was given multi-year tariff by the Authority in the year 2002. As per spirit of multi-year tariff, the tariff was locked for certain period of time and during that locked period, KE cannot claim any other expense or charge, any other cost in any head to the consumer and it can only claim certain pre-determined adjustments and variations as expressly provided in the multi-year tariff determination and its adjustment mechanisms. Further, KE being a distribution licensee can only charge such rates, tariff and other charges as determined/approved by the Authority and notified in the official Gazette.
4. A news article was published in the daily Pakistan Today on June 26, 2013 regarding charging of meter rent by KE in electricity bills. Also, a complaint was received in NEPRA from the one Choudhary Mazhar Ali. Accordingly, the matter was taken up with KE vide letter dated July 4, 2013 for submission of report. In response, KE submitted its report vide letter dated July 18, 2013 wherein it was informed that KE is charging meter rent from its consumers @ Rs.7.50 to Rs.20/- per month and generating revenue of Rs.18 million monthly. The matter was again taken up with KE vide NEPRA's letter dated October 31, 2013 to submit information/details with respect to start of collection of meter rent, amount so far recovered on this account, amount of meter rent collected against each consumer category and revenue being generated per month with respect to collection of meter rent and KE was also directed to stop practice of collection of meter rent forthwith on the basis of the following:



- i) The contention of KE that meter rent is charged for the operation and maintenance of the meter is not justified as the operation and maintenance components are a part of the multi-year tariff allowed to KE.
  - ii) The contention of KE that meter rent is charged as the cost is borne by the utility in case of replacement of a meter on the basis of any discrepancy detected in the impugned metering equipment where the discrepancy is not attributable to any act or omission of the consumer is frivolous and incorrect. As per the applicable provisions of Consumer Service Manual (CSM), the cost in case of replacement of meter owing to any discrepancy not attributable to consumers cannot be charged from the consumer, therefore, KE has no valid and legal justification to charge meter rent on this ground.
  - iii) It is also relevant to clarify that Ex-WAPDA DISCOs were charging the meter rent from those consumers for whom the cost of meters was borne by the utilities and no meter rent is being charged from the consumers who paid the cost of the meters at the time of installation of electricity connection.
  - iv) In case the cost of meter is borne by the consumer, which is the practice as admitted by KE, then there exists no basis of charging meter rent from the consumers as any such practice is against established legal and even commercial principles.
  - v) There is no specific approval granted to KE through Multi-Year Tariff or any other applicable document for charging meter rent from the consumers. Hence, the references, given by KE, of tariff determination dated March 09, 1998, chapter 8.3 of CSM and Consumer Eligibility Criteria are misleading and have no relevance with the issue in hand.
5. In response, KE submitted its report vide letter dated November 08, 2013, which was found unsatisfactory and directions of the Authority remained unattended. Accordingly, KE was served an explanation under Rule 4(1)&(2) of NEPRA (Fines) Rules, 2002 vide letter No. NEPRA/R/TRF-133/147 dated January 03, 2014 to either admit or deny violations and non-compliance of the directions of the Authority within a period of fifteen (15) days from the receipt of the explanation. KE submitted reply to the explanation letter vide its letter No. GM(RA)/NEPRA/2014/085 dated February 26, 2014 wherein KE, inter-alia, stated as follows:
- i) The meter rent is recovered from the consumers as a cost for replacement of meter which is changed after a certain period of time as per utility practice to ascertain the actual consumption. The cost of replacement of meter is fully borne by KE, in compliance with the Consumer Service Manual, and not charged to consumer. Currently, the TOU meters are also being replaced by KE, without recovering the cost from consumers.
  - ii) KE is also responsible for the maintenance of the meter, to keep it in perfect condition. No cost is recovered from the consumer for change of meter in case of any discrepancy which is not attributable to consumer.
  - iii) KE is allowed to recover the cost of meter and its maintenance through revenue from meter rent and not through O&M or any other expense in the tariff. This practice is being applicable since establishment of KE in 1913.
  - iv) The Government of West Pakistan, while setting up the structure of electricity tariff and its terms and conditions, published the Gazette Notification in February, 1970, shows the meter rent separately, chargeable from the consumers in addition to the energy charges.
  - v) The Authority, under tariff determination of KE, in case No. NEPRA/TRF-14/KESC-2002, has also realized that the meter rent is an integral part of KE revenue and included in other revenue as shown in the Profit and Loss working of the said determination. The meter rent is also part of other revenue in the MYT determination of 2009.



- vi) The investor at the time of privatization of KE, while carrying out the due diligence, was fully aware of the fact that the meter rent is the integral part of the revenue as such denial of this is against the rules of privatization. KE also requested for an opportunity of hearing in the matter.
6. An opportunity of hearing was provided to KE on April 30, 2014 which was postponed on request of KE and was finally held on May 22, 2014 at NEPRA Head office Islamabad. During the hearing, K- Electric representatives reiterated their written submissions as submitted through various correspondences. The explanation of KE was considered by the Authority and found unsatisfactory, hence rejected.
7. KE was served a show cause notice vide NEPRA's letter dated July 25, 2014 in terms of rule 4(8) and 4(9) of the NEPRA (Fines) Rules, 2002 read with section 29 of the Regulation of Generation, Transmission and Distribution of Electric Power Act 1997. In response, KE submitted reply to the show cause notice vide its letter dated August 15, 2014 wherein KE stated, inter alia, that meter rent is charged from the consumers as no cost for change of meter is recovered in case of any discrepancy which is not attributable to consumer and the same is being charged for maintenance aspect only. Further, meter rent is being charged before the establishment of NEPRA in 1997 and NEPRA after its establishment included meter rent charges in tariff determination dated March 9, 1998. Also, in KE's multi-year tariff determinations of 2002 and 2009, meter rent is part of other revenue. KE also requested for an opportunity of hearing. Accordingly, the request of KE was considered and an opportunity of hearing was provided to KE on October 30, 2014 at NEPRA Head Office, Islamabad.

8. **Findings of the Authority**

The issue of meter rent and stance of KE has been examined in the light of Multi-Year Tariff Determination of KE and other applicable documents and the findings of the Authority on the issue are as under;

- i) The stance taken by K-Electric that it replaces the meter at its own cost is subject to the peculiar circumstances whereby the meters already installed by consumer at its own cost is damaged or becomes defective due to fault not attributable to the consumer. As per the applicable provisions of Consumer Service Manual (CSM), the cost in case of replacement of meter owing to any discrepancy not attributable to consumer cannot be charged from the consumer, hence levy of any kind of charge i.e. rent on this ground is illegal, unlawful and against commercial and prudent utility practices.
- ii) As per provisions of Consumer Service Manual and as admitted by K-Electric that the cost of meter at the time of installation is borne by the consumer and as such, charging of any rent from the owner of the property is unfair, unjustified and against established legal principles.
- iii) The stance of K-Electric that it is charging meter rent for operation and maintenance of meter has no legal value as operation and maintenance cost is the part of Multi-Year Tariff determined and approved by the Authority. K-Electric has no legal justification and authority to charge any rent on account of operation and maintenance cost in addition to already allowed operation and maintenance cost in its Multi-Year Tariff.
- iv) Notwithstanding the fact that the rent cannot be recovered from a consumer who has already borne the cost of meter, there is no justification for recovering the rent from consumer where the original cost of meter installation was borne by the K-Electric and it has recovered the cost over a period of time under the head/account of rent.
- v) K-Electric being a licensee, is bound to charge only such tariff and charges in the monthly electricity bill which have been determined by the Authority from time to time and notified in the official gazette. There is no specific approval granted to KE through MYT or any



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other applicable document for charging meter rent from the consumers, therefore, charging the same by K-Electric is totally unjustified and unlawful.

- vi) K-Electric has failed to place any documentary evidence on record which establishes that the Authority has given any approval to K-Electric to charge meter rent.
- vii) The stance of K-Electric that it was not provided an opportunity of hearing before issuing the directions dated October 31, 2013 has no legal value and relevance as K-Electric, being a licensee of NEPRA, is bound to follow the applicable provisions of applicable law. The Authority through letter dated October 31, 2013 directed K-Electric to charge only such rates, charges and tariff determined/approved by the Authority by following the process of law and no fresh determination of tariff which could affect K-Electric has been made. Since K-Electric was charging the meter rent which was neither approved by the Authority nor allowed through its already determined and notified multi-year tariff determinations, therefore, K-Electric was directed to follow the law and stop collection of meter rent immediately.

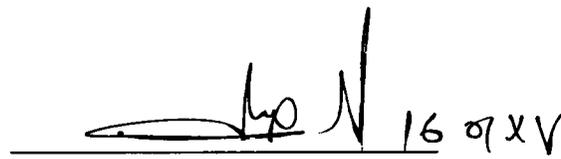
9. **Decision of the Authority**

The Authority is convinced that there is no specific approval granted to K-Electric through its multi-year tariff or any other applicable document for charging meter rent from its consumers. Therefore, charging of meter rent by K-Electric is totally unjustified and unlawful and by doing so, K-Electric has violated the provisions of its granted license, its already determined multi-year tariff and Rule 6 of NEPRA Licensing (Distribution) Rules, 1999. Considering the nature of violations and failure of K-Electric to act as a responsible utility, the Authority has decided to impose an amount of Rs. 10 Million as fine upon K-Electric in pursuance of Rule 3 of NEPRA (Fines) Rules, 2002 read with Section 29 of the NEPRA Act, 1997. K-Electric is further directed:

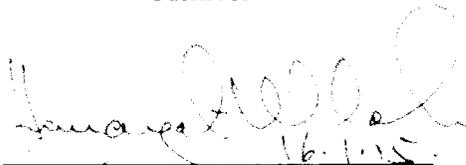
- a) to immediately stop charging of meter rent from its consumers;
- b) to workout and intimate the amount so far collected on account of meter rent and refund the same to the consumers through adjustment in their future bills.
- c) to submit compliance report within 30 days

  
15/11/15

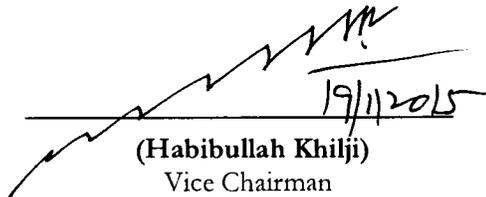
(Maj (R) Haroon Rashid)  
Member

  
16/11/15

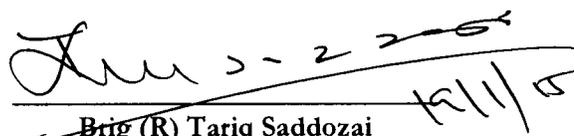
(Khawaja Muhammad Naeem)  
Member

  
16/11/15

(Himayat Ullah Khan)  
Member

  
19/11/2015

(Habibullah Khilji)  
Vice Chairman

  
15/11/15

Brig (R) Tariq Saddozai  
Chairman

