



National Electric Power Regulatory Authority

Islamic Republic of Pakistan

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July 02, 2025

Registrar

No. NEPRA/R/LAS-11/ 9688-04

Chief Executive Officer,
Multan Electric Power Company Limited,
MEPCO Headquarters, Khanewal Road, Multan

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

Reference: MEPCO letter No. 163-66 dated 26.01.2024

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

Encl: As Above


(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, Lahore Electric Supply Company, 22-A, Queen Road, Lahore
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, HAZEKO Head Office, Gulistan Colony, Opposite Govt. Post-Graduate College No. 1, Abbottabad

National Electric Power Regulatory Authority
(NEPRA)

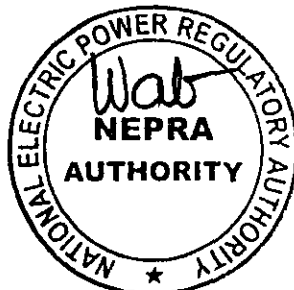
Determination of the Authority in the Matter of
Review Petition of Multan Electric Power Company Limited
Pertaining to Electric Power Supply Licence

Case No. LAS-11
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/06/2023, dated December 27, 2023, to Multan Electric Power Company Limited (MEPCO), to act as Supplier of Last Resort (SoLR) for its electric power supply business.

2. On the said, MEPCO felt aggrieved and filed a Review Motion on January 26, 2024, in terms of Regulation 3 of the NEPRA (Review Procedure) Regulations, 2009 (the "Review Regulations"). In its submissions, MEPCO objected to the phrasing of various articles, including:- (a). Article 3 regarding the ["Grant of Licence"], (b). Article 10 about ["Obligation to Plan in Advance"], (c). Article 14 relating to ["Obligations with respect to CTBCM"], (d). Article 22 about ["Communication"], (e). Article 28 pertaining to ["Functional and Legal Separation"] and (f). Article 30 regarding ["Credit Rating & Financial Health"].-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 MEPCO 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, MEPCO on Article 3 i.e. ["Grant of Licence"] submitted that the addition of sentence "...or eligible to obtain a distribution licence..." in the 2nd Proviso of Article 3 of its Electric Power Supply Licence is beyond the scope 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

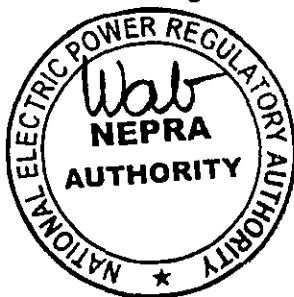


for SoLR. Therefore, the sentence "*..... or eligible to obtain a Distribution Licence ...*" needs to be removed to make the proviso of Article 3 consistent with the Rules.

4. Regarding Article 10 relating to ["Obligation to Plan in Advance"], MEPCO 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...*".

5. About Article 14 relating to ["Obligations with respect to CTBCM"], it was stated that this article stipulates establishing and maintaining an independent and functional Competitive Trading Bi-Lateral Contract Market (CTBCM) department and submission of detailed budgetary estimate for the same as part of the tariff petition. In this regard, all DISCO(s) have already established and operationalized MIRAD department therefore, the directions contained are redundant. It was also highlighted that mentioning the name of a particular/specific department is not appropriate, considering the fact that DISCO may assign the task of MIRAD to any other department and the same will require modification in the licence and may not be a prudent approach. Similarly, regarding instructions for submission of the budgetary estimates of the costs as part of the tariff petition, MEPCO is of the considered view that it is a normal practice however, making such directions part of the terms and conditions of the licence may not be appropriate, and the same may be modified. MEPCO also mentioned that the Authority in Article 14.2 had directed that "*...Further, it shall not impede/prevent any other licensee or market participant from engaging in their respective activities...*". In this regard, it was suggested that the placement of this sentence was not appropriate and the same may be placed at the end of the Article 14.3 instead of its current position.

6. About Article 22 relating to ["Communication"], MEPCO submitted that the Licensee is required to designate a person not below the rank of Chief Engineer and that too "preferably from MIRAD" department to act as a primary contact/focal person. In this regard, MEPCO submitted that detailing the focal person must be at the discretion of the

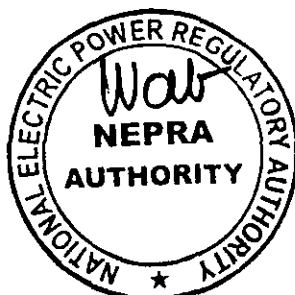


Licensee and it may be open to any suitable person/designation instead of person from MIRAD department therefore, this article may be amended accordingly.

7. On Article 28 pertaining to ["Functional and Legal Separation"], MEPCO submitted that the distribution and supply are two (02) distinct businesses/functions, and it is responsible for both of them. MEPCO highlighted that the Rules require it to have separate accounts for distribution and supplier businesses and not the legal separation. Further, the Functional and Legal Separation is a policy matter for which the Federal Government is responsible under Section 14A of the NEPRA Act and the same is binding on the Authority. Further, the NEPRA Licensing (Electric Power Supplier) Regulations, 2022 do not require legal separation of business operations but solely require the establishment of separate accounts for each business showing the financial affairs of each as if it were a separate company. MEPCO submitted that Rule 4 of the Rules prescribes that "Only an applicant holding a distribution licence shall be eligible to obtain SoLR Licence from the Authority". Therefore, any separation of two (02) licensed functions shall, thus, be in breach of the aforementioned requirement of the said Rules. In view of the above, MEPCO understands that any necessary measures pertaining to the legal separation of MEPCO must be accompanied by clear directions from the Government of Pakistan through its policy directives, accompanied by consequent amendment(s) to the regulatory framework, including the Rules. In view of the above, MEPCO requested that Article 28.2 of its SoLR Licence may be deleted while Articles 28.1 and 28.3 be amended suitably.

8. Regarding Article 30 relating to ["Credit Rating & Financial Health"], MEPCO submitted that nowhere within the applicable documents it is explicitly or implicitly stated that the Electric Power Supply Licensee is obligated to obtain a credit rating. In view of the said, this Article needs to be deleted *ab initio*, as the same is not in line with the existing regulatory regime.

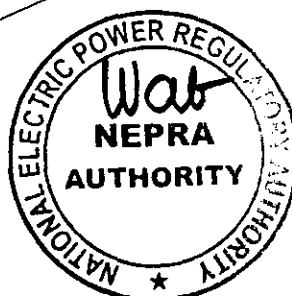
9. The Authority deliberated the matter in detail and expressed that any discrepancy in the Articles with respect to provisions of the Rules needs to be rectified and therefore, the submissions of MEPCO regarding Article 3 merit consideration. In view of the said, the Authority decides to amend this Article 3 duly considering the provisions of the Rules.



10. 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 MEPCO, 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 MEPCO and decides to retain the Article unchanged as previously.

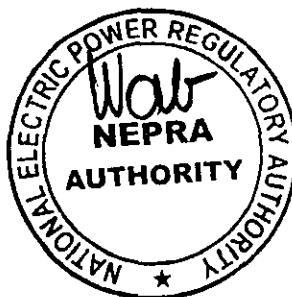
11. Regarding Article 14, which relates to ["Obligations with respect to CTBCM,"] the Authority considers that the establishment of MIRAD is not merely an operational requirement, but rather the foundation for the successful implementation of the CTBCM model. It is important to note that the specific name of MIRAD is meant to standardize the approach across all licensees/DISCO(s) and ensure consistency in the market operations, and to ensure that the requirements of CTBCM are met uniformly. Furthermore, the requirement to submit detailed budgetary estimates for each department, including MIRAD as part of the tariff petition, is a standard regulatory practice to ensure that there is no disconnect between market responsibilities and financial allocations. In view of the said, the conditions related to MIRAD, as mentioned in Article 14.2, remain intact, and there is no need to amend this Article. However, about the suggestion of MEPCO that the sentence, "*...Further the Licensee shall not impede or prevent any other Licensee or market participant from engaging in their respective activities...*" is not suited to the context of Article 14.2, the Authority agrees with the point of view of MEPCO and approves positioning the same at the end of Article 14.3.

12. Regarding the request of MEPCO to allow detailing any person as a focal person instead of from MIRAD, as stipulated in Article 22 ["Communication"], the Authority has observed that similar observations were raised regarding Article 14 and the same are reiterated and the submissions of the DISCO are rejected.



13. 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 has 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 licence for 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 MEPCO, 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.

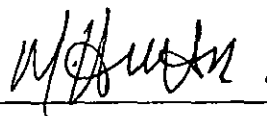
14. Regarding the observations of MEPCO on Article 30 of its Electric Power Supply Licence, i.e. ["Credit Rating & Financial Health"], wherein it has agitated the requirement to have its assessment through a rating agency, the Authority clarifies that under the provisions of the NEPRA Act, it has exclusive 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



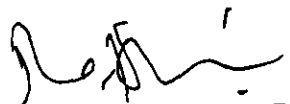
considers that the submissions of MEPCO to omit/remove Article 30 are not appropriate, therefore, the same are rejected and the article is retained in its original form.

Authority

Engr. Maqsood Anwar Khan
(Member)



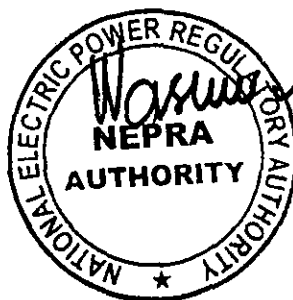
Rafique Ahmed Shaikh
(Member)



Amina Ahmed
(Member)

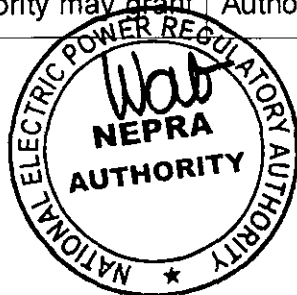


Waseem Mukhtar
(Chairman)



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.
	Provided further that the Authority may grant	Provided further that the Authority may grant a	Amended/Modified



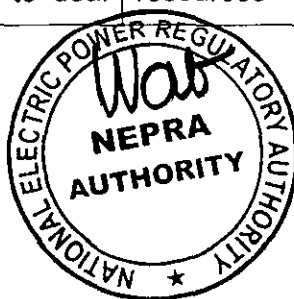
Article-3 (Grant of Licence)

Article	As per Issued Supply Licence	Revised/Modified	Remarks
	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.	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.	



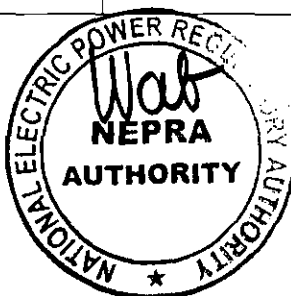
Article-14 (Obligation with Respect to the CTBCM)

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 dedicated resources to deal	The Licensee shall establish and maintain an independent and fully functional Market Implementation and Regulatory Affairs Department or MIRAD having dedicated resources to deal with	Amended/Modified



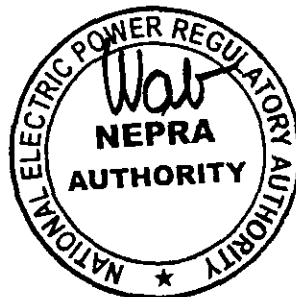
Article-14 (Obligation with Respect to the CTBCM)

Article	As per Issued Supply Licence	Revised/Modified	Remarks
	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.	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 directions of the Authority and, if applicable, comply	The Licensee shall not abuse its dominant position or engage in discriminatory or anti-competitive practices and shall always comply with the directions of the Authority and, if applicable, comply with the	Amended/Modified



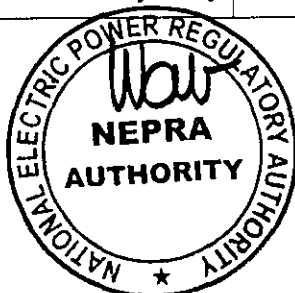
Article-14 (Obligation with Respect to the CTBCM)

Article	As per Issued Supply Licence	Revised/Modified	Remarks
	with the laws of the Competition Commission of Pakistan.	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

