



National Electric Power Regulatory Authority

Islamic Republic of Pakistan

Registrar

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July 02, 2025

Chief Executive Officer,
Lahore Electric Supply Company Limited
22-A, Queen Road, Lahore

Subject: **DETERMINATION OF THE AUTHORITY IN THE MATTER OF REVIEW
PETITION OF LAHORE ELECTRIC SUPPLY COMPANY LIMITED
PERTAINING TO ELECTRIC POWER SUPPLY LICENCE**

Reference: LESCO letter No. 187-90/CEO/MRD dated 26.01.2024

Please find enclosed herewith the determination of the Authority alongwith Annexure I, II & II (total 13 pages) in the matter of Review Motion filed by Lahore Electric Supply Company Limited pertaining to Electric Power Supply Licence.

Encl: As Above

Wasim Anwar Bhinder
(Wasim Anwar Bhinder)

Copy to:

1. Secretary, Power Division, Ministry of Energy, A-Block, Pak Secretariat, Islamabad.
2. Managing Director, NGC, 414-WAPDA House, Lahore.
3. Chief Executive Officer, CPPA-G, 73-West, Shaheen Plaza, Blue Area, Islamabad
4. CEO, Independent System and Market Operator of Pakistan (Guarantee) Limited (ISMO), Faiz Ahmed Faiz Road, H-8/1, Islamabad
5. Managing Director, Private Power & Infrastructure Board, Ground & 2nd Floors, Emigration Tower, Plot No. 10, Mauve Area, Sector G-8/1, Islamabad
6. Chief Executive Officer, Quetta Electric Supply Company, Zarghoon Road, Quetta
7. Chief Executive Officer, Multan Electric Power Company Limited, Khanewal Road, Multan
8. Chief Executive Officer, Islamabad Electric Supply Company, IESCO Head Office, Sector G-7/4, Islamabad
9. Chief Executive Officer, Gujranwala Electric Power Company Limited, 565-A, Model Town, G.T Road, Gujranwala
10. Chief Executive Officer, K Electric, KE House, 39 B, DHA Phase-II, Karachi
11. Chief Executive Officer, Peshawar Electric Supply Company, Shami Road, Peshawar
12. Chief Executive Officer, Tribal Areas Electricity Supply Company, 213-NTDC House, Shami Road, Peshawar
13. Chief Executive Officer, Sukkur Electric Supply Company, Old Thermal Power Station, Sukkur
14. Chief Executive Officer, Hyderabad Electric Supply Company, G.O. R Colony, Hyderabad
15. Chief Executive Officer, Faisalabad Electric Supply Company, Abdullahpur, Canal Bank Road, Faisalabad
16. Chief Executive Officer, Hazara Electric Supply Company Limited, HAZECO Head Office, Gulistan Colony, Opposite Govt. Post-Graduate College No. 1, Abbottabad

National Electric Power Regulatory Authority
(NEPRA)

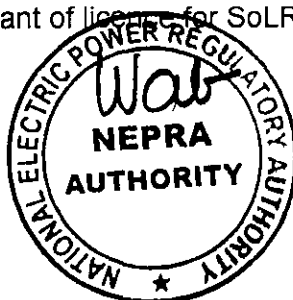
Determination of the Authority in the Matter of
Review Petition of Lahore Electric Supply Company Limited
Pertaining to Electric Power Supply Licence

Case No. LAS-14
Dated July 02, 2025

The Authority, in terms of Sections 23E and 23F of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (XL of 1997) (the "NEPRA Act"), granted an Electric Power Supply Licence No. SOLR/03/2023, dated December 27, 2023, to Lahore Electric Supply Company Limited (LESCO), to act as Supplier of Last Resort (SoLR) for its electric power supply business.

2. On the above, LESCO felt aggrieved and filed a Review Motion on January 16, 2024, in terms of Regulation 3 of the NEPRA (Review Procedure) Regulations, 2009 (the "Review Regulations"). In its submissions, LESCO objected to the phrasing of various articles, including:- (a). Article 3 regarding the ["Grant of Licence"], (b). Article 6 regarding ["Modification of Licence"], (c). Article 9 regarding ["Obligation to Supply Electric Power"], (d). Article 10 on ["Obligation to Plan in Advance"], (e). Article 11 regarding ["Commercial Agreement"], (f). Article 14 relating to ["Obligations with respect to the CTBCM"], (g). Article 28 pertaining to ["Functional and Legal Separation"], (h). Article 30 regarding ["Credit Rating & Financial Health"] and (i). Article 31 regarding ["Interpretation of the Licence Provisions"]. The Authority admitted the Review Motion on February 27, 2024, in terms of Regulation 4 of the Review Regulations and decided to offer an opportunity for a hearing. In this regard, the hearing was held on August 21, 2024.

3. In the hearing, the representatives of LESCO reiterated their submissions given in the Review Motion and emphasized the need to change/amend the above articles in light of observations made in their review motion. In this regard, LESCO on Article 3 i.e. ["Grant of Licence"] submitted that the addition of the sentence *"..... or eligible to obtain a distribution licence....."* in the 2nd Proviso of the said article is contrary to the provisions of Rule 4 of the Eligibility Criteria (Electric Power Supplier Licences) Rules, 2023 (the "Rules") which envisages that only an applicant "holding" a Distribution Licence shall be eligible to obtain a licence for SoLR. In view of the said, it is clear that "holding" of the Distribution Licence is a prerequisite, for the grant of licence for SoLR. Therefore, the sentence *"....or*



eligible to obtain a Distribution Licence..." needs to be removed to make the same consistent with the Rules.

4. Regarding Article 6 concerning "Modification of Licence", LESCO stated that the said article outlines various methods by which the licence may be modified, including (a). the Authority Proposed Modification (APM), (b). Licensee Proposed Modification (LPM), and (c). Modification by Operation of Law (MOL). LESCO expressed that the procedures for APM and LPM are distinct and well elaborated however, the process of Modification by Operation of Law will be self-activating and may therefore be misleading. In view of the said, the Authority may remove this provision.

5. Regarding Article 9 on "Obligation to Supply Electric Power", it was submitted that the said article envisages that if DISCO fails to supply electric power to any person who fulfils the consumer eligibility criteria, the Authority may initiate legal proceedings against it. In this regard, LESCO was of the view that there could be events where even eligible consumers may not receive electric power for reasons beyond its control, including but not limited to force majeure, litigation, or the requirements of another law. In view of the said, the Authority may incorporate such exemptions in the article of its licence for SoLR.

6. Regarding Article 10 relating to ["Obligation to Plan in Advance"], LESCO remarked that ensuring security of supply, *vis-à-vis* the Capacity Obligation, is its responsibility as SOLR. Further, the procurement of electric power is to be compliant with the Capacity Obligation in accordance with the approved Indicative Generation Capacity Expansion Plan (IGCEP). Therefore, the Licensee will not be in a position to exercise any control to avoid under or over-contracting *vis-à-vis* the Capacity Obligation. In light of the said, the Article 10.1 merits suitable correction by deleting the sentence "...and avoid under or over-contracting...".

7. On Article 11 regarding "Commercial Agreement", LESCO submitted that the same envisages the submission of "all relevant information" while entering into a contract with the consumer. LESCO suggested to amend the said article to include "all possible and applicable relevant information at given time".



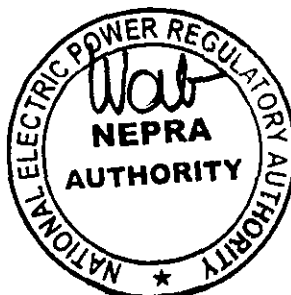
8. Regarding Article 14 relating to "Obligations with respect to the CTBCM", LESCO stated that the said article envisages establishment of an independent and functional Competitive Trading Bi-Lateral Contract Market (CTBCM) department with dedicated resources for planning, contract management, and legal and regulatory affairs, headed by a senior officer of Grade-20 reporting to the Chief Executive Officer. LESCO emphasized that the hierarchy/management of the company should be regulated in letter and spirit of the relevant Laws and requirements. Any advice from the Authority may be addressed through a directive order, but cannot form part of the Licence.

9. Regarding Article 28 relating to ["Functional and Legal Separation"], it was submitted that the Authority may review its scheme because the Rules require that the Licence of SOLR may only be given to a Distribution Licensee. By separation, the LESCO will become an SoLR without holding a Distribution Licence. Therefore, this aspect requires a revisit to avoid non-compliance of the Rules.

10. Regarding Article 30, ["Credit Rating & Financial Health"], LESCO stated that it is a government-owned company and is not involved in the banking or lending business. Moreover, the solvency requirements set out in the Rules are satisfied. Additionally, such a requirement falls under the Companies Act and therefore needs to be removed from its Licence.

11. Regarding Article 31, relating to ["Interpretation of the Licence Provisions"], LESCO submitted that the Authority retains the right to interpret the provisions of its Licence, which may lead to discrepancies in the understanding of the Licensee and subsequent interpretations at a later stage. The said situation may result in complications in compliance issues and therefore, to avoid any such a scenario, it is requested that the Authority may reconsider this aspect. The Authority has considered the submissions of LESCO and its position in the matter is explained in the following paragraphs.

12. Regarding Article 3 ["Grant of Licence"], the Authority has considered that any discrepancy in the Articles with respect to provisions of the Rules needs to be rectified and therefore, the submissions of LESCO regarding Article 3 merit consideration. In view of the said, the Authority decides to amend this Article 3 duly considering the provisions of the Rules.



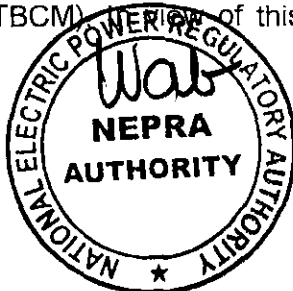
13. Regarding Article 6 on ["Modification by Operation of Law"], the Authority has noted that LESCO, due to a lack of clarity on the matter, has made submissions that are essentially apprehensions and without any basis. If there is a change in the law, an opportunity will be provided to LESCO, for which the procedure has already been outlined in the relevant regulations. In view of the said, the Authority decides to retain this Article in its original form.

14. Regarding Article 9 "Obligation to Supply Electric Power", the Authority is of the view that the obligation to supply electric power on a non-discriminatory basis is enshrined under Section 23F of the NEPRA Act and cannot be altered. However, if there are any exceptions where LESCO is unable to supply electricity for valid reasons, it may refer the matter to the Authority for necessary guidance. The Authority considers that the terms and conditions granted in the licence are general provisions and not specific conditions, as LESCO has attempted to suggest. Therefore, the Authority considers that there is no need to modify/change this Article and the same will be retained as original.

15. With regards to Article 10 pertaining to ["Obligation to Plan in Advance"], the Authority considers that it is a fact that the existing contracted generation capacity and the recent iteration(s) of IGCEP, almost all the projects are already committed. In this regard, the Authority observes that the said scenario is for an interim period, which will phase out eventually and subsequently and LESCO, as an SOLR, will be contracting the generation capacity as per its requirements in the long run. In view of the said, the Authority did not agree to the submissions of LESCO and decides to retain the Article unchanged as previously.

16. Upon the submission of LESCO on Article 11 relating to the "Commercial Agreement", the Authority is of the considered opinion that this Article, in its current form, actually envisages the submission of all possible information for the contract to be executed between SOLR and the consumer. The observations of LESCO are merely an issue of understanding therefore, the Authority does not find any ground to modify this Article.

17. Regarding the observations of LESCO about MIRAD as given in Article 14, the Authority is of the view that the establishment of this department is considered paramount importance for the successful implementation and sustainability of the Competitive Trading Bi-Lateral Contract Market (CTBCM). In view of this background, the Authority in this



particular Article had emphasized that the licensee shall establish MIRAD. In this regard, the submissions of LESCO as explained above have been duly considered however, the Authority is of the considered opinion that in view of the importance of MIRAD in successful implementation of CTBCM, there is no need to amend this Article except repositioning/replacing the sentence "...Further, the Licensee shall not impede or prevent any other Licensee or market participant from engaging in their respective activities..." from Article 14.2 to end of Article 14.3.

18. On the particular Article 28 relating to ["Functional and Legal Separation"], the Authority has considered the matter in detail, including the provisions of the Rules. In this regard, the Authority observed that the said Article *inter alia* envisages legal separation for functions of Distribution and Supply whereas, the Rules stipulate that only the holder of a Distribution Licence will be eligible for the Licence of SoLR meaning thereby that unless the Rules are modified, the licences for Distribution and SoLR will legally be with the same entity. Notwithstanding the said, the Authority observed that the Federal Government has already initiated its plan to invite Private Sector Participation for XW-DISCO(s) and considering the potential future evolution of the electricity market towards retail competition, there may be a requirement of legal separation of supply and distribution functions at some later stage. In this regard, the Federal Government, through its letter F.No.5/3/2013-D-III dated November 14, 2024, has acknowledged that the legal separation of Distribution and SoLR Licences may be required at a later stage, subject to the NE Policy, the NE Plan, and the Rules. Therefore, the Authority after duly considering the submissions of LESCO, decided to amend Article 28.1 and Article 28.2 and delete Article 28.3 as the same was found to be redundant in view of the revised articles.

19. Regarding the observations of LESCO on Article 30 of its Electric Power Supply Licence, i.e. ["Credit Rating & Financial Health"], wherein it has agitated the requirement to have its assessment through a rating agency, the Authority clarifies that under the provisions of the NEPRA Act, it has exclusive domain not only to grant a licence but also to specify the terms and conditions of the same. In consideration of the said, the Authority hereby clarifies that it included the specific article to compel the DISCO(s) to improve their performance and to become self-sustainable, especially with respect to the obligation(s) pertaining to the future procurements in particular and to improve the service delivery to their consumers in general. The Authority is of the considered view that imposing such requirements/conditions will not only make things more transparent for lending



institutions/investors but will also serve as a catalyst to improve the efficiency of DISCO(s) in the long run, especially considering the future electricity market being envisaged and pursued aggressively. In view of the aforementioned, the Authority considers that such rating is of paramount importance to urge DISCO(s) to embark on a journey of improved performance, which is lacking. In view of the said, the Authority considers that the submissions of LESCO to omit/remove Article 30 are not appropriate, therefore, the same are rejected and the article is retained in its original form.

20. Regarding submission of LESCO pertaining to Article 31 ["Interpretation of the Licence Provisions"], the Authority considers that under the explicit mandate of the NEPRA Act, it holds sole and absolute authority to interpret all provisions of the licence for SoLR. The apprehensions of LESCO cannot override the fundamental principle that licensees lack the jurisdictional capacity to reinterpret legally binding terms. This provision is a longstanding regulatory practice designed to uphold consistent enforcement across the sector. In view of the said, the Authority rejects the request of LESCO for reconsideration and decides to maintain Article 31 of the Licence unchanged.

Authority

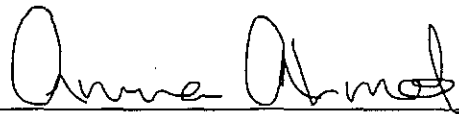
Engr. Maqsood Anwar Khan
(Member)



Rafique Ahmed Shaikh
(Member)



Amina Ahmed
(Member)

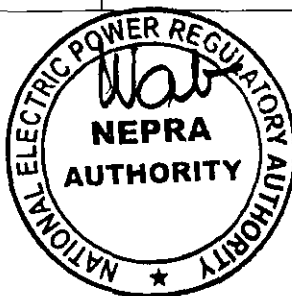


Waseem Mukhtar
(Chairman)



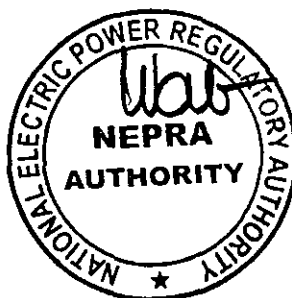
Article-3
(Grant of Licence)

Article	As per Issued Supply Licence	Revised/Modified	Remarks
3.1	This Licence is granted to the Licensee to act as Supplier of Last Resort within its Service Territory, as defined in Schedule-I, to supply electric power on a nondiscriminatory basis to all the consumers who meet the Consumer Eligibility Criteria and in accordance with the Act and relevant provisions of the Applicable Documents in a prudent and efficient manner:	This Licence is granted to the Licensee to act as Supplier of Last Resort within its Service Territory, as defined in Schedule-I, to supply electric power on a nondiscriminatory basis to all the consumers who meet the Consumer Eligibility Criteria and in accordance with the Act and relevant provisions of the Applicable Documents in a prudent and efficient manner:	No Change.
	Provided that the Authority may grant electric power supply licence to any other entity to act as a Competitive Supplier in the Service Territory of the Licensee and the Licensee shall not claim any exclusivity with respect to the Service Territory in this regard:	Provided that the Authority may grant electric power supply licence to any other entity to act as a Competitive Supplier in the Service Territory of the Licensee and the Licensee shall not claim any exclusivity with respect to the Service Territory in this regard:	No Change.



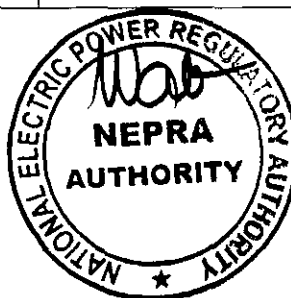
Article-3
(Grant of Licence)

Article	As per Issued Supply Licence	Revised/Modified	Remarks
	Provided further that the Authority may grant a licence for Supplier of Last Resort to any Entity, holding a distribution licence or eligible to obtain a distribution licence, in the Service Territory of the Licensee and upon grant of such licence, the Service Territory of the Licensee shall stand automatically modified.	Provided further that the Authority may grant a licence for Supplier of Last Resort to any Entity, holding a distribution licence in the Service Territory of the Licensee and upon grant of such licence, the Service Territory of the Licensee shall stand automatically modified.	Amended/Modified



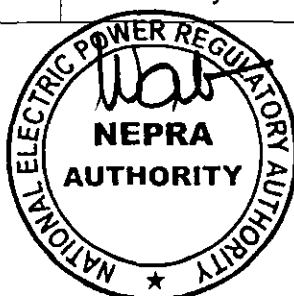
Article-14
(Obligation with Respect to the CTBCM)

Article	As per Issued Supply Licence	Revised/Modified	Remarks
14.1	The Licensee is required to participate in the development and evolution of the CTBCM and work towards its desired implementation and participate in its operations as a Market Participant as per the Applicable Documents. The Licensee shall enter into necessary agreements/contracts and fulfil its obligations under the same in good faith, ensuring non-discriminatory and fair treatment with all consumers, generation companies, and other licensees. Any variation in agreements for participation in the competitive trading arrangement shall be subject to mutual agreement and approval by the Authority.	The Licensee is required to participate in the development and evolution of the CTBCM and work towards its desired implementation and participate in its operations as a Market Participant as per the Applicable Documents. The Licensee shall enter into necessary agreements/contracts and fulfil its obligations under the same in good faith, ensuring non-discriminatory and fair treatment with all consumers, generation companies, and other licensees. Any variation in agreements for participation in the competitive trading arrangement shall be subject to mutual agreement and approval by the Authority.	No Change.
14.2	The Licensee shall establish and maintain an independent and fully functional Market Implementation and Regulatory Affairs Department or MIRAD having	The Licensee shall establish and maintain an independent and fully functional Market Implementation and Regulatory Affairs Department or MIRAD having dedicated	Amended/Modified



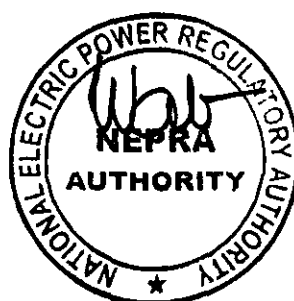
Article-14
(Obligation with Respect to the CTBCM)

Article	As per Issued Supply Licence	Revised/Modified	Remarks
	dedicated resources to deal with planning, contract management, legal, regulatory affairs headed by a senior officer of Grade-20 reporting directly to the Chief Executive Officer. Further, the Licensee shall not impede or prevent any other Licensee or market participant from engaging in their respective activities. The Licensee shall ensure that all its departments including MIRAD are fully equipped with the necessary resources to perform their functions in an efficient, effective, and timely manner. The Licensee, as part of its tariff petition, shall submit to the Authority a detailed budgetary estimate for each of its departments including MIRAD for approval.	resources to deal with planning, contract management, legal, regulatory affairs headed by a senior officer of Grade-20 reporting directly to the Chief Executive Officer. The Licensee shall ensure that all its departments including MIRAD are fully equipped with the necessary resources to perform their functions in an efficient, effective, and timely manner. The Licensee, as part of its tariff petition, shall submit to the Authority a detailed budgetary estimate for each of its departments including MIRAD for approval.	
14.3	The Licensee shall not abuse its dominant position or engage in discriminatory or anti-competitive practices and shall always comply with	The Licensee shall not abuse its dominant position or engage in discriminatory or anti-competitive practices and shall always comply with the	Amended/Modified



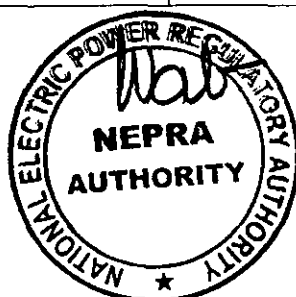
Article-14
(Obligation with Respect to the CTBCM)

Article	As per Issued Supply Licence	Revised/Modified	Remarks
	the directions of the Authority and, if applicable, comply with the laws of the Competition Commission of Pakistan.	directions of the Authority and, if applicable, comply with the laws of the Competition Commission of Pakistan. Further, the Licensee shall not impede or prevent any other Licensee or market participant from engaging in their respective activities.	



Article-28
Functional and Legal Separation

Article	As per Issued Supply Licence	Revised/Modified	Remarks
28.1	The functional and legal separation of supply and distribution business of the Licensee shall be undertaken in accordance with the provisions of this Licence, determinations and directions of the Authority, as issued from time to time.	The functional and legal separation of the distribution and supply business of the Licensee shall be undertaken in accordance with the provisions of this Licence, determinations and directions of the Authority, as issued from time to time.	Amended/Modified
28.2	The Licensee shall, at the earliest but not later than two (02) years from the date of grant of this Licence, separate its functions, as Supplier of Last Resort Company and Distribution Company into two (02) distinct legal entities and apply to the Authority for transfer of the Licence to the relevant entity, if required. In the event, these two (02) functions are not separated into two (02) distinct legal entities, the same shall be treated as a persistent contravention of the terms and conditions of the Licence and the Authority may	The Licensee shall, at the earliest but not later than two (02) years from the date of grant of this Licence, ensure functional separation of distribution and supply business. In the event of non-compliance, the Authority shall initiate legal proceedings against the Licensee accordingly, and also	Amended/Modified



Article-28
Functional and Legal Separation

Article	As per Issued Supply Licence	Revised/Modified	Remarks
	initiate legal proceedings against the Licensee accordingly, and also issue such directions as may be deemed appropriate that may include appointment of an administrator in respect of functions of the Licensee.	issue such directions as may be deemed appropriate that may include appointment of an administrator in respect of functions of the Licensee.	
28.3	Until such time the functions of the Licensee as Electric Power Supply and distribution business are not separated into two (02) distinct legal entities, the Licensee shall ensure that its business is operated in such a manner that the functions, accounts, operations and management of the distribution business are segregated from the electric power supply business so that the said functions are carried out independently, transparently and impartially without any interference.	-	Omitted

