



Registrar

# National Electric Power Regulatory Authority

## Islamic Republic of Pakistan

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No. NEPRA/ADG(CAD)/TCD-09/10753-56

April 21, 2020

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

Subject: **DECISION IN THE MATTER OF COMPLAINTS FILED BY THE ASSOCIATION OF BUILDERS & DEVELOPERS OF PAKISTAN (ABAD) AND SAIMA REAL ESTATE BUILDERS & DEVELOPERS UNDER SECTION 39 OF THE REGULATION OF GENERATION, TRANSMISSION AND DISTRIBUTION OF ELECTRIC POWER ACT, 1997 AGAINST K-ELECTRIC LIMITED REGARDING SELF-FINANCING SCHEME, ETC.**  
**KE-20/02/2020**  
**KE-20(A)/02/2020**

Reference is made to complaints filed by the Association of Builders & Developers of Pakistan (ABAD) and Saima Real Estate Builders & Developers, and hearing held on 12<sup>th</sup> February 2020 at NEPRA Head Office, Islamabad regarding the subject matter.

2. Please find enclosed herewith the Decision of the Authority for necessary action and compliance within fifteen (15) days, please.

Encl: As above

  
21 04 20  
( Syed Safer Hussain )

Copy to:

1. Mr. Ayaz Jaffar Ahmed  
Director (Finance & Regulations),  
KE House No. 39-B, Sunset Boulevard,  
Phase-II, Defense Housing Authority, Karachi.
2. Mr. Ehteshamullah Malik, Secy. General,  
Association of Builders & Developers of Pakistan (ABA)  
St. 1/D, Block 16, Gulistan-e-Johar, Karachi.
3. Mr. Zeeshan Saleem  
Saima Real Estate Builders & Developers,  
Survey No. 72, Deh Jam Chakro,  
Opp. Sector 1-A/4, North Karachi.  
Tele: 021 3621 2001-003



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

**Complaint No. KE-20(A)/02/2020**  
**Complaint No. 20/02/2020**

**Association of Builders and Developers of Pakistan (ABAD),** ..... **Complainant No.1**  
Street 1/D, Block 16, Gulistan-e-Johar, Karachi.

**M/s Saima Real Estate Builders and Developer** ..... **Complainant No.2**  
Survey No. 72, Deh Jam Chakro  
Opposite Sector 1-A/4, North Karachi

**VERSUS**

**K-Electric Limited (KEL)**  
KE House No 39-B,  
Sunset Boulevard Phase-II,  
Defence Housing Authority, Karachi.

..... **Respondent**

**Dates of Hearing:** February 12, 2020

**On behalf of**  
**Complainants:**

- |      |                          |                       |
|------|--------------------------|-----------------------|
| i)   | Mr. Muhammad Ali Taufceq | (Chairman ABAD)       |
| ii)  | Mr. Abdul Rehman         | (VC ABAD)             |
| iii) | Mr. Fayyaz Ilyas         | (Former VC ABAD)      |
| iv)  | Mr. Danish bin Rauf      | (Member)              |
| v)   | Mr. M. Hassan Bakshi     | (Member)              |
| vi)  | Mr. Imran Younus         | G.M Saima Real Estate |

**Respondent:**

- |     |                          |               |
|-----|--------------------------|---------------|
| i)  | Mr. Kamran Akhtar Hashmi | Director (KE) |
| ii) | Mr. Asif Shajer          | DGM (KE)      |



**Subject: DECISION IN THE MATTER OF COMPLAINTS FILED BY ASSOCIATION OF BUILDERS AND DEVELOPERS OF PAKISTAN (ABAD) AND SAIMA REAL ESTATE BUILDERS AND DEVELOPERS UNDER SECTION 39 OF THE REGULATION OF GENERATION, TRANSMISSION AND DISTRIBUTION OF ELECTRIC POWER ACT, 1997 AGAINST K-ELECTRIC REGARDING SELF-FINANCING SCHEME, ETC**

**DECISION**

This single Decision shall dispose of the complaints filed by M/s Association of Builders and Developers of Pakistan Karachi (hereinafter referred to as the "Complainant No.1" or

"ABAD") and M/s Saima Real Estate Builders and Developers Karachi (hereinafter referred to as the "Complainant No.2" ) against K-Electric Limited (hereinafter referred to as the "Respondent" or "KE" or K-Electric), under Section 39 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (hereinafter referred to as the "NEPRA Act").

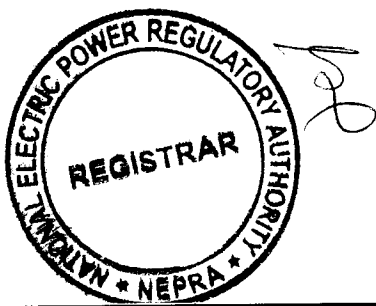
2. Brief facts of the case are that NEPRA received a complaint from ABAD against KE. The ABAD submitted that KE has terminated its Self-Finance scheme without giving them any notice being an important stakeholder. The ABAD added that KE assess load of any scheme on higher side. This criteria be get vetted from Pakistan Engineering Council. KE recovers feeder/grid sharing charges on higher side as compared to other distribution companies. The ABAD added that KE recovers huge charges in terms of GST and GST on material is being charged in duplication. ABAD executes work as per the approved specifications. Further, in case KE executes work/scheme; no detail of estimates are provided to ABAD.

3. The Complainant No. 2, M/s Saima Real Estate Builders and Developers Karachi submitted that their two cases pertaining to Saima Villas having case ID No. 909012482 and Saima Elite Villas having case ID No. 903408041 are pending with KE. The Complainant No. 2 requested that KE be directed to allow them to execute the schemes on self-finance basis because schemes being executed by KE are very expensive. Further no details are being provided by KE regarding the estimate. Only one page estimate is being issued.

4. In order to proceed further into the matter a hearing was held on February 12, 2020, at NEPRA Head office Islamabad, which was attended by all the three parties. During the hearing the matter was discussed in detail. The representative of ABAD and the M/s Saima Real Estate Builders and Developers Karachi reiterated their earlier versions. The ABAD added that NEPRA Consumer Eligibility Criteria clearly provides for the self-finance schemes and the same is also in practice in other DISCOs. The estimates issued by KE are on higher side and also the schemes are not completed within specified time period. KE charges 15 % supervision charges against the schemes executed by KE itself. The ABAD added that previously, KE had divided its areas in different zones for assessment of load based on consumer classes; but now KE has changed its criteria and load of all consumers/applicants is assessed in the same manner regardless of high class, low class areas. The ABAD was of the view that KE charges them tax on the material which has already been taxed and recovers tax on installation charges as well.

5. The representatives of K-Electric informed that previously it allowed the sponsors to carry out electrification schemes at their own, however, the same scheme has been discontinued due to various reasons including the following:

- i) The societies/builders carried out electrification work through unapproved contractors who did not execute work according to the approved standards of safety and quality.



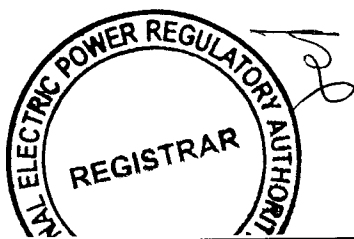
- ii) The substandard and rejected material was being used in the self-finance schemes which resulted in lowering the quality of the infrastructure, posing a serious risk to the safety of the residents and to the infrastructure itself.
- iii) The sponsors procured the material from the same suppliers as procured by KE, which resulted in a shortage of supplies for KE while meeting the demand of the sponsors.
- iv) The bank guarantee that was being given by the sponsor was an added burden on the sponsor.
- v) There was delay in execution of schemes.
- vi) KE procures material in bulk and thus negotiates best available prices with the suppliers. The material procured by the sponsor is higher in cost as compared with prices charged by KE.

The representatives of KE further added that the new connections is not source of income for KE. The taxes are paid to FBR and not retained by KE. Their rates are comparable to the charges of other distribution companies. Further, they have filed petition to NEPRA for new connection charges/ assessment of load etc. KE representatives further submitted that they recover 15 % supervision charges which also includes designing of electrification network but in other DISCOs; the applicants' networks are designed by the consultants who charge them an huge amount.

6. The representatives of ABAD averred that they get their work executed through approved contractors of KE. ABAD guarantees that no substandard material has ever been used and the material used in projects is of the same specifications as that used by KE itself. They complete their projects within time and there is no inordinate delay. The projects are only taken over by KE if the same have been completed as per specifications of KE. The ABAD representatives further submitted that KE be directed to issue them invoice for payment of GST directly with FBR instead of collecting by K-Electric itself. The ABAD further stated that KE does not provide breakup of the cost charged for electrification and only provides a one pager estimate. They have requested K-Electric from time to time for provision of details but KE never provided the same. The KE officials during the hearing agreed to provide complete breakup of cost charge to the applicants along with demand notice.

7. In order to proceed further, KE and the Complainants were directed to provide estimates of few projects of ABAD for their comparison with estimates issued by LESCO. In response, KE vide letter dated March 04, 2020 provided estimates involving 250 kVA and 500 kVA transformers. ABAD also provided some cases where KE has issued demand notices.

8. The case has been analyzed in detail in light of the documents made so available by the parties, arguments advanced in the hearing and applicable law. The Complainants have raised the issue of abolishment of self finance scheme, assessment of load, non provision of details of



cost charged for electrification, imposition of taxes in duplication. The following has been concluded:

(i) Previously KE allowed applicants to execute electrification work on their own through approved contractors. Such applicants were required to furnish bank guarantee to KE equal to the amount of electrification cost of the scheme to ensure execution of work within specified time frame. In this regard, KE used to charge 15 % supervision charges. Subsequently, the said scheme was abolished by KE in December 2017. Now, KE carries out electrification schemes at its own. However, upon closure of scheme KE did not take ABAD, being a main stakeholder, into confidence. Even KE did not seek approval from NEPRA in this regard. The said facility is available in all other Distribution Companies.

(ii). The Authority in its Multi Year Tariff (MYT) determination 2016 with respect to connection charges decided as under:

57.6. .... The perusal of all the above mentioned documents reveal that different rates based on different criteria are being used for calculating other connection charges such as storage, supervision and installation etc. In view thereof, the Authority considers that the issue requires separate proceedings through consultation of relevant stakeholders so as to ensure equitable basis for charging of other connection charges from consumers all across the country. Till such time, K-Electric shall ensure that other connection charges pertaining to new connection to the prospective consumers are comparable with the XWDISCOs preferably LESCO.

(A). The components of connection charges, charged by KE where the work is carried out by KE itself are as under:

- (a) Material Cost=A
- (b) Labour and transport charges=B=12 % of A
- (c) Store and purchase charges=C= 8 % of A
- (d) Sub-total =A+B+C
- (e) Network planning/designing and supervision charges=D=15% of (A+B+C)
- (f) Total cost = E = (A+ B + C + D)
- (g) GST= F= 17% of E
- (h) Further tax = 3% of E (for Non Sales Tax Registration Number applicants)

(B). The components of connection charges; charged by LESCO where the work is carried out by LESCO itself are as under:

- (a) Cost of material including 12% store charges = A
- (b) Installation charges= 8% of A
- (c) Vetting of the proposal-----1.5% of the estimated total capital cost in case of electrification of housing scheme.



The above comparison shows that there is a difference and the charges levied by KE are not in accordance with the components charged by LESCO. In addition to above,

- a. KE recovers grid sharing charges of 50%, which includes cost of grid and transmission line plus feeder sharing charges @ Rs. 23,500 per kW for load above 1 MW, whereas, LESCO charges 50% of grid sharing cost from the sponsors of housing societies @ Rs. 4900 per kW for load upto 5 MW. and @ Rs. 4474 per kW for load above 5 MW. This anomaly is required to be rectified.
- b. LESCO recovers rehabilitation charges in case supply is given from common distribution feeder and in case of an independent feeder no rehabilitation charges are being taken, whereas, KE recovers feeder sharing charges. This is also required to be rectified.
- c. There is difference between load assessment criteria of K-Electric and LESCO which is also required to be rectified.

The above anomalies have been noted and are being taken into consideration in Consumer Service Manual.

(iii). The Distribution Companies, including LESCO allow execution of electrification schemes in housing societies on self finance basis and obtain bank guarantee equal to 25% of the total electrification cost from the sponsor, valid for the entire period upto completion of full electrification work of the scheme. In lieu thereof, the Distribution Companies charge 5.5% of the estimate as per the following details:

- (a). Vetting of the proposal-----1.5% of the estimated total capital cost of electrification.
- (b). Material inspection----- 2.5% of the estimated total capital cost of electrification.
- (c). Supervision charges -----1.5% of the estimated total capital cost of electrification.

(iv). According to NEPRA Consumer Eligibility Criteria "Sponsor" means a person, entity, Government development agency, developer of real estate or a Housing Society situated within service territory of a DISCO and which sponsors the development of a Sponsored Dedicated Distribution System (SDDS) for the supply of power in a specified area or a specified group of consumers. Further the said Eligibility Criteria envisages that the SDDS shall be developed either by the sponsor itself as per the approved standards of the distribution company or through the concerned distribution company subject to mutually agreed terms and conditions. This shows that there is no bar upon sponsor to carry out electrification work through the approved contractors of the distribution company, as such disallowing the electrification work by KE to the sponsors is in violation of the provisions of the NEPRA Consumer Eligibility Criteria.

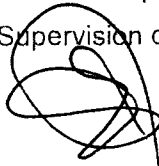
(vi). The GST is being charged by KE in duplication on material because the material which is purchased/procured includes GST. The Distribution Companies do not charge GST on

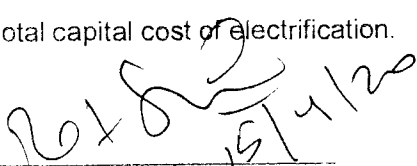


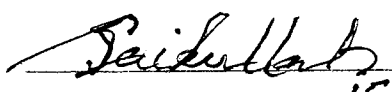
material as the GST is already included in the cost of material while procurement. KE also charges GST on labour & transport charges, and store & purchase charges, whereas, the other Distribution Companies do not charge GST on installation charges. KE must take up this issue with Federal Board of Revenue (FBR) for clarification.

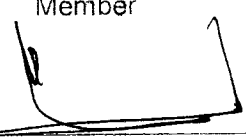
9. Foregoing in view, closure of self-execution schemes by K-Electric is illegal, without any solid justification and also in violation to the provisions of NEPRA Consumer Eligibility Criteria, 2003. Such practice is in vogue in other Distribution Companies. The applicants/sponsors should have the option for development/ execution of electrification work either by KE or by the sponsor itself. KE cannot be allowed to carry out any practice which is in violation of Law. In view of the said, K-Electric is directed to open the self finance scheme and allow the applicants/sponsors the option of self-execution schemes subject to the following:

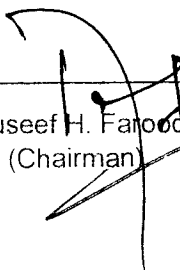
- i) The electrification work should be carried out through K-Electric's approved contractors.
- ii) The material shall be procured from K-Electric's approved vendors and the same be as per the specifications of K-Electric. Proof to the effect that material has been procured from KE's approved vendors be provided to KE, if so demanded.
- iii) The electrification work should be carried out within the specified time period.
- iv) The Sponsor is required to pay to K-Electric an amount equal to 25% of total estimate as security in the form of bank guarantee/pay-order; which shall be returned by KE upon completion of the scheme.
- v) The following charges will be recoverable from the applicant/sponsor:
  - (a). Vetting of the proposal-----1.5% of the estimated total capital cost of electrification.
  - (b). Material inspection----- 2.5% of the estimated total capital cost of electrification.
  - (c). Supervision charges -----1.5% of the estimated total capital cost of electrification.

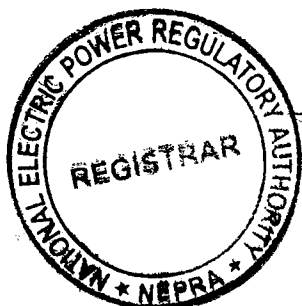
  
15/4/2020  
(Rehmatullah Baloch)  
Member

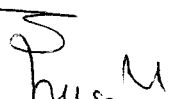
  
15/4/20  
(Rafique Ahmad Shaikh)  
Member

  
15.4.2020  
(Saif Ullah Chattha)  
Member

  
(Engr. Bahadur Shah)  
VC/Member

  
Tauseef H. Farooqi  
(Chairman)



  
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