National Electric Power Regulatory Authority
Islamic Republic of Pakistan

Registrar

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No. NEPRA/TRF-233/FESCO-2013/1201-1203
February 6, 2014

Subject: **Determination of the Authority in the matter of Petition filed by Faisalabad Electric Supply Company Ltd. for Determination of its Consumer end Tariff Pertaining to FY 2013-14 [Case # NEPRA/TRF-233/FESCO-2013]**

Dear Sir,

Please find enclosed herewith the subject Determination of the Authority along with Annexure-I, II, III, IV, V, VI & VII (86 pages) in Case No. NEPRA/TRF-233/FESCO-2013.

2. The Determination is being intimated to the Federal Government for the purpose of notification of the approved tariff in the official gazette pursuant to Section 31(4) of the Regulation of Generation, Transmission and Distribution of Electric Power Act (XL of 1997) and Rule 16(11) of the National Electric Power Regulatory Authority (Tariff Standards and Procedure) Rules, 1998.

3. Please note that only the Order of the Authority at para 25 of the Determination along with Annexure-I (Fuel Price Adjustment Mechanism), Annex-III (Schedule of Electricity Tariffs), Annex-IV (FESCO Power Purchase Price), Annex-V (Terms and Conditions) and Annex-VII (Summary of Directions) needs to be notified in the official Gazette.

Enclosure: As above

(Syed Safeer Hussain)

Secretary
Ministry of Water & Power
'A' Block, Pak Secretariat
Islamabad

CC:

1. Secretary, Cabinet Division, Cabinet Secretariat, Islamabad.
2. Secretary, Ministry of Finance, 'Q' Block, Pak Secretariat, Islamabad.

National Electric Power Regulatory Authority

(NEPRA)

PETITION NO: NEPRA/TRF-233/FESCO-2013

TARIFF DETERMINATION

FOR

FAISALABAD ELECTRIC SUPPLY COMPANY

(FESCO)

DETERMINED UNDER

NEPRA TARIFF (STANDARDS AND PROCEDURE) RULES - 1998

Islamabad

February , 2014

Abbreviations

CpGenCap	The summation of the capacity cost in respect of all CpGencos for a billing period minus the amount of liquidated damages received during the months
CPPA	Central Power Purchasing Agency
DISCO	Distribution Company
DM	Distribution Margin
FY	Financial Year
GOP	Govern.ment of Pakistan
GWh	Giga Watt Hours
KV	Kilo Volt
kW	Kilo Watt
kWh	Kilo Watt Hour
MW	Mega Watt
NEPRA	National Electric Power Regulatory Authority
O&M	Operation and Maintenance
PPP	Power Purchase Price
PYA	Prior Year Adjustment
RAB	Regulatory Asset Base
RORB	Return on Rate Base
SRO	Statutory Regulatory Order
T&D	Transmission and Distribution
TOU	Time of Use
USCF	The fixed charge part of the Use of System Charges in Rs./kW/Month

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DETERMINATION OF THE AUTHORITY IN THE MATTER OF PETITION FILED BY FAISALABAD ELECTRIC SUPPLY COMPANY (FESCO) FOR DETERMINATION OF ITS CONSUMER END TARIFF

CASE NO. NEPRA/TRF/233/FESCO-2013

PETITIONER

Faisalabad Electric Supply Company Limited (FESCO), Canal Road, Abdullahpur, Faisalabad.

INTERVENER

1.Pakistan Cotton Ginners Association
2.Flying Cement Company Limited,
3.All Pakistan Textile Mill Association (APTMA)

COMMENTATOR

Nill

REPRESENTATION

1. Dr. Rana Abdul Jabbar Khan, Chief Executive Officer
2. Muhammad Iqbal Ghori Finance Director
3. Muhammad Naeem Ullah, Director HR & A
4. Ghazanfar Ali Baloch, GM (Operations)
5. Khurshid Alam, Chief Technical Officer
6. Ch. Ghulam Rasul, Chief Commercial Officer
7. Sheikh Akhtar Hussain, Chief Engineer (T&G)
8. Aziz Ahmed, Addl; D.G (IS)
9. Abdul Razzaq, Addl; D.G *(L&L)*

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The Authority, in exercise of the powers conferred on it under Section 7(3) (a) read with Section 31 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997, Tariff Standards and Procedure Rules, 1998 and all other powers enabling it in this behalf, and after taking into consideration all the submissions made by the parties, issues raised, evidence/record produced during hearings, and all other relevant material, hereby issues this determination.

31/1/2014

(Maj (Rtd) Haroon Rashid)
Member

(Habibullah Khilji)
Member

03.02.2014.

(Khawaja Muhammad Naeem)
Vice Chairman

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06.01.14

1. Background and Brief History

1.1 Faisalabad Electric Supply Company Limited (FESCO), hereinafter called "the Petitioner", being a Distribution Licensee of NEPRA filed a petition for the determination of its consumer-end tariff pertaining to the FY 2013-14 in terms of Rule 3(1) of Tariff Standards & Procedure Rules-1998 ("Rules"). The grounds and basis of the Petition along with relief sought as per Rule 3(2)(b) & (c) of Rules are described as under:

1.2 <u>GROUNDS OF PETITION</u>

The Petitioner stated that the instant tariff petition is being filed in order to ensure its financial viability through timely recovery of its prudently incurred costs/expenditure and reasonable return, to comply with regulatory standards and future investment for network expansion. The Petitioner further submitted the following facts and grounds owing to which it has filed a tariff petition for the FY 13-14:

i. The existing Distribution Margin (DM) is not sufficient for the Petitioner to meet the anticipated Revenue Requirement in FY 2013-14 due to inflationary impact, increase in regulatory asset base, expansion of network (addition of sub-divisions & divisions), construction of new grids, increase in salaries wages, repair & maintenance and increase in depreciation etc.

ii. Due to delayed Determination & Notification of tariff for the FY12-13, the Petitioner remained unable to recover its revenue requiremen.

iii. to pay mark-up on TFC Loan arranged by Power Holding (Pvt.) Limited.

iv. to maintain Consumers Discipline (on **B-3, B-4** categories).

v. to create 12 new Sub Divisions and 03 new Divisions in the 1st Phase during FY 2013-14:

vi. To promote conservation of energy that may include incentives to consumers in terms of reduction in tariff in accordance with their savings in energy consumption.

vii. The line losses and sales mix etc., have been estimated as per existing trend. However, the order of Supreme Court of Pakistan dated 21-05-2013, "to supply available electricity equitably in between the domestic and industrial consumers" may change the consumer mix and load profile.

1.3 In addition to this, the Petitioner submitted that the aim of tariff petition for the FY 13-14 is to request the Authority to determine its tariff well in time for the FY 2013-14 that may be prejudiced by decision of the Authority on Motion for Leave to Review filed by it. As per the petitioner, the purpose of filing this petition is to obtain approval for the immediate implementation of cost reflective tariffs to yield it's required

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revenues on annual basis for ultimate benefit of consumers. The Petitioner stated that the objective of tariff petition is:

i. To ensure instant recovery of cost of service to protect existing as well as future consumers.

ii. To provide efficient usage of installation, and investment in, its distribution network.

iii. To provide protection against uncontrollable risks.

iv. To promote financial sustainability to the ultimate benefit of consumers.

v. To recover on account of prior year adjustment.

vi. To provide safe and secure working environment to its work force.

vii. To provide sufficient working capital in order to pay its current liabilities promptly to avoid accumulation of circular debt at central level.

viii. Induction of emerging technologies like smart metering (real time monitoring), smart grids and SCADA etc.

ix. To motivate the determination of tariff to meet the revenue requirements as explained in the petition.

x. Implementation of ERP.

2. RELIEF SOUGHT

2.1 The Petitioner has sought the following relief:

- Timely determination and immediate application of the proposed tariff to ensure the financial viability and reliable system of supply of electricity to its consumers;
- Allow the consistent application of the tariff and formulas and enable the Petitioner with sufficient time to recover the cost effectively;
- Authority may determine tariff with reasons and allow the Petitioner, on the basis of anticipated sale of 8,767M kWh, to recover the revenue requirement as mentioned in the petition including:-
    - Distribution Margin of Rs. 16,222 Million; and
    - Prior Year Adjustment of Rs. 21,426 Million.
- To allow Investment plan, of Rs.10,895 million including Rs. 3,251 million from deposit works and capital contribution.
- To allow Other periodical adjustments as per determinations of the Authority .
- Surcharge on late payment be excluded from the head of Other Income as it represents a cover of short-term financing cost for the Petitioner rather than a

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source of income; in alternate, cost of working capital be provided to allow the Petitioner to pay its current liabilities promptly and also to avoid accumulation of circular debt at central level.

- Allow adjustment of debit note issued by CPPA on account of 1st mark-up payment share of Rs.238.818 million on the loan facility of its Rs. 6,977.954 million (FESCO's Share) arranged by PHPL, by incorporating the impact in tariff for the FY 2013-14. The same may be allowed for future as well.
- In order to maintain consumer discipline as well as to create parity between consumers and the company, it is requested that:
  - Tariff Policy for the industrial consumers may be reverted back to pre 2007-08 condition of fixed charges i.e. higher of actual MIDI or 50% of sanctioned load.
  - A minimum notice period to exit or rejoin the networks along with a reasonable charge may be applicable. It will improve the consumer discipline and ensure the stability of system.
  - Introduction of load surrendering charge in case of a permanent exit.
  - Seasonal industrial tariff to protect the fixed charge revenue and remaining consumers.
  - Industry with Captive Power, which maintains a standby connection, should pay at least 80% of the sanctioned load as minimum, throughout the year to enjoy security of service. As the Petitioner is to pay capacity charges to CPPA on the basis of actual MDI, even if the increase in MDI is for a short period of time only.
  - Any other regulatory measures to maintain consumer discipline may be introduced.
- The Petitioner may be allowed to create 12 Sub Divisions and 3 Divisions that may have the financial impact of Rs.570.32 million in the Phase of FY 2013-14.
- The Authority may set up a Payout Ratio for DISCOs on account of payment of Power Purchase Price billed by CPPA.
- Provide incentive to consumer who helps in conservation of energy;
- Any other relief, order or direction which the Authority deems fit.

3. PROCEEDINGS:

3.1 In terms of rule 4 of the Rules, the Petition was admitted by the Authority on 19th August, 2013. In compliance of the provisions of sub-rules (5) & (6) of the Rule 4 and Rule 5, notices of admission and hearing were sent to the parties which were considered to be affected or interested. An advertisement in this regard was also published in the leading national newspapers with the title and brief description of the petition on 23rd August, 2013.

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4. FILING OF OBJECTIONS/ COMMENTS:

4.1 Comments/replies and filing of intervention request, if any, was desired from the interested person/ party within 7 days of the publication of notice of admission i.e. August 23, 2013 in terms of Rule 6 & 8. In response thereof, intervention requests were filed by Pakistan Cotton Ginners Association on 2nd September, 2013, All Pakistan Textile Mills Association and Flying cement company Limited, on 10th September, 2013. The delays in filing of intervention requests were condoned by the Authority to provide an opportunity to the interveners to state the grounds for objection to the pleadings of the Petitioner. No comments were made in writing or verbally during the hearing.

4.2 **Pakistan Cotton Ginners Association– Intervener**

4.2.1 Relief sought by Pakistan Cotton Ginners Association is as below:

- Allow funding to improve its quality of services and network expansion. To investigate that in previous years huge loans were taken and used but that resulted in negative. Further funding should be allowed only for new independent industrial feeders and rural feeders where there is very low line losses and theft.
- The increase in O&M cost requested by the Petitioner is not fair as the quantum of sale of electricity is decreasing from last years; Thus, increase in O&M should not be allowed.
- The Authority in the last year's determination has increased 58% tariffs for the industrial consumers making local industry unviable. The industrial tariffs may not be increased rather they should be decreased in order to help the ailing industrial sector to survive.
- The Petitioner has requested to increase fixed charges for B-2, B-3 and B-4 consumers and ginning factories mostly are in rural areas where the supply is given only 6 to 8 hours per day with intervals and the Petitioner charges fix charges for 24 hours per month. Keeping in view the supply of electricity fixed charge should be reduced 50% of already determined.
- the Petitioner apply 25% seasonal charges to ginning factories and oil mills. The seasonal charges should be decreased to 10% and they should be only charged on variable charges and not on fixed charges.
- the Petitioner has asked changing the formula of fixed charges to 50% of sanctioned load or actual MDI for B-2, B-3 and B-4 consumers. There is acute load shedding whereas they are already paying full month's fix charges (24 hours) and in return getting only 12 to 16 hours supply of electricity; The

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Intervener contended that the present formula of minimum fix charges should be continued.

4.3 All Pakistan Textile Mills Association - Intervener

4.3.1 The Intervener submitted the following concerns ;

- The Petition is time barred as an annual tariff determination has to be made before the start of the financial year so that without any delay it could be finalized before the start of the year. The belated filing of the petition in the month of September without any explanation of the delay is liable to be dismissed straightaway.

- That Under Rule 3 of the Tariff Standards and Procedure Rules, prior admission of the petitions is a must, which is explicitly lacking in this case. It may be mentioned that even at admission stage a prior hearing involving the stake-holders is a must, which has not been held in this tariff. As such the very hearing is in violation of law.

- The Petition is not complete as it lacks a prior authorization from the BOD of the Petitioner and under law no corporate person can directly come before any judicial or quasi judicial forum like NEPRA without having such approval, thus the entire proceedings are void ab initio.

- The inclusion of T&D losses by the Petitioner are faulty as it dose not include details pertaining to the feeder wise losses. As per the Petitioner the T&D losses suffered are primarily due to the inefficiencies of the Petitioner particularly in the context of huge investments which the Petitioner is incurring since 1997. Further, there is not bifurcation of T&D losses between theft and technical and only technical losses must be allowed to the Petitioner particularly in the context of B-IV or B-III connections whereby they are connected through 132KV or 11 KV independent lines directly. The Authority must ensure that they are not made liable to pay for the entire T & D losses attributable to Low Tension Lines and the industrial consumers are saved from bearing the burden of theft and line losses attributable to the domestic, commercial and other consumers. The Intervener also suggested that a study may also carried out in this regard.

- That the whole process of determining the Power Purchase Price is faulty. It is merely taken as a pass through item yet there are huge amounts of bungling, misappropriation and wastage of precious consumer funds in the generation companies and more specifically in the public generation companies. The Intervener also referred a report conducted by Hagler & Bailley on the affairs of the generation companies owned by the government whereby, according to the Intervener, an embezzlement of Rs. 200 billion per annum is taking place.

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- That the requested investment plan may be disallowed because already many projects are pending in the pipeline of the Petitioner. Those projects should be completed first then after the completion of those projects the Authority should deeply see that either there is a need of the approval of forthcoming investment plan or not. Further a comprehensive report be sought from the Petitioner regarding the previous plans and their status with reasoning that why those have not been completed as yet.

- That the Petitioner has failed to meet the expected sales target and showed a negative growth. According to the Intervener this simple factor would contribute the enhancement of consumer end tariff.

- The O& M expenses (estimations), the base expenses have not been taken from any audited accounts and instead just the presumptive trend has been made basis for seeking such estimations.

- The depreciation calculations have not been made in accordance with international standards of estimating the same.

- That the operating cost of the Petitioner must be decreased to protect the consumers from paying for the luxuries of the officials keeping in view every acceptable standards prevailing in the similar industries all over the world which are to be checked by way of independent financial consultants or accountants.

- That the other expenses may be checked by the Authority and they may be decreased rather than increasing them each year.

- That the third party audit may be implemented keeping in view the admitted fact that the tariff petitions are based on un-audited accounts and specifically with reference to the prudency of the accounts.

- That the revenue estimations have not been presented and calculated in accordance with the mandatory provisions of the NEPRA Act and the rules framed there under and those are liable to be addressed seriously.

- Since the Petitioner is an entirely government owned Company the determined rate of return is extremely high from any standard. The Intervener argued that the rate of return has to be earned and not to be granted particularly on such a high rate.

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- That the Chairman of the BOD of the Petitioner has himself admitted the fact that the Petitioner has been involved in overbilling and no action is taken by the Authority on this regard. As per the Petitioner, it is statutory duty of the Authority to determine the exact amount and period of over billing and then the adjustment for the same along with separate penal action on the concerned must be ordered.

- That the profit rate base calculated as sum of existing fixed assets with new assets is not correct. The Petitioner increases it artificially just to base a high and guaranteed rate of return on such fixed assets.

- That the Authority has been allowing price increase based on the period estimated increase in the volume of electricity to be supplied in future , however such estimated increase never materialize and the Petitioner end up in getting a high price. Intervener contends that the aforementioned must be adjusted in the form of refund in this petition.

- That the depreciation policy of the petitioner is defective as it applies a fixed standard of depreciation irrespective of the kind of fixed assets.

- the appointment of M/S. Power Planner International consultant by the Petitioner has no prior approval of the terms of reference for the appointment of said consultant was approved by the Authority.

- That the current regime of charging fuel price adjustment is faulty as it is applied on retrospective basis i.e. when the Intervener has already sold their goods. Further, S.31(4) of the NEPRA Act, 1997 is misunderstood on the following grounds ;
  - It uses the word " the Authority may on a monthly basis " adjust the tariff . Using of word " may" does not make mandatory for the Authority to adjust it on monthly basis. Thus, the time frame for the adjustments may be modified and monthly adjustments are not to be done in every situation. The earlier mechanism of fuel adjustment was more acceptable whereby it was determined on biannual basis and the same was notified in the tariff in a prospective manner.
  - that the mechanism of determining the reference fuel cost for the twelve months must have some nexus with the reality as they are always taken on the lower side resulting in higher fuel price adjustment. The same is against the very principle of predictability as provided in the Rules. Further , there is no regular and periodical changes reflected in their reference fuel cost as per the fluctuations in the market.
  - The current FPA mechanism has out lived its life as it has increased the

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miseries of consumers. Further, no heed is paid to the malpractices being done by the generating companies to determine and recover the fuel price adjustments.

4.4 Flying cements company Limited - Intervener

4.4.1 The Interveners raised the following concerns;

- That the claims of the Petitioner with respect to investments must be substantiated by some study or audit report which in the instant petition is missing. Thus, the same may not be approved at this stage.

- That while the Authority while examining the tariff petition must consider the very spirit of S.31(1) of the NEPRA Act, 1997 and ensure that the industry in the country should flourish and not come to stand still.

- That the charging of Late Payment Surcharge (LPS) minimum @ 10% is levied without any criteria and is not recognized either under the law or in the agreement. According to the agreement the defaulted payment, if any, can only be recovered as arrears of land revenue under the Land Revenue Act therefore, the entire amount recovered from the Intervener & other consumers as LPS is to be refunded to the related Consumer. Further, the LPS is levied without the permission of Authority.

- That in past the Petitioner would have got Investment Plan sanctioned/ approved by this Authority but it has never been brought to this Authority that how much amount was invested of such collection and what are the improvements made in the system e.g. change of wires, replacement of transformers etc. The Intervener also pointed that matter related to procurement of transformers is sub-judice before the Honourable High Court and stay has already been issued by the Honorable High Court, therefore, a question arises that whether the money approved for purchase of transformers is consumed & if no, whether it was refunded to the consumers or not. Thus, the Petitioner be directed to submit in detail the amount recovered for purposes of investment, its consumption and the benefits derived so far. In addition it must be directed to provide complete details where their procurement process is yet not final so that Authority may verify the justifications for Rs 12,507 (Million) for proposed investment.

- That the tariff was fixed on the basis of 100% recovery. If the Petitioner has failed to make its recovery then question is that what action has been taken against the employees of the Petitioner when the recovery is not 100%.

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- The levy of Fixed Charges in the Monthly Electricity Bill is discriminatory and against the spirit of existing model of Tariff that is based on the actual consumption by the Consumers. At present, reportedly, the matter is pending before the Islamabad High Court but this will not absolve NEPRA from its liability to come up with a rational decision.

- It is further highlighted that sister concern of some of the Interveners had filed a writ petition which ultimately went up to Honorable Supreme Court of Pakistan and decided in Civil Petition for Leave to Appeal No.531/97 wherein the question of Fixed Charges was involved and the Honorable Supreme Court has ordered that 50% of the Fixed charges be refunded to the Intervener. Despite the repeated requests, in writing, the interveners right of refund has not been met with nor any plausible reply for not refunding the said 50% amount of Fixed Charges.

- The dispute on levy of Fuel Adjustment Charges is pending before the Supreme Court of Pakistan but in the meanwhile it was disclosed to the Petitioner that the data on the basis of which the FAC is allowed involve the supplemental charges, variable O&M and transmission losses. Therefore another petition has been filed before the Lahore High Court that is also pending. Copy thereof is attached that may please be read as part of this Intervention. It is requested that the intervention by NEPRA may please be made.

- The late filing and determination of tariff be regularized as proposed.

5. FRAMING OF ISSUES

5.1 Following issues were framed to be considered during the hearing and for presenting written as well as oral evidence and arguments:-

i) Whether the Petitioner has complied with the direction of the Authority passed in the last year's tariff petition?

ii) Whether the Petitioner's projected purchase of 9,832 GWhs and sales of 8,767 GWhs units for the FY 2013-14, is reasonable?

iii) Whether the Petitioner's proposed transmission and distribution losses of 10.83% for the FY 2013-14 are justified?

iv) Whether the Petitioner's proposed Investment plan of Rs 10,895 million for the FY 2013-14, is justified?

v) Whether prior year Adjustment calculated by FESCO is accurate?

vi) Whether the Petitioner's projected O&M Cost of Rs 11,815 million (Rs 1.35 /kWh) for the FY 2013-14 is justified?

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vii) Whether the Petitioner's proposed depreciation charge of Rs 1,847 million (Rs 0.21 /kWh) for the FY 2013-14 is justified?

viii) Whether the Petitioner's projected Return on Regulatory Asset base of Rs 4,962 million (Rs 0.57 /kWh) for the FY 2013-14 is justified?

ix) Whether the Petitioner's projected Other Income of Rs 2,400 million (Rs 0.27 /kWh) for the FY 2013-14 is reasonable?

x) Whether the Petitioner's request to allow financing cost of the TFCs (loan facility arranged by PHPL) to be shared by DISCOs reasonable?

xi) Whether the proposed revenue requirement of Rs 141,823 million at an average sale rate of Rs 16.18 /kWh for the FY 2013-14, is justified?

xii) What are the comments of Petitioner on the proposal for determination of uniform fixed charges for Agriculture consumers?

xiii) Whether the Petitioner's request to revert back the policy of charging fixed charges to industrial consumers and introduction of other regulatory measures to maintain consumer discipline reasonable?

xiv) Whether the Petitioner's following miscellaneous requests merit consideration:

- Allow FESCO creation of 12 sub Division and 3 Divisions with cost of Rs. 570 million over and above the requested investment plan;
- Setting up of pay out ratio for DISCOs by NEPRA for payment of PPP billed by CPPA; and
- Provide incentive to consumers who help in energy conservation.

xv) What are major changes in the amount of receivables depicted by the financial statements of the Petitioner?

5.2 In addition to above, the Authority has decided to form an issue pertaining to the future tariff determination methodology in the matter of the Petitioner.

6. HEARING

6.1 The pleadings so available on record were examined by the Authority in terms of rule 9 of Tariff Rules; accordingly in order to arrive at a just and informed decision, it was decided to conduct a hearing into the matter on 10th September 2013. In compliance of Rule 5 of Tariff Rules notice of admission/hearing were sent to the concerned parties and published in the leading newspapers on 23rd August, 2013. In compliance thereof, the hearing was conducted on 10th September, 2013 at Avari Hotel, Lahore. During the

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hearing, the Petitioner was represented by Dr. Rana Abdul Jabbar Khan, Chief Executive Officer of the Petitioner along with his financial and technical team. The Interveners and general public also participated in the hearing.

6.2 On the basis of pleadings, evidence/record produced and arguments raised during the hearing, issue-wise findings are given as under:

7. Issue #1. Future tariff determination methodology with respect to the consumer end tariffs of XWDISCOs.

7.1 **Change of tariff determination title for the next tariff Petition**

7.1.1 In terms of section 31(4) of NEPRA Act, 1997, the consumer-end tariffs for XWDISCOs is determined by NEPRA and intimated to the Government of Pakistan for notification in the official gazette. Once it is notified, it remains effective until the new tariff is notified by the GOP. Effectively, the Authority **"considers"** (not to be understood as **"accepts"**) the actual/audited results of a certain financial year (test year) along with the projected increases in different components of costs, for future period, does its due diligence and determines the consumer-end tariff for future which remains in place (after notification) until a new tariff is determined and notified by the GOP. Although, the current title of the Authority's determinations speaks for itself with respect to the annual tariff determination regime, however, for the sake of other stakeholders, the Authority has felt that the subject / title of the petitions and determinations of XWDISCOs does not clearly specifies its objective. In view thereof , the Authority has decided to change the title for its decision as **" Tariff determination based on the projected results of the FY 2013-14 "** and at the same time making it mandatory for the Petitioner to specify the **"test year'** on which it has based its petition. (In the instant case, it is the actual results for the FY 2012-13). This change would be applicable for the next tariff petition.

7.1.2 With the aforementioned change, the Petitioner would keep on coming to the Authority for the adjustments of its base tariff on monthly, quarterly and annual basis. If under any unusual change or circumstances, the Petitioner feels that it requires the Authority to reconsider its base rate, it may file a petition for the redetermination of its consumer end tariff, based on the actual/audited results of a test year (which may be latest audited year or a projected financial year immediately succeeding an audited financial year).

7.1.3 By simply changing the subject/title of the determination the following advantages are expected to yield ;

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- Improve the understanding of, Interveners, Commentators & different stakeholders.
- It would encourage the GOP to notify the consumer-end tariff with immediate effect only.
- It would encourage XWDISCOs to get their incremental cost approved from the Authority before it starts incurring it.

Assessment of annual revenue requirement

7.1.4 Under the changed title, the Authority would continue determining revenue requirement on annual basis and would continue to project monthly PPP references as;

- lesser revenue is generated in winter which is compensated by higher revenue generated in the summer;
- changes in generation mix resulting in lower PPP in wet seasons (with greater hydel generation) compensating high PPP in winter (with greater generation reliance on RFO);
- there is huge variation in T&D Losses due to seasonal fluctuation.

7.1.5 However, certain adjustments like impact of losses, variation in capacity transfer price and UoSC, impact of extra or lesser purchases of units would be made on quarterly basis as per the existing practice. Thus, following components of tariff are subject to annual assessment;

- Assessment of T&D losses target.
- Assessment of Sales target.
- Impact of Consumer mix variance.
- Month wise assessment of reference values with respect to PPP (including energy, capacity & transmission charges).
- Assessment of Distribution Margin, and ;
- Assessment of prior period assessment, if any.

7.1.6 The Petitioner may file a review on the Authority's assessment as per Rules.

Quarterly Adjustments

7.1.7 The quarterly adjustments would also be done for the FY 2013-14 as per the following scope. Thus, the scope of quarterly adjustments would be limited to;

1. The adjustments pertaining to the capacity and transmission charges.

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2. The impact of T&D losses on the components of PPP.

3. Adjustment of Variable O&M as per actual.

Monthly Fuel Adjustments .

7.1.8 The existing practice with respect to the adjustments on account of variation in fuel cost component of PPP on monthly basis would continue for the FY 2013-14. This adjustment reflects in the consumers' monthly bill as Fuel Adjustment Charge.

7.1.9 In view of any abnormal changes the Authority may review these references along with any quarterly adjustment. Here it is pertinent to mention that PPP is pass through for all the DISCOs (variable cost) and its monthly references would continue to exist irrespective of the financial year, unless the new Schedule of Tariff (SOT) is notified by the GOP. The recovery of fixed cost Distribution Margin & Prior Year Adjustment (DM & PYA) would also be done on the currently notified regulated sales.

8. <u>Issue #2. Whether the concerns raised by the Interveners are justified?</u>

8.1 **<u>On the concerns raised by Pakistan Cotton Ginners Association</u>**

The Authority considered the contentions of the Intervener and the response to intervener's concerns are as below:

- The Intervener is clarified that the Authority do consider the actual investments under-taken by the Petitioner during the previous periods. The issue of investments is always discussed as separate issue in the tariff determinations. Further, the Authority also considers the level and nature of investments carried out by the Petitioner in a particular period while setting the target of T&D losses. The request of the Intervener that new funding should only be allowed for specific feeders is not relevant to the Authority as it does not involve micro management of the Petitioner's business. It is purely a commercial decision which is the prerogative of the Petitioner's BOD.
- The Intervener has linked increase in O&M cost with the quantum of sales which is not relevant as O&M costs are of fixed nature such as salaries, wages, repair and maintenance, travelling, vehicles maintenance, regulatory / license fees etc. These expenses are affected by inflation, government notifications etc and not at all correlated with the sales. However, the Authority while assessing these costs does its own due diligence and ensures that only prudently incurred costs is allowed.

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- On the contention of the Petitioner with respect to the increase in industrial tariff, the Authority wants to clarify that the existing industrial tariff which the Intervener is paying is still subsidized by GOP. Further, the Authority while setting the consumer end tariff try to minimize the cross subsidies as reduction in one consumer category means increasing consumer end tariff for some other consumer category. Thus, the Authority cannot reduce the industrial tariff on the cost of other consumer categories.
- Fixed Charges are recovered according to the usage of each category of consumers. The issue of allocation of cost has been discussed by the Authority in the previous determinations of MEPCO and Petitioner, whereby the same contentions were raised by the Intervener.
- On the issue of charging 10% seasonal charges the Intervener has not substantiated it with any working or rationale as how it has arrived at the requested figure of 10%. In view thereof, the Authority cannot comment on the Intervener's request.
- On the issue of minimum fixed charges, whereby no energy is consumer is addressed below under the relevant head.

8.2 <u>On the concerns raised by All Pakistan Textile Mills Association (APTMA)</u>

The Authority considered the contentions of the Intervener and the response to intervener's concerns as below:

- There is no such specific requirement under the Rules and petition can be filed any time. Even for the sake of argument, if the Intervener's observation with respect to the late filing of petition is considered correct, the late filing of the instant petition does not make it time barred under the Tariff Standard & Procedure Rules, 1998. Here it is pertinent to mention that during the period whereby the petition was delayed, a tariff did exist for the Petitioner. The Authority may include the impact of delayed filing as a part of prior period adjustment.
- The Rule 3 is misinterpreted by the Intervener, as according to the said Rule a preadmission hearing is only required if the Registrar wants to reject a petition. In the instant case the petition is admitted by the Authority hence no pre admission is required.
- Non-filing of Board Resolution along with the tariff petition is considered as irregularity and not as illegality. Considering the fact that filing of the petition through the Chief Executive Officer of petitioner Company was not disputed by its Board of Directors rather the attached affidavit substantiated the same and it is also a well settled principle of law that the cases should be decided on merits and technicalities are to be avoided, the Authority is of the view that the petition is filed competently.

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- On the issue of T&D losses , for the last few years, the Authority never allowed actual T&D losses of the Petitioner rather it has been doing its own assessment. The Authority's assessment is lower than the actual reported losses. The disallowed amount is purely theft. Here it is pertinent to mention that the Authority has already directed the Petitioner to carry out study of its T&D losses at a level of 11 KV and below. This action would further validate Authority's assessment in this regard. Further, the tariffs of B-III & B-IV consumers are already lower than the other industrial consumers reflecting the lower level of T&D losses of the corresponding consumers.
- The Intervener's observation that the process of determining the Power Purchase Price is faulty as it is merely taken as a pass-through item, is not correct. The Authority while assessing the reference PPP components project/forecast generation from each available plant and the prices of fuels for future, using different forecasting techniques. The intervener's contention with respect to bungling, misappropriation and wastage of precious consumer funds in the generation companies is based on misunderstanding. The fuel component of every IPP (under NEPRA regime) & GENCOs is worked out on the basis of reference parameters determined in the determination of each generation companies. In case the efficiency of a company drops below the level determined by the Authority the companies are not compensated for such an inefficiency. The only adjustment which is allowed in the fuel cost component is on account of fuel price variation being beyond the control of power generating companies. The impression that the inefficiency of generation companies is made part of tariff is not correct as the Authority's assessed level of efficiency is made part of fuel component only. Since the intervener has not attached the referred report with its intervention request, therefore no comments can be offered.
- The Intervener's concern on the Petitioner's proposed investments is not valid. The Authority's devised FORM 21 (A) of the standard petition formats requires the Petitioner to submit what it had already spent under the head of investments. Further, the same figure is validated by the audited accounts of the Petitioner. In addition to the aforementioned, investments for any DISCO, is a vital need and a continuous process, required to be done in order to maintain the exiting distribution system to ensure smooth and reliable supply of electricity to the consumers.
- It is a misconception that if the expected sales target is not met it would raise the consumer end tariff as the Authority assess over/under recoveries only on regulated sales, not on actual sales.
- The Authority while determining the O&M expense for any DISCO pertaining to period although considers actual results of any DISCO but at the same time some of the costs are disallowed on account of efficiency which the Authority expects from the DISCO. The Authority ensures that the Petitioner is allowed only prudently incurred operating cost.
- On the issue of depreciation it is recorded in the Petitioner's audited accounts that the depreciation is worked out as per IAS-16. Further the note to the accounts provides

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complete details different categories of assets along with applicable different rates of depreciation for different categories of assets.

- The increasing of other expenses each year by the Authority is logical keeping in view the inflationary trends. Here it is pertinent to mention that the Authority does not accept the actual other expenses as base expense for the inflationary increase rather the Authority does its own assessment with respect to the base expense on which the inflationary increase is allowed.
- The contention that the revenue estimations have not been presented and calculated in accordance with the mandatory provisions of the NEPRA Act, is a general statement. The Authority cannot comment on it unless the Petitioner submits its specific contentions in this regard.
- The impression that the Authority has not taken any action on the letter of CEO with respect to overbilling, is not correct. The Authority has already taken the cognizance of the issue in its previous determination pertaining to the FY 2012-13 in the matter of Petitioner. In this regard Para 6.3, 6.8 & 17.2 of the aforementioned decision are referred whereby the Authority has passed directions on the issue. Based on the evidence and report the Authority would proceed further in accordance with the statute and its mandate.
- The Intervener's contention with respect to the profit rate base calculation is not correct as the figures are taken from the audited financial statements of the Petitioner, which are third party verified figures. Here it is pertinent to mention that while calculating the profit rate base the Authority excludes revaluation reserve of fixed assets, in order to protect the consumer's interest.
- The impression that the Authority has been allowing price increase based on estimated increase in the volume of electricity to be supplied in future, is not correct. The over and under recovery of fixed costs is established strictly on regulated sales.
- The TORs for the appointment of M/s . Power Planner International Consultants were vetted by the NEPRA technical division and approved by the Authority, therefore intervener's objection in this regard being without any base is rejected.
- The argument of retrospective application of FPA is not valid as the current electricity billing cycle is also applied on retrospective basis. Further, if the FPA's application is done on prospective basis it would result in overbilling, which may result in consumer victimization. Here it is pertinent to mention that Lahore High Court has already adjudicated on the issue of retrospective implementation of FPA. As regard the Intervener's additional comments/proposals, on the existing FPA mechanism, concerned, they are addressed point wise as below;
    - The interpretation of the word "may" by the Intervener along with its proposal are only workable in a zero subsidy regime as the aforementioned proposal would end up in high volatility with respect to GOP subsidies in this regard and may result in serious fiscal indiscipline. The existing FPA mechanism is judicious that the level of

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risk is defined and restricted to a certain reference price. Anything beyond or below that is purely consumer's risk. Here it is pertinent to mention that when there is negative FPA adjustment, the consumer's subsidized rate does not change and consumer gets an additional benefit of sharing the aforementioned risk. Further, when there is a positive FPA adjustment and it is recovered timely , it ensures a reliable supply of electricity to the consumers.

- The impression that FPA references are intentionally kept at lower side which results in higher FPA for the consumers, is not correct. Had this been the case, there would have no negative FPA adjustments. However the Intervener may refer to the Authority decision in the matter of Petitioner pertaining to the FY 2011-12 (para . 13) , whereby GOP requested the Authority to keep the reference fuel price at a lower level. The request was declined considering it inconsistent with the guidelines provided in the Tariff Standard & Procedure Rules – 1998.

8.3 **<u>On the concerns raised by Flying Cement</u>**

The following is the responses to Intervener's concerns:

- As mentioned above The Intervener's concern on the Petitioner's proposed investments is not valid. The Authority's devised FORM 21 (A) of the standard petition formats requires the Petitioner to submit that what it had already spent under the head of investments. Further, the same figure is validated by the audited accounts of the Petitioner. In addition to the aforementioned, investments for any DISCO, is a vital need and a continuous process, which is required to be done in order to maintain the exiting system which in turn guarantees smooth and efficient supply of electricity to the consumers.
- The notion that LPS is levied without the permission of the Authority is not correct. Section 31 of the NEPRA Act, empowers the Authority to determine terms & conditions for the supply of electricity to the consumers. Under the head of " General Conditions " of the terms and conditions for the supply of electric power the Petitioner is allowed to recover Late Payment Surcharge (LPS) @ 10% from the consumers who do not pay their bills within the stipulated time. This condition is incorporated to ensure timely payment by the consumers for fulfilling DISCOs obligation of making payment to CPPA for avoiding default in payment to the IPPs.
- The Authority while determining tariff assumes 100% recovery and in case the DISCO is not able to recover 100% of its billed amount, the DISCO will suffer on this account. The impact to this extent is not passed on to the consumers through tariff.
- On the issue of fixed charges the Authority determines the tariff of XWDISCOs on revenue requirement basis which is then recovered through a tariff design of different

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consumer categories. The tariff design includes both fixed and variable charge component keeping in view the individual consumer's usage pattern along with the minimum supply of electricity by the XWDISCO to the consumer. Here it is pertinent to mention that if fixed charges are abolished it would result in substantially higher variable charges. If the intervener is charged on the basis of tariff which is not determined/approved by the Authority, it can file a complaint with the Consumers Affairs Division of NEPRA.

- On the issue of supplementary charges, the Authority conducts a monthly hearing before determining FPA for any month. The Intervener is advised to participate in those hearings and present its grievances there.

9. <u>Issue #3 . Whether the Petitioner has complied with the directions of the Authority passed in the last year's tariff petition?</u>

9.1 The Authority issued several directions in the tariff determination for the FY 2012-13; the compliance of each is discussed under the relevant heads of issue. However, few of the directions are discussed below;

9.2 While deciding the tariff determination for the FY 12-13, the Authority has discussed in detail the progress regarding installation of TOU meters by the Petitioner under para 7.1 to para 7.6. Considering the progress of the Petitioner with respect to the installation of meters the Authority extended the deadline for installation of meters up to 30th April, 2013. The Authority also recorded that the Petitioner has completed 79.1% of the installation up till 31st December, 2012.

9.3 The Petitioner has been sending monthly report on the installation of TOU meters. The latest status as at 30th June, 2013 submitted vide letter no. 147/CEx/M(CS)DMC dated 29th July, 2013 presents the following position:

Customer Category	Total No. of TOU Connections	Connections with TOU meters installed	% installed	Connections pending installation of TOU meters
Residential	21,264	13,446	63%	7,818
Commercial	10,063	7,809	78%	2,254
Industrial	30,551	23,611	77%	6,940
Bulk Supply	162	136	84%	26
Agricultural	31,085	31,085	100%	0
Residential colonies attached to industrial premises	75	59	79%	16
Total	**93,200**	**76,146**	**82%**	**17,054**

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9.4 Further, the Petitioner vide its letter no. 3089/CEx./M(CS)/DMC/NEPRA dated 16th May, 2013 communicated that all S.Es have been advised to bring out all efforts to replace remaining TOU meters. During the hearing of the instant petition, the Petitioner committed that 100% installation of meters will be completed by the end of this year and presented following updated status of TOU meters installation:

Customer Category	Total No. of TOU Connections	Connections with TOU meters installed	% installed	Connections pending installation of TOU meters
Residential	21,264	13,524	64%	7,740
Commercial	10,063	7,833	78%	2,230
Industrial	30,551	23,928	78%	6,623
Bulk Supply	162	145	90%	17
Agricultural	31,085	31,085	100%	0
Residential colonies attached to industrial premises	75	59	79%	16
Total	**93,200**	**76,574**	**82%**	**16,626**

9.5 The Authority has observed that in six months, the Petitioner has just installed 2,386 additional meters. Furthermore, even the updated position as per table under para 7.3 shows that only 428 additional meters have been installed in three months. With this pace the commitment of petitioner to install all the meters by 31st December, 2013 does not appear doable and realistic. The Petitioner has not shared any further update in this regard and has failed to meet the deadline set by the Authority for completion of meters installation.

9.6 Furthermore, the Petitioner was required to carry out the training sessions of its concerned staff from the manufacturing companies of TOU meters and to continue the consumer awareness campaign on the back of each consumer bill. In response to these queries, the Petitioner has not submitted any compliance report or evidence of conducting training / consumer awareness campaign.

9.7 The Authority, after careful consideration of the Petitioner's progress in this regard and the reasons for delay recorded by the Petitioner at different points of time, has decided not to extend the deadline further. Keeping in view the updated numbers presented by the Petitioner during the hearing, the Authority feels that the Petitioner's attitude by any means is not appreciated. In view thereof, the Authority has decided to initiate

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legal proceedings against the Petitioner, pertaining to the aforementioned non compliance, under the relevant law.

9.8 On the issue of TOU metering for cellular companies, the Petitioner submitted the following comments ;

- The main objective of TOU tariff was to reduce demand on the Power System during peak hours by introducing TOU metering system.
- Cellular Companies run their business round the clock during peak hours as well and thus do not contribute towards reduction in power demand during peak hours.
- A separate tariff may be introduced for Cellular Companies as they do not deserve TOU tariff due constant load behavior.

9.9 On the issue of changing terms and conditions of life line consumers the Petitioner submitted that its lifeline consumers are 773,676 numbers which is 2.4% of total number of consumers whereas, the consumption mix is 2.82%. As per the Petitioner, life line consumers adversely affect its revenues. In view thereof, the Petitioner submitted the following proposals ;

- A life line consumer may only be treated where monthly consumption of preceding three months is less than 50 units.

- In case of sanctioned load is more than 1 KW, life line tariff may not be allowed even if consumption recorded is less than 50 units.

- Three phase domestic consumers may not be allowed lifeline tariff.

9.10 The Authority after considering the initial comments of XWDISCOs, has decided to conduct a separate hearing on both the aforementioned issues, ensuring that all the stakeholders are taken on board.

9.11 The Petitioner was directed in the tariff determination for FY 2012-13, to submit comprehensive compliance report on excessive billing by 30th April, 2013.

9.12 The Petitioner vide its letters no. 8389/CCO/M(CS)/DMC/NEPRA dated 7th February, 2013 and letter no. 3080/CEx./M(CS)/DMC dated 16th May, 2013 communicated the steps it has taken to counter excessive billing. The summary of report given by Petitioner is as below:

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- Rotation of Meter readers at sub-division level and surprise checks are being undertaken. This has lead to a decrease in number of billing complaints.
- Recent Partial outsourcing of meter reading in Jhang Circle of the Petitioner to M/s BARQAB Pvt Limited, but proved fruitless. The Petitioner is planning to rearrange the re-routification phase wise up to December, 2013.
- Installation of TOU meters.
- No Automatic Meter Reading System (AMR) is under consideration till now.
- TOU meters cannot be utilized in AMR system because technically and financially is not feasible.
- Handheld units are extremely useful for correct reading but the specification of handheld units are not compatible with existing energy meters in field.
- Prompt billing of new connections to avoid wrong billing.
- Ensure correct meter reading through exercising prescribed checks as contained in commercial procedure code CP-06 page 2 of 17.
- Timely replacement of defective meters.
- Routification is being carried out by re-numbering the reference numbers in easy walk orders.

9.13 Subsequently, during the hearing for tariff determination for the FY 13-14, the Petitioner referred to same aforementioned letters.

9.14 The Authority after careful consideration of the Petitioner's response has decided to take a separate presentation on the issue . The Petitioner is accordingly directed to contact Registrar Office for an appointment on the subject of efforts to overcome overbilling not later than 31st March , 2014. The Presentation must be aimed to justify the Petitioner's claims made in the aforementioned paras. How come existing TOU meters cannot be used in AMR system, compatibility of handheld units with existing energy meters in fields etc.

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10. **<u>Issue # 4. Whether the Petitioner's projected purchase of 9,832 GWhs and sales of 8,767 GWhs units for the FY 2013-14, is reasonable?</u>**

10.1 As per the Petitioner, the projected units purchased for the FY 13-14 shall be 9,832 GWh and units sold shall be 8,767 GWh. The Petitioner did not give any basis for the projection of Purchase units in the petition, however, during the hearing, the Petitioner stated that it estimated the growth in purchase units to be 2.06% and growth in sales units to be as 2.11% keeping in view the actual sale purchase data for the month of July, 2013 and August 2103. The Petitioner also presented the following historic data with respect to sales and purchases ;

Years	Purchase units in GWh	Percentage Growth	Sale units in GWh	Percentage Growth
2010	9,336	2.61%	8,317	2.81%
2011	9,686	4.25%	8,596	3.16%
2012	9,632	(0.56%)	8,580	(0.19%)
2013 (provisional)	**9,634**	**0.02%**	**8,586**	**0.07%**
2014 (projected)	**9,832**	**2.06%**	**8,767**	**2.11%**

10.2 The actual purchases during the FY 2012-13, as per the available record, remained around 9,634 GWhs, showing an overall growth of 0.02% from the last year, in terms of purchases.

10.3 Although, there is an inbuilt mechanism for adjusting actual variation in sales against the estimated sales, yet in order to avoid unnecessary fluctuations in the consumer-end tariff it is appropriate to make realistic assessment of the purchases and sales. Moreover, it is also important for the assessment of monthly reference fuel cost for making monthly fuel cost adjustment pursuant to Section 31(4) of Regulation of Generation, Transmission and Distribution Act (XL 1997). In view thereof, the Authority has carried out a detailed exercise for estimating station wise generation pertaining to the FY 2013-14. On the basis of last three year's actual trend of purchase of power and prevailing circular debt issue, it is estimated that in the FY 2013-14 the overall system generation will be about 88,362 GWh. After adjusting for the permissible transmission losses of 3% about 85,711 GWh are expected to be delivered to the distribution companies; the estimated share for the Petitioner from the pool for the FY 2013-14, is accordingly assessed as 9,472 GWh as against 9,832 GWh projected

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by it. After incorporating the T&D losses target for the FY 2013-14 (discussed below) the sales target for the same period worked out as 8,608 GWhs.

11. **Issue #5. Whether the Petitioner's proposed transmission and distribution losses of 10.83% for the FY 2013-14 based on no improvement from provisional losses of 10.83% for FY 2012-13, are justified?**

11.1 The Petitioner has requested a T&D losses target of 10.83% for the FY 2013-14. As per the Petitioner, its actual T&D losses over the last few years are as follows:

Years	T&D Losses in %
2009	10.66%
2010	10.91%
2011	11.25%
2012	10.91%
2013 (provisional)	**10.87%**
2014 (projected)	**10.83%**

11.2 The Petitioner also submitted the following break-up of losses for the FY 12-13 with its tariff petition:

Technical Losses	-	9.13%
Administrative Losses	-	1.70%
Total T&D Losses	-	10.83%

11.3 The Petitioner stated that the Authority has to determine the difference between the units procured and units sold within the distribution service territory that includes technical as well as administrative losses. It was further submitted that it is facing continued T&D losses because of the load growth, addition in distribution network , number of consumers and imprudent village electrification. The Authority may not ignore the aforementioned factors on mere ground of impact of investment.

11.4 The Petitioner classify village electrification as a critical factor in the losses figure. As per the Petitioner, in the past, the load was not critically analyzed before grid stations and circuits were added/ extended in the system that resulted in imprudent village electrification, which has caused the utility with numerous negative impacts such as:-

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- Low voltage at consumer's end
- Increase in line losses
- Decreased reliability
- Trend of power theft
- Enhanced maintenance cost.
- Low revenue turn-over
- Over loading of the system
- Increased and un-economical operating cost etc.

11.5 The Petitioner further stated that voltage drop in a distribution system is the difference at any instant between the voltages at the source and utilization ends of a circuit, branch circuit, or the transformer which should not vary more than ± 5 percent as per the contractual agreement. However, the liberal extension of HT & LT circuits for the purpose of rural electrification results in inflating the technical losses as well as making the distribution system more vulnerable to frequent breakdown and outages. Furthermore, the Petitioner explained theft in rural areas as another problem since the down turn in purchasing power and tariff hike. The Petitioner also explained administrative issues with village electrification and stated that frequent and long traveling by the utility's staff for attending faults and maintenance of the distribution system in rural areas, has increased the cost of maintenance exorbitantly. On the top of that the revenue earning from rural area is far less than one from urban settlements. The Petitioner stated that IRR of the investment has never been taken into account while making decisions for projects of village electrification.

11.6 The Petitioner concluded the submissions by asserting that despite the above causes of increase in T&D Losses, it has been maintaining the allowed limit of T&D Losses as 10.83% for last two years and has requested to set the same target for the third year. In addition to above, the Petitioner listed following steps / efforts being undertaken to further reduce the losses, which includes:-

- revamping of secondary transmission (66, 132 KV) lines
- Augmentation of HT & LT lines
- Provision of T&P items
- Induction of low loss transformers
- Theft detection by enforcement agencies
- Replacement of meters with static meters and its up-gradation into Automated Meter Reading (AMR) and Advanced Metering Infrastructure (AMI).

11.7 While deciding the tariff petition for the FY 2012-13, the Authority directed the Petitioner to conduct a study of its existing distribution network from an Independent Consultant. The direction was aimed at identifying the technical and administrative

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loss break-up of the Petitioner and the potential areas for improvement as the Authority observed only marginal improvements in terms of T& D losses over the period of five years. The issue of overbilling complaints was also a matter of concern for the Authority. In view of aforementioned reasons, the Authority directed the Petitioner, to conduct a study of its T&D losses through an Independent Consultant on 132 KV line, 11 KV line and below and submit its TORs along with its completion deadlines by 15th April 2103 for the Authority's approval. The Authority also brought on record in the said tariff determination that study of losses on LT lines is a huge task and therefore, allowed the Petitioner to select a reasonable sample of LT lines in order to carry out study and clarify the situation.

11.8 The Petitioner vide its letter no. 3089/CEx./M(CS)/DMC/NEPRA dated 16th May, 2013 informed that the case is under approval of BOD for appointment of Independent Consultant and progress will be intimated accordingly. Subsequently, during the hearing of the instant petition, the Petitioner stated that Expression of Interest (EOI) was called. Upon the analysis of the same, the following firms were shortlisted :-

i) M/S PPI Lahore

ii) M/S Barqab Consultants in joint Venture with Power Tek Global In.

iii) M/S Siemens (Pvt) Ltd.

11.9 As per the Petitioner, after following the due course of process, the approval of the same is pending with the BOD for its approval which is under formation.

11.10 The Authority after evaluating the Petitioner's argument of load growth, addition in distribution network and number of consumers does not consider it valid as these are the phenomenon of normal business cycle which the Petitioner is supposed to plan well in advance and must cater through its routine investment plans, which the Petitioner has been carrying out each year. Now if the desired results are not achieved, the Petitioner may not be utilizing the investments effectively which is a failure on the part of Petitioner. Further, on the argument of imprudent village electrification, the Authority again consider it failure on the part of Petitioner, if it was not planned properly in the past, it does not mean that the consumer would bear the burden of Petitioner's inefficiency. The Authority recalls that more or less same arguments were put up by the Petitioner in the last year's tariff petition (discussed by the Authority at para 9.2 of the determination pertaining to the FY 2012-13). After considering the same the Authority directed the Petitioner to conduct the study of its distribution network to a level of 11KV and below. But the status of the compliance is also not encouraging as it is still not clear when the study would start. The Authority has

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further observed that the Petitioner's estimated administrative losses have increased from 0.9% to 1.70%.

11.11 The Authority considers that it would be unfair to pass on the impact of inefficiency of theft to the consumers. The Authority therefore, while assessing the T&D losses target for the FY 2013-14, has decided to exclude the administrative losses as estimated by the Petitioner. On the basis thereon the Authority considers that 9.13% would be a fair assessment in the instant case for the FY 2013-14. Keeping in view the Petitioner's consumers mix the Authority may revise its decision for future assessments in the light of the findings of the study carried out on Petitioner's distribution network (11 KV and below) .

11.12 In addition to the aforementioned, the Authority has decided to initiate proceedings for non compliance of directions under the relevant law. Further, directs the Petitioner to monetize all the incremental costs which cause them additional losses and incorporate these as a part of project cost while calculating the IRR or NPVs for any village electrification project, in future.

12. **<u>Issue #6. Whether the Petitioner's proposed Investment plan of Rs 10,895 million for the FY 2013-14, is justified?</u>**

12.1 The Petitioner has requested Rs. 10,895 million to execute its development/ investment plan for the FY 2013-14 in the areas of Distribution of Power (DOP), Energy Loss-Reduction (ELR), Secondary Transmission & Grid (STG), Enterprise Resource Planning (ERP) and PDEIP programs. The break-up of proposed investment provided by the Petitioner is as under:

Particulars	Rs. In Million
Development of Power (DOP)	**1,834**
- Cost as per PC-1	919
- Cost of enterprise Resource Planning (ERP)	200
- Execution of 537 HT/LT Proposals	715
Energy Loss Reduction (ELR)	**2,221**
- Cost as per PC-1	1,142
- Execution of 815 HT/LT Proposals	1,079
Secondary Transmission & Grid (STG)	**2,067**

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Power Distribution Enhancement Investment Program (PDEIP)	**1,523**
Asian Development Bank Loan	937
Own Sources	586
Consumer Financing	**3,250**
Deposit Works	1,400
Capital Contribution	1,850
Total	**10,895**

12.2 The Petitioner plans to fund the aforementioned investments through;

Loans	Rs. 937 million
Government Grant	Rs. 1,400 million
Own Resources	Rs. 6,708 million
Capital Contributions/Deposit Works	Rs. 1,850 million
Total	**Rs. 10,895 million**

12.3 The Petitioner has submitted the details of requested investment as below:

12.3.1 **Development of Power (DOP)**

i. PC-1: The Petitioner has submitted relevant PC-I for 5 years from 2010-11 to 2014-15 giving details of expenditure to be incurred on new connections, transmission lines and transformers, shifting of 11 kV lines and on purchase of Bucket trucks. The major expenditure on new connections, lines and transformers projected to be incurred in FY 2013-14 as per PC-1 is Rs. 919.34 million. The cost/benefit analysis submitted with PC-1 mentions Cost benefit ratios , NPV & IRR.

ii. ERP: The Petitioner has estimated an amount of Rs 300 million with respect to the ERP system, out of which Rs. 200 million is planned to be incurred during the FY 13-14.

The Petitioner has requested to purchase the following modules under ERP;

- Accounting and financial information system;
- Customer billing and information system;
- Material Management system;
- Project Management system; and
- Human Resource Management System

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iii. Execution of 537 HT/LT Proposals: The Petitioner has although submitted a list of proposed HT/LT works to be undertaken but no concrete cost / benefit analysis has been submitted in this regard.

12.3.2 **Energy Loss Reduction (ELR)**

i. PC-1: The petitioner has submitted relevant PC-I for 5 years from 2010-11 to 2014-15 providing details of expenditure to be incurred on the Rehabilitation of feeders and replacement of meter. The expense projected to be incurred in FY 2013-14 as per PC-1 is Rs. 1,142 million. The cost/benefit analysis submitted with PC-1 mentions Cost benefit ratios , NPV & IRR.

ii. Execution of 815 HT/LT Proposals: The Petitioner has submitted a list of proposed HT/LT works to be undertaken without cost / benefit analysis.

12.3.3 **Secondary Transmission and Grid (STG)**

The Petitioner has submitted a summary of works to be submitted under STG amounting to Rs. 2,067.96 million. As per the Petitioner, the works include new 132 kV grid stations at Lundian Wala and Mamu Kanjan and the work has already started on grid stations at G.F Shah and Kot Shakkir. Further, there are proposals for augmentation of power transformers at Chiniot Road, Faisalabad, extension of multiple grid stations (transformer bays and line bays) and works on 132 kV transmission lines at various locations.

12.3.4 **Power Distribution Enhancement Investment Program (PDEIP)**

12.3.5 The Petitioner has estimated Rs. 1,523 million under the (PDEIP) project to be financed by Rs. 937 million (62%) as a foreign loan and Rs. 586 million (38%) from local sources. As per the Petitioner, the works to be completed under this project (under tranche –III) are the creation of new substations at Faisalabad (GIS) and Shahbaz Khel Minawali and conversion of lines from 66 kV to 132 kV and laying of double circuit transmission line at various locations. As per the Petitioner, the works already completed under this project (under tranche – II) is purchase of 20 power transformers of various calibrations.

12.3.6 Here it pertinent to mention that the Petitioner has requested an amount of Rs. 715 million under DOP for HT/LT proposals and Rs. 1,079 million under ELR for HT/LT proposals cumulating to Rs. 1,794 million which are primarily for new transformers/transmission lines and rehabilitation of old.

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12.3.7 On the request of ERP implementation, the Authority strongly encourages the Petitioner to undertake that as it would help the Petitioner to improve its operational and reporting functions. In view thereof, the Authority has decided to allow the amount of Rs. 200 million under this head with the direction to submit its completion timelines by 31st March, 2014.

12.3.8 Although the petition includes some details on the subject of investments (e.g. PC-1 of several investments) which also mentions IRRs, NPVs and CB ratios for certain investments however, it fails to quantify the perceived benefits of aforementioned investments e.g. correlation between ELR and reduction/maintenance of losses, augmentation and maintenance of transmission lines with STG, DOP with better customer services etc. Thus, a concrete reconciliation is missing that after carrying out the aforementioned investments, the Petitioner would achieve a certain efficiency level with respect to T&D losses and customer service. It appears as if the objective of FORM 27 (B) was not clear to the Petitioner. Despite the aforementioned reasons, the Authority cannot ignore the requirement of investments in order to improve the system. It is to be noted that the purpose of the required information is to monitor the effectiveness of these investments.

12.3.9 The information provided by the Petitioner revealed that it carried out capital expenditure of Rs. 5,695 & Rs. 4,987 million during the FY 2011-12 and FY 2012-13 respectively. (during the FY 2012-13, the net actual investments remained around Rs. 4,885 million). The aforementioned amounts include the impact of consumer contribution to the extent of Rs. 3,010 million & Rs. 2,691 million respectively. Thus, net capital expenditure carried out through loans and own resources, works out as Rs. 2,685 million and Rs. 2,296 million during the FY 2011-12 and FY 2012-13 respectively.

12..3.10 Based on the available record, arguments, evidence and the fact that these allowed investments indirectly affect the annual Return on Rate Base (RORB) for a DISCO, hence while allowing investments for any control period the Authority has to keep in view the past trend of investment made by the Petitioner along with its funding arrangements and its previous trend of closing CWIP and transferring of useful assets from CWIP to operating assets. Based thereon, it is expected that the Petitioner would be able to undertake the investment of Rs. 6,700 million during the FY 2013-14 (including the impact of consumer contributions of Rs. 3,450 million). Here it is pertinent to mention that the existing mechanism of determining RORB is self adjusting with respect to the benefits of investments, thus any investments beyond Authority's assessment, carried out by the Petitioner during the FY 2013-14(which is desirable), would be catered for in next year's returns.

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13. Issue # 7. Whether prior year Adjustment calculated by the Petitioner is accurate?

13.1 The Petitioner, in its petition requested an amount of Rs. 21,426 million under the head of Prior Period Adjustment. However, subsequently, in the hearing the Petitioner revised its claim to (Rs. 1,739 million) after incorporating GOP's notification of its tariff with effect from 1st July, 2012. The Authority observed that the Petitioner has also incorporated an amount of Rs. 3,888 million pertaining to the impact of 51-350 units w.e.f. August 2011- June 2012 . Further, it was also observed that the Petitioner has incorporated the impact of FPA in the revised figure of Rs. 1,739 million. The Authority after considering the audited accounts of the Petitioner pertaining to the FY 2012-13 has assessed the following Prior Period Adjustment ;

		Rs. Million
	Notified reference PPP during the FY 2012-13	103,838
	Assessed Distribution Margin for the FY 2012-13	7,715
	Assessed PYA for the FY 2012-13	11,786
Add ;	1st Qrt's PPP adjustment pertaining to the FY 2012-13	1,472
Add;	2nd Qrt's PPP adjustment pertaining to the FY 2012-13	(1,284)
Add;	3rd Qrt 's PPP adjustment pertaining to the FY 2012-13	(2,231)
Add;	4th Qrt's PPP adjustment pertaining to the FY 2012-13	(2,374)
Less ;	Regulated PPP recovery on notified rates during the FY 2012-13	104,523
Less;	Regulated DM recovery on notified rates during FY 2012-13	7,562
Less;	Regulated PYA recovery on notified rates during FY 2012-13	11,551
Less;	Net impact of assessed & actual Other Income for the FY 2012-13	165
Add;	Impact of Consumer – Mix Variance for the FY 2012-13	1,100
Total Unrecovered/ (Over recovered) Costs for the FY 2012-13		**(3,777)**

13.2 As regard the issue of unrecovered FPA with respect to 51-300 units, the Authority's directions are very clear that the Petitioner must raise subsidy claims on the basis of rationale discussed in its tariff determination pertaining to the FY 2012-13 at para. 11.4. In view thereof, the same is not considered in the instant case.

13.3 On the issue of Supreme Court's decision whereby the Petitioner is directed to supply available electricity equitably in between the domestic and industrial consumers, the Petitioner must obey the orders of the Supreme Court. Any variation in its sales due to the implementation of the aforementioned decision would be catered for as an impact of consumer mix variance next year, calculated on the difference between actual and reference sales mix.

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14. Issue #8. Whether the Petitioner's projected O&M Cost of Rs 11,815 million (Rs 1.35 /kWh) for the FY 2013-14 is justified?

14.1 The Petitioner requested an amount of Rs. 11,815 million on account of O&M cost. According to the Petitioner its O&M expenses include salary and other benefits, repair and maintenance, traveling allowance, vehicle maintenance allowance and other operating costs related to its distribution and supply business. A history of O&M expenses of the Petitioner is provided as here under:

Description	2009 Audited	2010 Audited	2011 Audited	2012 Audited	2013 Audited	2014 Requested
	Rs. in million					
Salaries & Other Benefits	3,424	4,399	5,327	6,799	9,312	9,207
Maintenance Expenses	265	294	339	504	528	1,321
Traveling Expenses	143	145	154	170	205	251
Vehicle Running Expenses	182	219	161	275	278	301
Other Expenses	487	600	680	573	582	735
Total	**4,501**	**5,657**	**6,661**	**8,321**	**10,905**	**11,815**

14.2 Salaries Wages & Other Benefits

14.2.1 The Petitioner in its petition and during the hearing submitted that it has estimated salaries and wages expense based on the actual expense for the FY 12-13 duly enhanced by the following factors:

- Basic pay for FY 2013-14 has been increased @ 5% by giving annual incremental impact of Rs. **67 million** after eliminating last year bonus.
- Free Electricity Supply has been increased @ 26%
- Increase @ 10% on basic pay as Adhoc Relief for 2013-14 with financial impact of Rs. 235 Million announced by GoP for said financial year.

The following break-up of salaries and wages for the past three years has been provided by the Petitioner:

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Rs. Million

Description	2011-12	2012-13	2013-14
	Audited	Actual/Projected	Projected
Basic Pay	2,214	2,469	2,348
Allowances	1,904	2,476	2,719
Employee Benefits	349	419	508
Total	**4,467**	**5,364**	**5,575**
%age Change	**18.42%**	**20.08%**	**3.93%**

14.2.2 As per the Petitioner, the retirement benefits include pension, medical facility, free supply and leave encashment to the retired employees. The Petitioner further apprised the Authority that it is in process of creating funds however until these are created, it is under liability to pay the retirement benefits, therefore, the same has been estimated after giving an overall increase of 17.42% over last year. According to the Petitioner, the break-up of post retirement benefits has been as follows in the past three years:

Rs. Million

Description	2011-12	2012-13	2013-14
	Audited	Actual/Projected	Projected
Pension	1,499	1,933	2,358
Medical	132	168	205
Free Supply (Retired)	167	215	262
Leave Encashment	574	606	606
Total	**2,372**	**2,922**	**3,431**
%age Change	**46.78%**	**23.19%**	**17.42%**

14.2.3 In addition to above, the Petitioner has requested for additional recruitment based on the ground that presently its working strength is 16,427 against sanctioned manpower strength of 19,016 employees. Therefore, total posts of 2,589 are lying vacant since long out of which 1,028 posts are in different cadres. According to the Petitioner, these are needed to be filled up on priority for the smooth working of the Company. The Petitioner further submitted cadre wise break-up of sanctioned strength versus

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available strength and stated that the emerging growth and network expansion needs competent, and skilled professionals in technical, finance and customer care area of service to fulfill the management's efforts to ensure an efficient, coordinated and economical operational network in view of increasing load growth and economic activity. Based on the difference between sanctioned and available strength, the Petitioner claimed of it to be a staff deficient company and requested for approval for the recruitment of 1,131 personnel under different cadres BPS 2-17 during the FY 13-14. A summary of the Petitioner's list is discussed below;

1. Junior Engineers – The Petitioner has requested for 47 posts to be filled under this cadre with a total annual financial impact of Rs. 28.6 million. As per the Petitioner, due to shortage of qualified Junior Engineers, management is compelled to make temporary arrangement by assigning charge of the Sub Divisions to the junior staff which has not yielded pragmatic results. In order to ensure the efficiency and performance of the Sub Divisions, recruitment of qualified Junior Engineers from open market is essential.

2. ALM – The Petitioner has requested for 450 posts to be filled under this cadre with a total annual financial impact of Rs. 59.04 million. As per the Petitioner, this recruitment shall reinforce Supervisory Line Staff working on lines for ensuring the maintenance, extension, operation & continuity of the electricity supply.

3. Bill Distributors– The Petitioner has requested for 140 posts to be filled under this cadre with a total annual financial impact of Rs. 20.9 million. As per the Petitioner, this recruitment has been planned for timely distribution of electricity bills to the consumers enabling timely payment by the consumers.

4. Meter Readers– The Petitioner has requested for 100 posts to be filled under this cadre with a total annual financial impact of Rs. 16.3 million. As per the Petitioner, this recruitment shall reinforce Operational Sub Divisions to fill the shortage of Meter Readers, which would also help them to catch energy stealers and timely / correct recordings of electricity meters for reduction of line losses.

5. LS-II– The Petitioner has requested for 60 posts to be filled under this cadre with a total annual financial impact of Rs. 11.1 million. As per the Petitioner, this recruitment shall reinforce Maintenance, Operational & Construction activities for extension works and ensuring the continuity of electricity supply.

6. ASSA– The Petitioner has requested for 75 posts to be filled under this cadre with a total annual financial impact of Rs. 11.75 million. As per the Petitioner, this

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recruitment shall reinforce the Supervisory Grid Station Staff in maintenance and other essential works.

7. Others- Apart from the aforementioned, the Petitioner has also requested for multiple hiring under the cadre of AM-Cs, AM-Accounts, Accounts & Audit Assistant, Commercial Assistant, Data entry SSO, Store keeper, UDC & LDC/TCC and Naib Qasids.

14.2.4 In order to make fair assessment of the salaries & wages, the Petitioner's audited accounts for the FY 2012-13 and FY 2011-12 were analyzed. It was observed that the actual expense under the head of Salaries, wages & other benefits increased by Rs. 2,513 million (37%) from the actual expense of the FY 11-12.

14.2.5 Upon scrutiny of the record, it was observed that the increase is primarily owing to excess provision made on account of post retirement benefits as if compared from the last year's provision, the Petitioner has increased it to the extent of 67%. The Petitioner has not provided any reason for this substantial increase. In view thereof, the Petitioner is directed to provide reasons along with justification not later than 31st March, 2014. The increase in salaries, wages and benefits (excluding provision for post retirement benefits) remained around 20% which is primarily based on GOP increases allowed under adhoc allowance, conveyance allowance and annual increment.

14.2.6 During the tariff determination pertaining to the FY 2012-13, the Authority allowed only replacement hiring whereby an employee is hired in lieu of a retiring employee, taking cognizance of the fact that the Petitioner's work force is retiring each year and if their replacements are not made, the Petitioner would not be able to perform efficiently and effectively. In this particular scenario no additional / incremental cost could be incurred by the Petitioner. The Petitioner intimated the Authority that as on 30th June, 2012, the financial impact of recruitments carried out during FY 2009-10 and onwards is Rs. 230 million. The Authority directed the Petitioner to get the reported figure verified by its Auditor and if it intends to carryout replacement hiring in future, it must procure a certificate from the Auditor, certifying that the recruitment is done as replacement hiring with no additional/incremental cost impact. Any other additional recruitment must be linked with the comprehensive recruitment plan which would link the additional work, quantified benefits and would base on best utility practices.

14.2.7 The Petitioner vide its letter dated 9th January, 2014, submitted a certificate from its Auditors Ernst & Young Ford Rhodes Sidate Hyder Chartered Accountants. The Authority has considered the provided certificate and observes following deficiencies in it;

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- The provided certificate only endorses staff strength, whereby it is silent on the reported amount of Rs. 230 million.

- Even the mentioned strength specify that the Petitioner has done recruitment over and above the staff retired during the period of July 2009 to June 2012. The impact thereof is not mentioned.

14.2.8 In view of above discussion the Authority directs the Petitioner, to correct the aforementioned deficiencies and resubmit the certificate not later than 31st March , 2014. Until the required Certificate is before the Authority in the required format, the Authority cannot allow the requested cost of Rs. 230 million. Further, on the issue of additional recruitment, although the Petitioner has provided financial impact along with its own justifications yet it has failed to link the additional work with the quantified benefits based on best utility practices. The Petitioner is again relying on a yard stick which the Authority never approved. Further, the key deficiency in the Petitioner's justifications is its failure to correlate the additional recruitments with the quantified benefits that how an ordinary consumers would get better customer service in case these recruitments are allowed as the existing quality of service would still be provided even if no additional recruitment is carried out. In view thereof, the Authority has decided not to allow requested additional recruitments and directs the Petitioner's HR Division to first get its strength yard stick approved by the Authority based on proper justifications and its quantified benefits, which would also include a comparison of existing state of affairs.

14.2.9 Considering the overall liquidity position in the power sector and in order to ensure that the Petitioner fulfils its legal liability with respect to the post retirement benefits, the Authority in its determination pertaining to the FY 2011-12, directed the Petitioner to create a separate fund in this regard before 30th June 2012, which is allowed by IAS - 19. Creation of funds would ensure that the Petitioner records it liability more prudently as the funds would be transferred to a separate legal entity. In addition to that these independent funds would generate their own profits, if kept separate from the company's routine operations. The Petitioner vide its letter no.1509/FD/FESCO/CPC dated 17th July, 2013 stated that the process for creation of independent post retirement benefits fund has been initiated and legal counsel for preparation of Trust documents as well as getting it registered with Joint Sub-Registrar Faisalabad has been engaged. The Petitioner further stated that the final status will be intimated accordingly. However, during the hearing, the Petitioner informed the Authority that the process is pending due to the delayed constitution of BOD of the Petitioner.

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14.2.10 The Authority after careful consideration of the Petitioner's response directs the Petitioner to update the current status of the compliance not later than 31st March, 2014 until then the Authority has decided to take actual payments as a base expense for future increases. Once the fund is created the amounts transferred to the fund shall be considered to be allowed as provision for retirement benefits.

14.2.11 On the issue of retired WAPDA employees before 1998, the Authority in its determination dated Jan 10, 2012, decided to hold separate meeting on the subject whereby the arguments of the Petitioner and WAPDA could be heard in the light of available evidences. Pursuant to which a presentation on the subject was given by the Petitioner on 30th May, 2013 and WAPDA's point of view was also heard separately. Subsequently, a final meeting on the subject was held on 22nd January, 2013. The following concluding and implementations points were emerged out of a long brain storming session;

- The matter not only pertains to the Petitioner but also to all the XWDISCOs, and GENCOs.
- In the light of Business Transfer Agreement (BTA) and subsequent Supplementary Business Agreement (SBTA), Pension SOPs 2002 and subsequent changes thereafter, the issue solely pertains between WAPDA , XWDISCOs and GENCOS.
- The issue has two components, one is the accumulated effect till 30th June, 2012 and the other is the subsequent ownership of these retired employees as the SBTA is not clear on it.
- Since aforementioned agreements were signed mutually between WAPDA and Others hence the Authority directed the WAPDA and Other (including Petitioner) to come up clearly on the settlement modality of accumulated costs in this regard till 30th June 2012 and a way forward for the future payments of these retired employees not later than 30th June, 2013.

14.2.12 The Authority has noted with great concern that the Petitioner failed to comply with the Authority's directions in this regard. The Authority considers that the matter needs to be resolved expeditiously failing which the costs not settled will not be considered as part of O&M expenses.

14.2.13 The Petitioner while requesting the increase in the cost of free electricity has based its working on the difference between the assessed average sale rates of the Petitioner pertaining to the last two years, which is not correct. The Authority considers that notional cost applied to free units should not be the Company's average sale rate rather it should be the rates notified for the residential class consumers, which are the subsidized rates. Further, it is an added facility which the Petitioner provides to its

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consumers. If the Petitioner feels that it is becoming expensive, it may think of withdrawing that and monetize the same as an allowance for its employees. In view of aforementioned discussion the Authority disallows the requested increase in the matter of free electricity to its employees.

14.2.14 While assessing the Salaries, wages & other benefits (including post retirement benefits as discussed above), the GOP's recent announcement of 15% increase as adhoc allowance, increase in post retirement benefits on actual payments, 5% annual increment along with its effect on other benefits has been accounted for. Here it is pertinent to mention that the base expense taken excludes the impact of additional recruitments of Rs. 247 million [Rs. 230 million + Rs. 17 million (impact of annual increment)]. The GOP's recent increase with respect to the post retirement benefits has been taken on actual payments.

14.2.15 Based on the discussion made in the preceding paragraphs, incorporating GOPs recent increases and annual assessments of salaries & wages for the FY 2013-14 of other DISCOs, the Authority has assessed Rs. 6,560 million on account of salaries, wages and other benefits for the FY 2013-14.

14.3 Maintenance Expenses

14.3.1 The Petitioner requested Rs. 1,321 million on account of repair and maintenance. The Petitioner has requested an increase of 2.5 times over the audited figure of Rs. 528 million for the FY 2012-13. As per the Petitioner, the issue of improved customer service is vigorously being persuaded by the Authority and it is only possible through continuous repair and maintenance of distribution network. The timely repair and maintenance is vital for continuous and reliable supply of electricity. The system breakdowns not only impede industrial and agricultural production but also damage distribution network. Further, the Petitioner while trying to justify the requested increase stated that presently, a huge number of damaged/sick transformers are prevailing in it's distribution system that require immediate repair. The Petitioner submitted that it plans to carry out routine repair and maintenance to the amount of Rs.753 million and over and above this it has planned to repair 6,145 transformers (2,302 damaged and 3,843 sick transformers) in the FY 2013-14. These transformers will be repaired in-house at a cost of Rs. 439 million and additionally, remaining 35 % quantity will be outsourced at an estimated cost of Rs. 129 Million as the damaged and sick transformers are not only impeding the regulatory compliance but also burdening consumers through increased line losses. The Petitioner submitted the following break-up of requested Repair and maintenance expense:

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Description	Estimated for 2013-14 in Rs. in million
Routine Repair & Maintenance	753
Repair of *damaged* Transformers	234
In-House Repair of *sick* Transformers	205
Outsource Repair of *sick* Transformers	129
Total Repair & Maintenance Cost-Requested	**1,321**

14.3.2 The Authority has observed that the same request was raised by the Petitioner in the tariff determination for the FY 12-13, which was refused by the Authority with justifications at para. 12.5.3 and 12.5.4.

14.3.3 The Authority again sees no new argument or evidence for the consideration of this cost. However, for the sake of Petitioner's understanding the Authority reiterates its stance the Petitioner has already requested replacement of a number of transformers under the category of Energy Loss Reduction (ELR) and Distribution of Power (DOP) for which it has submitted PC-1. Also, being capital in nature, the replacement costs cannot be allowed under the head of repair and maintenance. Furthermore, the request of petitioner raised the concern that the need of this kind of large scale repairs itself make Petitioner's statement doubtful whereby it claims that it has carried out investments over the years to maintain the existing systems. Further, the actual expense already incurred under the head of repair and maintenance costs also becomes debatable. Based thereof, the Authority declines the request of the Petitioner pertaining to transformers under the head of repair & maintenance. Excluding the impact of the aforementioned, the revised request of the Petitioner for the FY 2013-14 works out as Rs. 753 million. Even if the revised figure is taken, the request appears to be on the higher side. Thus keeping in view the impact of inflation, variation in the gross assets in operation due to addition of new consumers, new investments, past trend and comparison with other DISCOs, the repair and maintenance cost of Rs. 580 million has been assessed for the FY 2013-14 in the instant case.

14.4 Traveling Expenses

14.4.1 The Petitioner in its Petition requested an amount of Rs. 251 million for the FY 2013-14. The requested amount is 22% more than the audited figure for the FY 2012-13. As per the Petitioner, the request is based on an increase of 7.75% (worked out keeping in

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view the change in CPI for April 2013 over July 2012) over last year's actual expenditures.

14.4.2 This is a matter of record that the GOP enhanced the daily rates both (special & normal) for the employees from grade 1-16, by an average of 90% , with effect from 1st July 2010. No increase was granted for the employees from grade 17 and above. Again the same was raised on 17th August , 2012 , which was increased for all the employees, starting from Grade 1 – 22, whereby the major rate increase was with respect to Grade 17 and above.

14.4.3 The Petitioner while requesting the Rs. 251 million for the FY 2013-14 , has not substantiated its request with any evidence or details of the actual TA claims designation wise, pertaining to the last year to justify its requested increase under this head.

14.4.4 Based on the comparison with other DISCOs, Petitioner's submissions and its actual results in this regard, the Authority has decided to allow this cost to the tune of Rs. 217 million for the FY 2013-14.

14.5 Vehicle Running Expenses

14.5.1 The Petitioner requested Rs. 301 million under the head of Vehicle maintenance for the FY 2013-14. The actual cost on this account as per the audited accounts for the FY 2012-13 was Rs. 278 million. The requested amount is 8% more than the audited figure for the FY 2012-13. As per the Petitioner, , the request is based on an increase of 7.75% (worked out keeping in view the change in CPI for April 2013 over July 2012) over last year's audited expenditures.

14.5.2 The matter of the fact is that the Vehicle maintenance cost is not only affected by the fuel prices but also with the variation in the number of vehicles of the Petitioner, which in turn is dependant on the distribution area of the Petitioner.

14.5.3 In view of the aforementioned arguments, available evidence/information, past trend, increasing fuel prices and comparison with other DISCOs, the Authority has decided to allow this cost to the tune of Rs. 225 million under the head of vehicle running cost.

14.6 Other Expenses

14.6.1 The Petitioner requested Rs. 735 million for the FY 2013-14, pertaining to the expenses like rent, rates & taxes, power, light and water, bills collection charges, postage, telephone, office supplies, insurance expense, overhead expenses, Auditor's

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remuneration, NEPRA fee and charges, advertisement & publicity, provision of obsolete stores, miscellaneous expenses etc. As per the Petitioner, the request is based on an increase of 7.75% (worked out keeping in view the change in CPI for April 2013 over July 2012) over last year audited expenditure.

14.6.2 Considering Authority's previous years assessment, actual expense and comparison with the other DISCOs, the Authority has assessed the cost of Rs. 640 million on account of other expenses for the FY 2013-14.

15. Issue # 9. Whether the Petitioner's proposed depreciation charge of Rs 1,847 million (Rs 0.21 /kWh) for the FY 2013-14, is justified?

15.1 The Petitioner in its petition requested a depreciation charge of Rs. 1,847 million for the FY 2013-14. The Petitioner based its request on applying actual depreciation rates on proposed fixed asset base.

15.2 The depreciation expense allowed to the Petitioner for the FY 2012-13 amounted to Rs. 1,591 million. Whereas, the amortization of deferred credit was assessed as Rs. 963 million, therefore, net depreciation charge passed on to the consumers was assessed as Rs. 628 million.

15.3 In order to make fair assessment, the Authority keeps in view the investments approved by it for the year. The Authority considers that after taking into account new investments, the Gross Fixed Assets in Operation for the FY 2013-14 will be Rs. 54,804 million. Accordingly the depreciation charge for the FY 2013-14 assessed as Rs. 1,814 million.

15.4 After carefully examining the relevant details and information pertaining to the deferred credit and amortization as per the accounts for the FY 2011-12 & FY2012-13, the Authority has projected amortization of deferred credit to the tune of Rs. 1,045 million for the FY 2013-14. Accordingly, the consumers would bear net depreciation of Rs. 802 million.

16. Issue # 10. Whether the Petitioner's projected Return on Regulatory Asset base of Rs 4,962 million (Rs 0.57 /kWh) for the FY 2013-14 is justified?

16.1 The return requested by the Petitioner for FY 2013-14 is Rs. 4,962 million using a Return on rate of 22.48%. The Petitioner has submitted working of WACC, whereby it has assumed the Risk free rate as 12% as against the Authority's assessed rate of 9.2% and added an additional regulator risk as 6% to cost of equity net figure. Furthermore, the Petitioner has estimated cost of debt as 17% as against the rate be of 14% used by the Authority in tariff determination of FY 12-13. The debt

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to equity ratio is also taken by Petitioner as 65:35 as against the ratio of 80:20 used by the Authority.

16.2 The Authority has carefully considered Petitioner's working of WACC and is of the view that the debt equity ratio used by the Petitioner is not in line with the concept of optimum capital structure which has been the basis of the Authority's determination. The rationale for using optimum capital structure by the Authority is to ensure that the Petitioner utilizes the best of its available resources, which would eventually benefit its consumers. If the Petitioner's submitted debt equity ratio is used, it would unnecessarily burden the consumers with an expensive form of capital whereby a cheaper alternate/form can also be arranged. In view thereof, the request of the Petitioner is disallowed. As regard the regulatory risk, the Petitioner has not substantiated it with proper rationale or working, hence the same cannot be considered by the Authority in the instant petition. As regard the cost of debt, the Petitioner has used 17% cost of debt with a rationale that its existing long term loans of ADB carry an interest rate of 17%. The Authority while using the rate of 14% in the tariff determination for the FY 2012-13, recorded that the Petitioner must have substantiated its tariff petition with the term sheet of the said loan. Again, the Petitioner has failed to attach the same with the instant petition. Further, while evaluating the financial statements of the Petitioner, the Authority observed that the Petitioner has not started paying the same as yet. It is still not clear from the available evidence that whether the loan has been rescheduled or not. In view thereof, the Authority has decided to use the interest rate as it has used it in the matter of other XWDISCOs. Lastly, the Petitioner has used 10 years PIB Bond Yield of 12.00% as a risk free rate instead of Authority's assessed 9.2%. The Authority wants to clarify the Petitioner that when a 10 year PIB Bond Yield is taken, it is used keeping in view a maturity period of 10 years. Yet it keeps on monitoring its trend in the secondary markets (along with the historic data from the reference point) in order to assess the ongoing money market conditions. Thus, the keeping in view the current tight liquidity conditions, the Authority dose not consider any need to revise the already assessed risk free rate of 9.2%. However, from the next year, the Authority may think of matching the duration of risk free rate instrument with the duration of the tariff determination.

16.3 In view of aforementioned, the Authority has decided to use WACC of 11.25% for the FY 2013-14.

16.4 In the Authority's opinion the Rate of Return should be reasonable enough, sufficient to assure the confidence in the financial soundness of the utility company, and should be adequate to maintain and support its credit and enable it to raise money necessary for the proper discharge of its public service. The

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Authority considers that from the investor's or the company's point of view it is important that there be enough revenue not only for operating expenses but also for the capital cost of the business including the service of its debt. The Authority further considers that return to the equity owner should commensurate with the return on investment of other enterprises having comparable risks. Thus, using Post tax rate of return , the Authority has assessed Rs.2,008 million as return on rate base as per the following calculations:

Description	Rupees in Million	
	FY 2012-13 Audited	FY 2013-14 Projected
Opening fixed assets in operation	44,919	49,438
Assets Additions during the year	4,519	5,367
Closing Fixed Assets in Operation	**49,438**	**54,804**
Less: Accumulated Depreciation	15,348	17,162
Net Fixed Assets in operation	**34,090**	**37,643**
+ Capital Work in Progress (Closing)	6,197	7,530
Total Fixed Assets	40,286	45,172
Less: Deferred Credit	23,677	26,082
Total	**16,609**	**19,091**
Average Regulatory Assets Base		17,850
Return on Rate Base @ 11.25%		2,008

16.5 If the Petitioner is obligated to pay any tax during the FY 2013-14, this would be considered as Pass through and would be allowed on the basis of actual payments made during FY 2013-14 duly supported with verifiable documentary evidence. Here it is pertinent to mention that while analyzing the audited accounts of the Petitioner, the Authority has noted a glare error in the Petitioner's audited accounts for the FY 2012-13. The opening balance of land – freehold and Building on free hold land (Note 15.3) differs from the closing balance appeared on the same note corresponding to the audited accounts pertaining to the FY 2011-12. The Authority directs the Petitioner , to get its clarification from its auditors not later than 31st March , 2014 .

17. Issue # 11. Whether the Petitioner's projected Other Income of Rs 2,400 million (Rs 0.27 /kWh) for the FY 2013-14 is reasonable?

17.1 The Petitioner has projected Rs. 2,400 million as other income for the FY 2013-14. The Petitioner has excluded late payment surcharge (LPS) from the requested figure of other income considering it a short term financing cost for the Petitioner. The other income as per the audited accounts for the FY 2012-13 remained as Rs. 3,060 million

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(including late payment surcharge) . According to the Petitioner, the requested figure of other income includes Interest Income, Sale of Scrap, Amortization of Deferred Credit, Rental & Service Income etc.

17.2 On the issue of excluding late payment surcharge form the other income, it is pointed out that CPPA on various fora agitated this issue to off-set the two mark up recovered from the consumers as late payment against the mark up paid by the CPPA to the power producers as penalty for late payment. The Authority declined the request on the ground that each company is different legal entity and in the absence of any sale/purchase agreements between CPPA and the DISCO, passing on such cost is legally not sustainable. The Authority further directed CPPA to enter into relevant bilateral agreements no later than 15th March 2011. Subsequently, this deadline was extended till 30th June, 2012. Considering the fact that no progress was made by the XWDISCO's (expect GEPCO) in this regard, the Authority during the process of tariff determination pertaining to the FY 12-13, directed the Petitioner to submit comments on draft Power Sale Agreement submitted by GEPCO, not later than 31st March, 2103. Instead of submitting comments, the Petitioner vide its letter no.1509/FD/FESCO/CPC dated 17th July, 2013 requested the Authority to call a meeting of all the stakeholders to discuss and finalize all issues relating to the said agreement. Subsequently, during the hearing of the instant petition, the Petitioner informed that such an agreement already exists by the name of Electricity Supply Agreement dated 29th June, 1998 (Agreement) signed between WAPDA and FESCO and a novation to this agreement is also signed on 28th February, 1999 with NTDC. Further, it has examined the clauses / terms & conditions of the aforementioned PSA which are sufficient to regulate the relationship between the Petitioner and NTDC/CPPA.

17.3 The Authority has been deducting Other Income from the Distribution Margin of the Petitioner considering it a non – regulated Income for a DISCO. After considering the sequence of events and the relevant clauses of the aforementioned agreement, the Authority is of the view that even if that contract existed, it was not operational. In order to make it effective a meaningful consultative process with the major stakeholders has to be initiated. In view thereof, the Authority has decided to conduct a detailed and comprehensive brain storming session on the each clause of the contract. The discussion will include all the stakeholders with the relevant professionals of XWDISCOs and CPPA. The Authority intends to conduct this session not later than 31st March, 2014. Till then the Authority has decided to continue its previous practice; accordingly the same is included in the other income.

17.4 In view thereof, the Authority has decided to assess Rs. 3,060 million as Other Income which also includes late payment surcharge.

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18. **Issue # 12. Whether the Petitioner's request of allowing financial charges on loan obtained by power sector for meeting fuel cost obligations is reasonable?**

18.1 The Petitioner has requested for allowing the financial charges on loan procured by Power holding private limited on behalf of XWDISCOs to reduce circular debt and to ensure un-interrupted power supply across the country. As per the Petitioner, the Ministry of Water & Power Islamabad (MOWP) has directed vide letter No.Pf.05 (06)/2012PHPL dated 15th May 2013 to XWDISCOs to accept the debit/ credit notes issued by CPPA in respect of their share in TFC- loans and mark-up. The Petitioner further stated that MOWP has directed it vide mentioned letter to record the loan liability in the books of accounts along with the mark-up cost.

18.2 The Petitioner informed that its share in loan is Rs. 6977.954 Million and CPPA has issued debit note of Rs.238.818 Million as 1st Mark-up payment share which has not been accepted by it so far. Based on this, the Petitioner has requested the Authority to allow the cost of 1st mark-up in the tariff determination for FY 13-14 and allow the same for future years.

18.3 The Authority while deciding the tariff petition for the FY 2012-13, has already adjudicated on the matter, after a comprehensive discussion. The Authority considers that the Petitioner has not submitted any new rationale or evidence on which the Authority can adjudicate. In view thereof, the Authority maintains it earlier decision in this regard.

18.5 During the last year's tariff determination, the Authority directed the Petitioner to submit its genuine working capital requirements. The Petitioner has pleaded in the tariff petition for the FY 13-14 that either LPS should be excluded from other income since it represents a cover of short-term financing cost for the Petitioner or else it is allowed cost of working capital. The Petitioner has submitted two options for interest on working capital amounting to Rs. 1,656 million and Rs. 1,202 million respectively. The details are as below:

Option –I – On the basis of 45 days PPP

Description	Values
Estimated PPP for FY 2013-14	Rs. 104,173 million
Number of days in year	365
PPP per day	Rs. 285 million
PPP for 45 days	Rs. 12,825 million
Rate of Interest(KIBOR 9.91% + 300 basis)	12.91%
Cost of Working Capital	Rs. 1,656 million

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Option –II – On the basis of 45 days Receivables, 1 month O&M and 2 months Stores and spares

Description	Values
Receivables of 1.5 months	Rs. 8,117 million
O&M expenses of 1 month	Rs. 985 million
Stores and spares of 2 months	Rs. 210 million
Total working capital requirement	Rs. 9,312 million
Rate of Interest(KIBOR 9.91% + 300 basis)	12.91%
Cost of Working Capital	Rs. 1,202 million

18.6 On the issue of Late Payment Surcharge the Authority has already adjudicated on the issue. As regard the issue of working capital, the Authority after careful consideration of the Petitioner's provided working is of the view that it's submitted working for both options was not in accordance with the international practices and principles. The working capital requirement is normally worked out considering the current receivables and current payables. Further, the Petitioner has failed to correlate between its date of invoice from CPPA and its billing to the consumers. The Authority considers that the working capital requirement worked out by the Petitioner is abnormally high, which would adversely affect the consumers; therefore being without judicious basis and against the consumer's interest is declined.

19. Issue # 13. Whether the proposed revenue requirement of Rs 141,823 million at an average sale rate of Rs 16.18 /kWh for the FY 2013-14, is justified as against the Authority's approved average sale rate of Rs. 14.39 /kWh for the FY 2012-13?

19.1 Annual Revenue Requirement comprises of the following:

1. Power Purchase Price
2. Impact of T&D Losses
3. Distribution Margin
   i) O&M Expenses
   ii) Depreciation, RORB and Other Income
4. Prior Year Adjustment

19.2 For the assessment of annual revenue requirement the each components of average tariff is discussed in detail in the previous paragraphs. However, the remaining components are discussed below;

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19.3 Power Purchase Price (PPP)

19.3.1 The Petitioner has requested for a Power Purchase Price (PPP) of Rs. 11.88/kWh (Rs. 10.595/kWh unadjusted). As per the Petitioner, the projection is based on an increase of 7% over previous financial year 2012-13 being no clear trend found in past few years. The Petitioner also submitted the component wise detail as below:

Description	**FY 13-14 (Projected)**	
	Amount Rs. In million	**Rate in Rs./kWh***
Energy Transfer Charges	80,857	8.224
Capacity Transfer Charges	21,493	2.186
Use of System Charges	1,823	0.185
PPP	**104,173**	**10.595**

* Rate is unadjusted price /kWh

19.3.2 All the power generated from different sources is procured by the Central Power Purchasing Agency (CPPA) on behalf of DISCOs at the rates as per the Power Purchase Agreements (PPAs) as per the Authority's determination. The overall power purchase cost constitutes a pool price which is transferred to the DISCOs according to a mechanism prescribed by the Authority and notified by the Federal Government in its Official Gazette. The Power Purchase Price has been projected, which in turn formulates the reference values for the monthly fuel adjustments & quarterly adjustments with respect to Capacity and Transmission Charges.

19.3.3 From all the available sources i.e. hydel, thermal-gas, thermal-oil, nuclear, coal and imports, a total of 88,362 GWh power is expected to be generated during the FY 2013-14. The estimated/projected source-wise generation and cost of electricity is given in the following table:

Description	Generation		Energy Charges	
	GWh	Share	Rs. Million	Share
Hydel	30,055	34.01%	23,46	0.32%
Coal	40	0.04%	148	0.02%
HSD	1,301	1.47%	23,710	3.26%
Thermal - RFO	31,023	35.11%	566,182	77.90%
Thermal - Gas	20,662	23.38%	115,266	15.86%
Nuclear	3,641	4.12%	4,367	0.60%

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Mixed	1,067	1.21%	11,202	1.54%
Import from Iran	375	0.42%	3,564	0.49%
Wind	199	0.23%	0.15	0.00%
Total	88,362	100%	726,786	100%
Capacity Charge			218,136	
Total Generation Cost			944,915	

19.3.4 Here it is pertinent to mention that the aforementioned energy charge includes variable O&M charges. But as per the tariff methodology, variable O&M charges would not be made part of monthly fuel adjustment and would be adjusted as part of quarterly adjustment. From the above table it is clear that 34% of total generation is expected on Residual Fuel oil (RFO) but its share in overall energy cost is to be around 78%, which means that variation in generation mix and oil prices will have great impact on the cost of generation and will ultimately affect the consumer-end tariff. The RFO prices over the last year have shown an increasing trend. During the FY 2012-13, the RFO price was projected at an average of Rs. 74,167 metric ton [excluding Sales Tax and including freight] per metric ton, whereby the RFO prices during the first half of the FY 2013 -14 have touched a peak of around Rs. 78,000 [excluding Sales Tax and including freight] per metric ton. The RFO prices in Pakistan are not only affected by the international market but also by the Pak Rupee devaluation. For the FY 2013-14, RFO prices have been assumed on an average of Rs. 80,748 per metric ton [excluding Sales Tax and including freight] after incorporating the possible determinants of RFO prices. Following the previous generation trend, approximately 1.38% generation is expected to be generated on HSD due to the ongoing shortage of gas supply. The aforementioned generation is assumed in the light of ECC decision in the matter of Sapphire, Halmore, Orient and Saif whereby one turbine of these plants would run on HSD throughout the year. For the FY 2013-14, the HSD prices are being assumed on an average of Rs. 85.65 per litre [excluding Sales Tax]. The gas prices are also projected as per the latest OGRA's notification with a cushion of expected increase.

19.3.5 The generation cost is transferred to the DISCOs according to the Transfer Price Mechanism (TPM) as prescribed by the Authority in its latest determination with respect to NTDC:

19.3.6 NTDC shall charge the DISCOs formed consequent to the unbundling of WAPDA (termed as XWDISCOs) and KESC, a transfer charge for procuring power from approved generating companies (termed as CPGENCOs) and its delivery to DISCOs for a billing period as under:

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XTC = XCTC + XETC

Where:

XTC = Transfer charge to XWDISCOs & KESC

XCTC = Capacity Transfer Charge to XWDISCOs & KESC

XETC = Energy Transfer Charge to XWDISCOs & KESC

$$XCTC = \frac{CpGenCap + USCF}{XWD}$$

Where:

(i) CPGenCap = the summation of the capacity cost in respect of all CPGencos in Rs for a billing period minus the amount of liquidated damages received during the month.

(ii) XWD = the sum of the maximum demand of the XWDISCOs & KESC in kW recorded during a billing period at all the delivery metering points at which power is received by the XWDISCOs & KESC.

(iii) USCF = the fixed charge part of the use of system charges in Rs per kW per month.

$$XETC = \frac{CpGenE\ (Rs)}{XWUs\ (kWh)}$$

Where:

(i) CPGenE = the summation of the variable charge rate (Rs per kWh) approved for each of the CPGenCOs times the energy in kWh procured from the respective CPGENCO during the billing period.

(ii) XWUs = the summation of the energy units (kWh) recorded at the delivery metering point of all the XWDISCOs & KESC during a billing period.

Energy transfer charge shall be calculated on the basis of units delivered after adjusting target transmission losses up to a maximum of 3%. NTDC shall, for the purpose of clarity intimate to all DISCOs the generation part of the Transfer Charge during a billing period by deducting from the Transfer Charge the Transmission Charge or Use of System Charges.

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19.3.7 According to the above mechanism Rs. 24,689 million and Rs. 2,296 million is the share of the Petitioner on account of CpGenCap and USCF respectively for the FY 2013-14. The overall fixed charges comprising of CpGenCap and USCF in the instant case work out as Rs. 26,985 million, which translate into Rs. 1,204/kW/month or Rs.2.85/kWh.

19.3.8 The annual PPP for the FY 2013-14 in the instant case works out as Rs. 107,117 million. With the projected purchase of 9,472 GWh for the same period the average PPP turns out to be as Rs. 11.31 / kWh (Annex – IV). On the basis of 9.13 % T&D losses, the PPP per kWh is assessed as Rs. 12.44 /kWh.

19.3.9 Considering the timing of the determination the Authority has decided to include quarterly adjustment pertaining to the first quarter of the FY 2013-14. In the matter of Petitioner the 1st quarters PPP adjustment works out as Rs. (593) million .

19.4 Distribution Margin (DM)

19.4.1 The assessment of O&M Cost, Other Income, depreciation and RORB has been assessed in the preceding paragraphs.

19.5 Revenue Requirement

19.5.1 Based on the assessments made in the preceding paragraphs the Revenue Requirement for the FY 2013-14 is assessed as per the following details;

1.	Power Purchase Price		Rs. 107,117 Million
	CpGenE	Rs. 80,133 Million	
	CpGenCap	Rs. 24,689 Million	
	USCF	Rs. 2,296 Million	
2.	Distribution Margin		Rs. 8,678 Million
	O&M Cost	Rs. 8,223 Million	
	Depreciation	Rs. 1,814 Million	
	RORB	Rs. 2,008 Million	
	Gross DM	Rs. 12,045Million	
	Less: Other Income	Rs. 3,061Million	
	Net DM	**Rs. 8,984Million**	
	Prior Year Adjustment		Rs. (3,777) Million
	1st Qrt PPP Adj		Rs. (593) Million
	Total Assessed Revenue Requirement		**Rs.111,732 Million**

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19.5.2 Based on the projected sales of 8,608 GWh for the FY 2013-14, the Petitioner's average sale rate works out Rs. 12.9805/kWh, consisting of Rs.12.44/kWh of adjusted PPP, Rs. 1.04/kWh of DM, Rs. (0.07)/kWh of PPP Adjustment and Rs.(0.44)/kWh of Prior Year Adjustment.

19.5.3 This revenue would be recovered from the consumers during the FY2013-14, through the projected units of 8,608 GWh, as per Annex – II.

19.5.4 Here it is pertinent to mention that if the Petitioner fails to meet the Authority's assessment of T&D losses at the level of 9.13% for the FY 2013-14, it would result in an additional loss of Rs. 2,090 million. Had the Authority assessed it to the level of last year this amount would been recovered by the Petitioner as a form of tariff differential subsidy from the GOP. The Authority considers that it is inefficiency on the part of the Petitioner , hence decided not to make it a part of Schedule of Tariff.

20. <u>Issue # 14. What are the comments of Petitioner on the proposal for determination of uniform fixed charges for Agriculture consumers?</u>

20.1 MEPCO in its tariff petition pertaining to the FY 2013-13, submitted that the consumer of agriculture tariff D-2 having sanctioned load less than 5 KW has to pay the fixed charges on the basis of sanctioned load in kilowatt even if no energy is consumed, whereby for the rest of the agricultural categories these are Rs. 350/month minimum fixed charges, in case no energy is consumed, which is highly contrary when compared with D-2 agriculture consumers. The Petitioner requested the Authority that minimum fixed charges of tube well tariff D-1(a) & D-1(b) should be like wise of tariff B-2 i.e. Rs. 2000/- The Authority consideres that since the matter pertains to all the XWDISCOs hence, it would be dealt in the tariff determinations of the subsequent year. In view thereof, an issue was framed in all the XWDISCOs hearing and comments were sought on it.

20.2 The Petitioner during the hearing for the instant petition, submitted the following comments:

- At present uniform fixed charges @ Rs. 200/KW are being charged to private agricultural tube wells and scarp tube wells.
- Scarp tube wells having sanctioned load less than 5KW are not being charged fixed charges.
- The Petitioner's fixed revenue from Agriculture Consumers is Rs. 1,004 Million for FY 2012-13 and Fixed Charges are major source of Revenue.

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- It is proposed that uniform fixed charges be determined for all categories of tube well connections including scarp.

20.3 The Authority after careful consideration of the Petitioner's comments and MEPCO's observations has decided to set minimum fixed charges of tube well tariff D-1(a) & D-1(b) i.e. when no energy is consumed as Rs. 2,000/month.

21. Issue # 15. Whether the Petitioner's request to revert back the policy of charging fixed charges to industrial consumers and introduction of other regulatory measures to maintain consumer discipline reasonable?

21.1 The Petitioner has requested that in order to safeguard the interest of the majority of industrial consumers, the Authority is required to stop temporary / captive power industrial consumers from invading its system. Thus, some sort of consumer discipline measure are needed to be introduced. As per the Petitioner, the decision of the Authority of charging flat fixed rate from industrial consumers, have altogether changed the basis of the tariff structure of industrial consumers. The Petitioner pleaded that the Authority has determined NTDC tariff on the basis of MDI recorded on the system as a fixed capacity charges whereas the Petitioner has not been allowed to recover this component from industrial customers rather recovering from remaining consumers. In addition, the Petitioner listed the following hurdles as being created by this introduction of fixed rate:

- Freedom to enter and exit the network without any prior notice causing consumer indiscipline;
- The mechanism shifting the burden of uncertain demand and cost of indiscipline consumers to disciplined consumers;
- High network maintenance cost is being recovered from disciplined and regular consumers;
- Restricting the Petitioner's ability to recover tariff in the respective period and shifting the burden to future consumers;
- Compromising the Petitioner's plans for the enhancement and augmentation of distribution networks;
- Load management issue resulting into frequent supply interruptions and forced load shedding;
- The present structure of industrial tariff also provides leverage to the consumers to maintain the Petitioner's connection throughout the year and the Petitioner is bound to ensure provision of power supply to the consumers. The consumers, who have their own electricity generation, often shift on its system due to shortage of input material for their electricity generation units and resultantly, aggravate the crisis of load shedding. The consumer, who is

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regular and remains on the Petitioner's system throughout the year and pays legitimate claim of the Petitioner has the first right of service which is compromised due to shifting of these consumers on the Petitioner's system.

Based on afore-stated grounds, the Petitioner has requested for the revision of policy of fixed charges to pre 2008 policy.

21.2 The same concern was raised by all the DISCOs in the past, whereby the Authority conducted a separate meeting on the issue. Most of the DISCOs admitted that in view of the existing load shedding scenario, aforementioned concern is no longer relevant.

21.3 The Authority abolished the minimum fixed charges regime, keeping in view the arguments of the Interveners, especially in the distribution area of the Petitioner, where there is extensive gas load shedding and they were bound to cover their load requirements through expensive fuels. The Authority considered that if consumer discipline is important then the discipline for the DISCOs is equally important. If the DISCO cannot guarantee them 100 % supply of electricity then the Authority cannot stop them from keeping alternative generation base. The Authority also considers that the argument of the Petitioner that the Authority determines NTDC tariff on the basis of MDI recorded on the system whereas it has not been allowed to recover this component from industrial customers rather recovering from remaining consumers, is not valid. The Authority is cognizant of the fact that the Petitioner applies fix charges on the basis of recorded MDI. In view thereof, the Petitioner's contention is not valid.

21.4 Keeping in view the aforementioned discussion, the Petitioner's request in this regard is declined.

22. <u>Issue # 16. Whether the Petitioner's miscellaneous requests merits consideration?</u>

22.1 The Petitioner has raised following miscellaneous request:

22.2 ***Creation of new sub-divisions and Divisions:*** The Petitioner has requested to create 11 divisions and 42 sub-divisions in the circle of Jhang and Sargodha. The total estimated cost is Rs. 1,664 million in three phases of which Rs. 570 million is to be incurred in the FY 2013-14. The Petitioner has submitted recommendation of scrutiny committee in this regard.

22.3 The Authority after consideration of the Petitioner's request is of the view that although the Petitioner has provided the financial implications, but the impact on this account will not be with immediate effect. In view thereof, the Authority has decided to put the decision on " hold " and directs the Petitioner to give a separate presentation

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on the subject. The Petitioner is further directed to contact Registrar Office for an appointment for the said presentation.

22.4 ***Setting up of pay out ratio for DISCOs by NEPRA for payment of PPP billed by CPPA:*** The Petitioner requested for setting up target pay out ratio in order to judge a DISCO's performance based on the following formula:

PP Price Pay out ratio = Payment to CPPA / PP price billed by CPPA

As per the Petitioner, this ratio will reflect real performance of a DISCO. A low ratio will show company's poor recovery, increased line losses, poor management control and excess spending than target. Based on these grounds, the Petitioner has requested the Authority to set up a pay out ratio to fix the problem of circular debt.

The Authority considers that the Petitioner's proposal is worth consideration as through such tools diagnostic of real problems can be done. The Authority considers this is more relevant for the Petitioner for adopting better management measures to improve the Petitioner's performance. This may also help the Petitioner to exactly know the exact quantum of its liability and contribution towards circular debt. The Authority considers that the idea is good and can be adopted to gauge the performance of a DISCO.

22.5 ***Provide incentive to consumers who help in energy conservation:*** The Petitioner has proposed in the petition that some reduction in tariff may be allowed to consumers who are involved in energy conservation and who use less units. As per the Petitioner, these consumers may be given relief in terms of reduction in tariff in accordance with their savings to be adjusted in their monthly bills.

22.6 The Authority considers that the proposal of Petitioner is very vague and generic in nature and does not include any formula / working for giving relief to the consumers. In view thereof, the Petitioner may think of resubmitting its case with proper justifications , rationale and workings.

23. Issue # 17. What are major changes in the amount of receivables depicted by the financial statements of the Petitioner?

23.1.1 Although the Authority determines Petitioner 's tariff on 100 % recovery basis but since the DISCOs receivables are directly linked to the on going issue of circular debt , the Authority has decided to discuss it in order to highlight the area of potential improvement for the Petitioner and for the sector.

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23.1.2 In the tariff determination pertaining to the FY 2012-13, the Authority discussed in detail the significant amount appearing as receivables in the financial statements of the Petitioner. The rational behind the discussion of this area was to highlight the area of potential improvement for the Petitioner and for the sector. The Authority noted with concern the significant increase in receivables in one year from 2010-11 to 2011-12.

23.1.3 Consequently, while noting its concern on the recovery efforts of the petitioner the Authority directed the petitioner to submit a concrete recovery plan no later than 30th June, 2013. In addition to this, the Authority also proposed to the petitioner to think of outsourcing of the collection of these receivables to a debt collection agency but on terms of payment linked with recovery only. Another matter of concern was amount pending under the head of tariff differential subsidy from Government of Pakistan (GoP). The petitioner was directed by the Authority in the tariff determination for FY 12-13 to take up the issue with GOP for the recovery of this amount and report back to the Authority before 30th June, 2013.

<u>Concrete Recovery Plan</u>

23.2 The Petitioner did not submit any compliance in this regard nor the plan with the tariff petition. However, during the hearing for the instant petition, the petitioner stated that a concreted plan to achieve maximum recovery during FY 2012-13 was given to the field formations and monitoring was performed at the level of XEN(O), SE(O), and FESCO (HQ). Salient features of Recovery Plan as per the Petitioner were as under;

- ❖ Disconnection of running defaulters every month by generation of defaulter list age wise, slab wise.
- ❖ Ban on installments to affect recovery.
- ❖ Door to door checking of defaulter premises to ensure no use of supply before reconnection after recovery of arrear amount.
- ❖ Disconnection of other running connections other than defaulter connection of the same owner.

As per the Petitioner, with these efforts the percentage age recovery of the Petitioner for the FY 2012-13 remained as 99.06% against 98.45% last (net increase 0.61%).

23.3 An analysis of the audited financial statements of the Petitioner for the FY 12-13 reveals the following position w.r.t., receivables:

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Description	2010-11	2011-12	2012-13
Trade Debtors - considered good (Rs. in million)	9,034	12,116	7,517
Trade Debtors - considered doubtful (Rs. in million)	268	835	2,266
Trade Debtors – Total (Rs. in million)	**9,302**	**12,951**	**9,783**
Provision for bad debts (Rs. in million)	268	835	2,266
Net Receivables (Rs. Million)	9,034	12,116	7,517

23.4 The Authority observed that the main decrease in the receivables pertains to the recovery of FPA. However, the Authority has observed that the Petitioner has charged an abnormal provision for doubtful debts for the year 2012-13. The Authority further observes that it does not reconcile with the Petitioner's claims of enhanced recovery mentioned above. In view thereof , the Authority directs the Petitioner to submit in detail the reasons of not later than 31st March, 2014.

Issue of subsidy with GOP

23.5 During the hearing, the Petitioner has submitted the following break-up of amount receivables from GoP,:

Description	Receivables in Rs. in million
Opening Balance as on 01-07-2012	13,208.952
Subsidy Claimed during the Year	22,185.009
Credit Received	(29,706.852)
Closing Balance as on 30-06-2013	5,687.109
Impact due to new tariff - Revised Subsidy Claims (July-2012 to June-2013)	25,341.009
Closing Balance as on 30-06-2013 (After Revision)	31,028.118

As per the petitioner, revised subsidy claims have been lodged in August, 2013 after tariff notification vide SRO 700(I)/2013 dated August 05, 2013.

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23.6 The Authority is cognizant of the fact that the Petitioner has recently raised the revised subsidy claims, however, considering the amount of receivables, the Authority directs the Petitioner to take up the issue of recovery of this balance with GoP as soon as possible and report back not later than 31st March, 2104.

24. Summary of Directions

24.1 The summary of all the directions passed in this determination are reproduced hereunder;

- To complete installations of TOU metering.
- To complete the study of T&D losses pertaining to 11 KV and below.
- To submit Auditor's Report with respect to excessive billing.
- To complete the creation of Independent Post retirement benefits funds at the earliest and update the current status of the compliance not later than 31st March, 2014.
- To conduct a brain storming session on different provisions of draft PSA not later than 31st March, 2014.
- To submit concrete recovery plan and issue of subsidy with GOP, no later than 31st March, 2014.
- To book an appointment for a separate presentation on the creation new circles.
- To submit the next tariff petition in accordance with the changed title.
- To contact Registrar Office for an appointment for presentation on the subject of efforts to overcome overbilling not later than 31st March , 2014. The Presentation must be aimed to justify the Petitioner's
- To submit the completion timeline for the implementation of ERP by 31st March, 2014.
- To provide reasons along with justification for abnormal charging of retirement benefits not later than 31st March, 2014.
- To correct the deficiencies in the submitted Certificate of Auditor in the matter of Additional / Replacement Hiring and resubmit it not later than 31st March , 2014.
- The HR Division of the Petitioner to get the strength yard stick's approval by the Authority, based on proper justifications and its quantified benefits, which would also include a comparison of existing state of affairs.
- To get clarification from its Auditors, on the issue of different closing and opening balances of different asset classes, not later than 31st March , 2014

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- To clarify the increased charging of provision with its claims of increased recovery not later than 31st March, 2014.
- To take up the issue of recovery of pending subsidy with the GoP as soon as possible and report back not later than 31st March, 2104.

25. ORDER

From what has been discussed above, the Authority hereby determines the tariff of the petitioner Company for the Financial Year 2013-14 as under:-

I. Faisalabad Electric Supply Company (FESCO) is allowed to charge its consumers such tariff as set out in the schedule of tariff for FESCO annexed to the determination.

II. The actual variation in fuel cost component of power purchase price against the reference fuel cost component shall be adjusted on monthly basis without taking into account the T&D losses. The monthly fuel price adjustment shall be based on the actual information submitted by CPPA.

III. FESCO is allowed to charge the users of its system a "Use of system charge" (UOSC) equal to:

i) Where only 132 kV system is involved

$$UOSC = DM \times \frac{(1-L)}{(1-0.01)} \quad Paisa/kWh$$

ii) Where only 11 kV distribution systems is involved.

$$UOSC = DM \times \frac{(1-L)}{(1-0.05)} \quad Paisa/kWh$$

iii) Where both 132 kV and 11 kV distribution systems are involved.

$$UOSC = DM \times \frac{(1-L)}{(1-0.06)} \quad Paisa/kWh$$

Where:

Distribution Margin for FY 2013-14 is set at Rs 1.04/kWh. 'L' will be the overall percentage loss assessment for the year set at 9.13% or FY 2013-14.

IV. The residential consumers will be given the benefit of only one previous slab.

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V. The Order part, Annex-I, III, IV,V & VII annexed with determination is intimated to the Federal Government for notification in the official gazette under Section 31(4) of the NEPRA Act.

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Annex-I

FUEL PRICE ADJUSTMENT MECHANISM

Actual variation in fuel cost component against the reference fuel cost component for the corresponding months will be determined according to the following formula

Fuel Price variation = Actual Fuel Cost Component - Reference Fuel Cost Component

Where:

Fuel Cost Component would include Energy Charge without Variable O&M.

Fuel Price variation is the difference between actual and reference fuel cost component

Actual fuel cost component is the fuel cost component in the pool price on which the DISCOs will be charged by CPPA in a particular month; and

Reference fuel cost component is the fuel cost component for the corresponding month projected for the purpose of tariff determination as per Annex-IV of the determination;

The fuel price adjustment determined by the Authority shall be shown separately in the bill of the consumer and the billing impact shall be worked out on the basis of consumption by the consumer in the respective month.

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Faisalabad Electric Supply Company (FESCO)
Estimated Sales Revenue on the Basis of New Tariff

(1)

Description	Sales GWh	Sales Mix	Tariff (NEPRA) Fixed Charge Rs./kW/ Month	Tariff (NEPRA) Variable Charge Rs./ kWh	Revenue (as per NEPRA) Fixed Charge Rs.Million	Revenue (as per NEPRA) Variable Charge Rs.Million	Revenue (as per NEPRA) Total Rs. Million
Residential							
Up to 50 Units	313	3.63%		4.00	-	1,251	1,251
For peak load requirement less than 5 kW							
01-100 Units	1714	19.91%		11.34	-	19,425	19,425
101-300 Units	1333	15.49%		14.00	-	18,666	18,666
301-700Units	338	3.92%		15.00	-	5,066	5,066
Above 700 Units	86	1.00%		17.50	-	1,500	1,500
For peak load requirement exceeding 5 kW)					-	-	-
Time of Use (TOU) - Peak	3	0.03%		17.50	-	51	51
Time of Use (TOU) - Off-Peak	15	0.18%		11.50	-	176	176
Total Residential	**3,801**	**44.16%**			**-**	**46,135**	**46,135**
Commercial - A2							
For peak load requirement less than 5 kW	271	3.14%		17.50	-	4,736	4,736
For peak load requirement exceeding 5 kW							
Regular	11	0.12%	400.00	15.00	17	161	178
Time of Use (TOU) - Peak	36	0.42%		17.50	-	636	636
Time of Use (TOU) - Off-Peak	152	1.77%	400.00	11.50	290	1,751	2,042
Total Commercial	**470**	**5.46%**			**307**	**7,285**	**7,592**
Industrial							
B1	248	2.88%		14.50		3,601	3,601
B1 Peak	24	0.28%		17.50	-	418	418
B1 Off Peak	138	1.60%		11.50	-	1,582	1,582
B2	98	1.14%	400.00	14.00	119	1,369	1,488
B2 - TOU (Peak)	185	2.15%		17.50	-	3,241	3,241
B2 - TOU (Off-peak)	1069	12.41%	400.00	11.30	2,133.52	12,075	14,208
B3 - TOU (Peak)	109	1.27%		17.50		1,908	1,908
B3 - TOU (Off-peak)	710	8.25%	380.00	11.20	775	7,949	8,724
B4 - TOU (Peak)	80	0.93%		17.50		1,396	1,396
B4 - TOU (Off-peak)	531	6.17%	360.00	11.10	486	5,891	6,377
Total Industrial	**3,191**	**37.07%**			**3,513**	**39,429**	**42,942**
Single Point Supply for further distribution							
C1(a) Supply at 400 Volts-less than 5 kW	0	0.00%		15.00	-	4	4
C1(b) Supply at 400 Volts-exceeding 5 kW	6	0.07%	400.00	14.50	7	89	96
Time of Use (TOU) - Peak	2	0.02%		17.50		30	30
Time of Use (TOU) - Off-Peak	8	0.09%	400.00	11.50	11	89	99
C2 Supply at 11 kV	64	0.75%	380.00	14.30	67	922	989
Time of Use (TOU) - Peak	6	0.07%		17.50		107	107
Time of Use (TOU) - Off-Peak	29	0.34%	380.00	11.30	37	329	365
C3 Supply above 11 kV	50	0.58%	360.00	14.20	37	705	742
Time of Use (TOU) - Peak	19	0.22%		17.50		325	325
Time of Use (TOU) - Off-Peak	91	1.06%	360.00	11.20	81	1,020	1,101
Total Single Point Supply	**275**	**3.19%**			**239**	**3,620**	**3,859**
Agricultural Tube-wells - Tariff D							
Scarp	47	0.54%		14.50	-	677	677
Agricultual Tube-wells	14	0.17%	200.00	14.00	9	201	209
Time of Use (TOU) - Peak	115	1.33%		17.50		2,009	2,009
Time of Use (TOU) - Off-Peak	684	7.94%	200.00	11.20	486	7,656	8,142
Total Agricultural	**859**	**9.98%**			**495**	**10,543**	**11,038**
Public Lighting - Tariff G	7	0.08%		15.00	-	99	99
Tariff H - Residential Colonies attached to industries	4	0.05%		15.00	-	67	67
	0			15.00	-	-	-
Sub-Total	**11**	**0.13%**			**-**	**165**	**165**
Total Revenue	**8,607**	**100.00%**			**4,554**	**107,177**	**111,731**

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SCHEDULE OF ELECTRICITY TARIFFS
FOR FAISALABAD ELECTRIC SUPPLY COMPANY (FESCO)

A-1 GENERAL SUPPLY TARIFF - RESIDENTIAL

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	
a)	For Sanctioned load less than 5 kW			
i	Up to 50 Units	-	4.00	
	For Consumption exceeding 50 Units			
ii	001 - 100 Units	-	11.34	
iii	101 - 300 Units	-	14.00	
iv	301 - 700 Units	-	15.00	
v	Above 700 Units	-	17.50	
b)	For Sanctioned load 5 kW & above			
			Peak	Off-Peak
	Time Of Use	-	17.50	11.50

As per the Authority's decision residential consumers will be given the benefits of only one previous sl

Under tariff A-1, there shall be minimum monthly charges at the following rates even if no energy is consumed.

a) Single Phase Connections: Rs. 75/- per consumer per month
b) Three Phase Connections: Rs. 150/- per consumer per month

A-2 GENERAL SUPPLY TARIFF - COMMERCIAL

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	
a)	For Sanctioned load less than 5 kW	-	17.50	
b)	For Sanctioned load 5 kW & above	400.00	15.00	
			Peak	Off-Peak
c)	Time Of Use	400.00	17.50	11.50

Under tariff A-2, there shall be minimum monthly charges at the following rates even if no energy is consumed.

a) Single Phase Connections; Rs. 175/- per consumer per month
b) Three Phase Connections: Rs. 350/- per consumer per month

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SCHEDULE OF ELECTRICITY TARIFFS
FOR FAISALABAD ELECTRIC SUPPLY COMPANY (FESCO)

B INDUSTRIAL SUPPLY TARIFFS

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	
B1	Upto 25 kW (at 400/230 Volts)	-		14.50
B2(a)	exceeding 25-500 kW (at 400 Volts)	400.00		14.00
	Time Of Use		Peak	Off-Peak
B1 (b)	Up to 25 KW		17.50	11.50
B2(b)	exceeding 25-500 kW (at 400 Volts)	400.00	17.50	11.30
B3	For All Loads up to 5000 kW (at 11,33 kV)	380.00	17.50	11.20
B4	For All Loads (at 66,132 kV & above)	360.00	17.50	11.10

For B1 consumers there shall be a fixed minimum charge of Rs. 350 per month.
For B2 consumers there shall be a fixed minimum charge of Rs. 2,000 per month.
For B3 consumers there shall be a fixed minimum charge of Rs. 50,000 per month.
For B4 consumers there shall be a fixed minimum charge of Rs. 500,000 per month.

C - SINGLE-POINT SUPPLY FOR PURCHASE IN BULK BY A DISTRIBUTION LICENSEE AND MIXED LOAD CONSUMERS NOT FALLING IN ANY OTHER CONSUMER CLASS

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	
C -1	For supply at 400/230 Volts			
a)	Sanctioned load less than 5 kW	-		15.00
b)	Sanctioned load 5 kW & up to 500 kW	400.00		14.50
C -2(a)	For supply at 11,33 kV up to and including 5000 kW	380.00		14.30
C -3(a)	For supply at 66 kV & above and sanctioned load above 5000 kW	360.00		14.20
	Time Of Use		Peak	Off-Peak
C -1(c)	For supply at 400/230 Volts 5 kW & up to 500 kW	400.00	17.50	11.50
C -2(b)	For supply at 11,33 kV up to and including 5000 kW	380.00	17.50	11.30
C -3(b)	For supply at 66 kV & above and sanctioned load above 5000 kW	360.00	17.50	11.20

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SCHEDULE OF ELECTRICITY TARIFFS
FOR FAISALABAD ELECTRIC SUPPLY COMPANY (FESCO)

D - AGRICULTURE TARIFF

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	
D-1(a)	SCARP less than 5 kW	-		14.50
D-2	Agricultural Tube Wells	200.00		14.00
			Peak	Off-Peak
D-1(b)	SCARP and Agricultural 5 kW & above	200.00	17.50	11.20

Under Agriculture tariff, there shall be minimum monthly charges Rs.2000/- per consumer per month, even if no energy is consumed.

Note:- The consumers having sanctioned load less than 5 kW can opt for TOU metering.

E - TEMPORARY SUPPLY TARIFFS

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh
E-1(i)	Residential Supply	-	17.50
E-1(ii)	Commercial Supply	-	17.50
E-2	Industrial Supply	-	14.50

For the categories of E-1(i&ii) above, the minimum bill of the consumers shall be Rs. 50/- per day subject to a minimum of Rs.500/- for the entire period of supply, even if no energy is consumed.

F - SEASONAL INDUSTRIAL SUPPLY TARIFF

125% of relevant industrial tariff

Note:

Tariff-F consumers will have the option to convert to Regular Tariff and vice versa. This option can be exercised at the time of a new connection or at the beginning of the season. Once exercised , the option remains in force for at least one year.

G- PUBLIC LIGHTING

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh
	Street Lighting		15.00

Under Tariff G, there shall be a minimum monthly charge of Rs.500/- per month per kW of lamp capacity installed.

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SCHEDULE OF ELECTRICITY TARIFFS
FOR FAISALABAD ELECTRIC SUPPLY COMPANY (FESCO)

H - RESIDENTIAL COLONIES ATTACHED TO INDUSTRIAL PREMISES

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh
	Residential Colonies attached to industrial premises	-	15.00

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FESCO Power Purchase Price

Name	July	August	September	October	November	December	January	February	March	April	May	June	Total
Units Purchased by DISCOs (GWh)	979	1,047	916	909	744	669	647	557	651	669	794	891	9,472

kWh

Fuel Cost Component	7.8834	7.4309	7.1138	7.5462	7.4167	9.5328	11.3605	8.9972	9.6341	8.9297	8.0982	6.8288	**8.2222**
Variable O&M	0.2390	0.2253	0.2237	0.2269	0.2150	0.2622	0.2638	0.2430	0.2529	0.2598	0.2431	0.2179	**0.2373**
CpGenCap	2.0369	2.1154	2.0212	2.2599	2.7879	3.2305	2.6517	3.8201	3.0136	3.1291	2.7536	2.5318	**2.6064**
USCF	0.2138	0.2124	0.2149	0.2188	0.2429	0.2742	0.2231	0.3135	0.2563	0.2779	0.2497	0.2631	**0.2424**
Total PPP in Rs./kWh	**10.3731**	**9.9840**	**9.5736**	**10.2518**	**10.6625**	**13.2997**	**14.4991**	**13.3737**	**13.1570**	**12.5965**	**11.3446**	**9.8416**	**11.3083**

Rs. in Million

Fuel Cost Component	7,722	7,783	6,515	6,858	5,517	6,373	7,348	5,012	6,269	5,976	6,426	6,087	**77,885**
Variable O&M	234	236	205	206	160	175	171	135	165	174	193	194	**2,248**
CpGenCap	1,995	2,216	1,851	2,054	2,074	2,160	1,715	2,128	1,961	2,094	2,185	2,257	**24,689**
USCF	209	222	197	199	181	183	144	175	167	186	198	235	**2,296**
PPP	**10,160**	**10,457**	**8,768**	**9,317**	**7,931**	**8,891**	**9,378**	**7,450**	**8,562**	**8,429**	**9,002**	**8,772**	**107,117**

It is clarified that PPP is pass through for all the DISCOs and its monthly references would continue to exist irrespective of the financial year, unless the new SOT is revised and notified by the GOP

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Annex-V

TERMS AND CONDITIONS OF TARIFF
(FOR SUPPLY OF ELECTRIC POWER TO CONSUMERS BY DISTRIBUTION LICENSEES)

PART-I

GENERAL DEFINITIONS

The Company, for the purposes of these terms and conditions means Faisalabad Electric Supply Company (FESCO) engaged in the business of distribution of electricity within the territory mentioned in the licence granted to it for this purpose.

1. "Month or Billing Period", unless otherwise defined for any particular tariff category, means a billing month of 30 days or less reckoned from the date of last meter reading.
2. "Minimum Charge", means a charge to recover the costs for providing customer service to consumers even if no energy is consumed during the month.
3. "Fixed Charge" means the part of sale rate in a two-part tariff to be recovered on the basis of "Billing Demand" in kilowatt on monthly basis.
4. "Billing Demand" means the highest of maximum demand recorded in a month except in the case of agriculture tariff D2 where "Billing Demand" shall mean the sanctioned load.
5. "Variable Charge" means the sale rate per kilowatt-hour (kWh) as a single rate or part of a two-part tariff applicable to the actual kWh consumed by the consumer during a billing period.
6. "Maximum Demand" where applicable , means the maximum of the demand obtained in any month measured over successive periods each of 30 minutes duration except in the case of consumption related to Arc Furnaces, where "Maximum Demand" shall mean the maximum of the demand obtained in any month measured over successive periods each of 15 minutes duration.
7. "Sanctioned Load" where applicable means the load in kilowatt as applied for by the consumer and allowed/authorized by the Company for usage by the consumer.
8. "Power Factor" means the ratio of kWh to KVAh recorded during the month or the ratio of kWh to the square root of sum of square of kWh and kVARh,.
9. Point of supply means metering point where electricity is delivered to the consumer.
10. Peak and Off Peak hours for the application of Time Of Use (TOU) Tariff shall be the following time periods in a day:

	* PEAK TIMING	OFF-PEAK TIMING
Dec to Feb (inclusive)	5 PM to 9 PM	Remaining 20 hours of the day
Mar to May (inclusive)	6 PM to 10 PM	-do-
June to Aug (inclusive)	7 PM to 11 PM	-do-
Sept to Nov (inclusive)	6 PM to 10 PM	-do-

* To be duly adjusted in case of day light time saving

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11. "Supply", means the supply for single-phase/three-phase appliances inclusive of both general and motive loads subject to the conditions that in case of connected or sanctioned load exceeding 4 kW supply shall be given at three-phase.
12. "Consumer" means a person of his successor-in-interest as defined under Section 2(iv) of the Regulation of Generation, Transmission and Distribution of Electric Power Act (XL of 1997).
13. "Charitable Institution" means an institution, which works for the general welfare of the public on no profit basis and is registered with the Federal or Provincial Government as such and has been issued tax exemption certificate by Federal Board of Revenue (FBR).
14. NTDC means the National Transmission and Dispatch Company.
15. CPPA means Central Power Purchasing Agency (CPPA).
16. The "Authority" means "The National Electric Power Regulatory Authority (NEPRA)" constituted under the Regulation of Generation, Transmission and Distribution of Electric Power Act (XL of 1997).

GENERAL CONDITIONS

1. "The Company shall render bills to the consumers on a monthly basis or less on the specific request of a consumer for payment by the due date.
2. The Company shall ensure that bills are delivered to consumers at least seven days before the due date. If any bill is not paid by the consumer in full within the due date, a Late Payment Surcharge of 10% (ten percent) shall be levied on the amount billed excluding Govt. tax and duties etc. In case bill is not served at least seven days before the due date then late payment surcharge will be levied after 7th day from the date of delivery of bill.
3. The supply provided to the consumers shall not be available for resale.
4. In the case of two-part tariff average Power Factor of a consumer at the point of supply shall not be less than 90%. In the event of the said Power factor falling below 90%, the consumer shall pay a penalty of two percent increase in the fixed charges determined with reference to maximum demand during the month corresponding to one percent decrease in the power factor below 90%.

PART-II

(Definitions and Conditions for supply of power specific to each consumer category)

A-1 RESIDENTIAL AND GENERAL SERVICES

1. This Tariff is applicable for supply to;

   i) Residences,
   ii) Places of worship,
   iii) Approved religious and charitable institutions,
   iv) Government and Semi-Government Offices and institutions,
   v) Government Hospitals and Dispensaries,
   vi) Educational institutions.

2. Consumers having sanctioned load less than 5 kW shall be billed on single-part kWh rate i.e. A-1 (a) tariff.

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3. All new consumers having sanctioned load 5 kW and above shall be provided T.O.U metering arrangement and shall be billed on the basis of tariff A-l(b) as set out in the Schedule of Tariff.
4. All existing consumers having sanctioned load 5 kW and above shall be provided T.O.U metering arrangement and converted to A- 1(b) Tariff by the Company.

A-2 COMMERCIAL

1. This tariff is applicable for supply to commercial offices and commercial establishments such as:

i) Shops,
ii) Hotels and Restaurants,
iii) Petrol Pumps and Service Stations,
iv) Compressed Natural Gas filling stations,
v) Private Hospitals/Clinics/Dispensaries,
vi) Places of Entertainment, Cinemas, Theaters, Clubs;
vii) Guest Houses/Rest Houses,
viii) Office of Lawyers, Solicitors, Law Associates and Consultants etc.

2. Consumers under tariff A-2 having sanctioned load of less than 5 kW shall be billed under a Single-Part kWh rate A-2(a)
3. All existing consumers under tariff A-2 having sanctioned load 5 kW and above shall be billed on A-2(b) tariff till such time that they are provided T.O.U metering arrangement; thereafter such consumers shall be billed on T.O.U tariff A-2(c).
4. The existing and prospective consumers having load of 5 kW and above can opt for T.O.U metering arrangement and A-2(c) tariff.
5. All existing consumers under tariff A-2 shall be provided T.O.U metering arrangement by the Company-and converted to-A-2 (c) Tariff.
6. All new connections having load requirement 5 kW and above shall be provided T.O.U meters and shall be billed under tariff A-2(c).

B INDUSTRIAL SUPPLY

Definitions

1. "Industrial Supply" means the supply for bona fide industrial purposes in factories including the supply required for the offices and for normal working of the industry and also for water pumps and tube-wells operating on three phase 400 volts, other than those meant for the irrigation or reclamation of agricultural land.
2. For the purposes of application of this tariff an "Industry" means a bona fide undertaking or establishment engaged in manufacturing, value addition and/or processing of goods.
3. This Tariff shall also be available for consumers having single-metering arrangement such as;

i) Poultry Farms
ii) Fish Hatcheries and Breeding Farms and
iii) Software houses

Conditions

An industrial consumer shall have the option, to switch over to seasonal Tariff-F, provided his connection is seasonal in nature as defined under Tariff-F, and he undertakes to abide by the terms and conditions of Tariff-F and pays the difference of security deposit rates previously deposited and those applicable to tariff-F at the time of acceptance of option for seasonal tariff. Seasonal tariff will be applicable from the date of commencement of the

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season, as specified by the customers at the time of submitting the option for Tariff-F. Tariff-F consumers will have the option to convert to corresponding Regular Industrial Tariff category and vice versa. This option can be exercised at the time of obtaining a new connection or at the beginning of the season. Once exercised, the option will remain in force for at least one year.

B -1 SUPPLY AT 400 VOLTS THREEPHASE AND/OR 230 VOLTS SINGLE PHASE

1. This tariff is applicable for supply to Industries having sanctioned load up to a 25 kW.
2. Consumers having sanctioned load less than 25 kW shall be billed on single-part kWh rate.

B-2 SUPPLY AT 400 VOLTS

1. This tariff is applicable for supply to Industries having sanctioned load of more than 25 kW up to and including 500 kW.
2. All existing consumers under tariff B-2 shall be provided T.O.U metering arrangement by the Company and converted to B-2(b) Tariff.
3. All new applicants i.e. prospective consumers applying for service to the Company shall be provided T.O.U metering arrangement and charged according to the applicable T.O.U tariff.

B-3 SUPPLY AT 11 kV AND 33 kV

1. This tariff is applicable for supply to Industries having sanctioned load of more than 500 kW up to and including 5000 kW and also for Industries having sanctioned load of 500 kW or below who opt for receiving supply at 11 kV or 33 kV.
2. If, for any reason, the meter reading date of a consumer is altered and the acceleration/retardation in the date is up to 4 days, no notice shall be taken of this acceleration or retardation. But if the date is accelerated or retarded by more than 4 days, the fixed charges shall be assessed on proportionate basis for the actual number of days between the date of the old reading and the new reading.
3. The supply under this Tariff shall not be available to a prospective consumer unless he provides, to the satisfaction and approval of the Company, his own Transformer, Circuit Breakers and other necessary equipment as part of the dedicated distribution system for receiving and controlling the supply, or, alternatively pays to the Company for all apparatus and equipment if so provided and installed by the Company. The recovery of the cost of service connection shall be regulated by the NEPRA eligibility criteria.
4. All B-3 Industrial Consumers shall be billed on the basis of T.O.U tariff given in the Schedule of Tariff.

B-4 SUPPLY AT 66 kV, 132 kV AND ABOVE

1. This tariff is applicable for supply to Industries for all loads of more than 5000 kW receiving supply at 66 kV, 132 kV and above and also for Industries having load of 5000 kW or below who opt to receive supply at 66 kV or 132 kV and above.
2. If, for any reason, the meter reading date of a consumer is altered and the acceleration/retardation in the date is up to 4 days, no notice shall be taken of this acceleration or retardation. But if the date is accelerated or retarded by more than 4 days, the fixed charges shall be assessed on proportionate basis for the actual number of days between the date of the old reading and the new reading.
3. If the Grid Station required for provision of supply falls within the purview of the dedicated system under the NEPRA Eligibility Criteria, the supply under this Tariff shall not be available to such a prospective consumer unless he provides, to the satisfaction and approval of the Company, an independent grid station of his own including Land, Building, Transformers, Circuit Breakers and other necessary equipment and apparatus as part of the

dedicated distribution system for receiving and controlling the supply, or, alternatively, pays to the Company for all such Land, Building, Transformers, Circuit Breakers and other necessary equipment and apparatus if so provided and installed by the Company. The recovery of cost of service connection shall be regulated by NEPRA Eligibility Criteria.

4. All B-4 Industrial Consumers shall be billed on the basis of two-part T.O.U tariff.

C SINGLE PO1NT (SINGLE-METERING) SUPPLY

"Single-Point Supply" for the purpose of this Tariff, means the supply given at one point:

i) To a licensee converted from a bulk supply status (who was procuring power from FESCO as a consumer prior to grant of license to FESCO) for the purpose of further distribution within its respective exclusive territory and jurisdiction.

ii) To a mix-load consumer not reselling to any other consumer such as residential, commercial, tube-well and others.

General Conditions

If, for any reason, the meter reading date of a consumer is altered and the acceleration/retardation in the date is up to 4 days no notice will be taken of this acceleration or retardation. But if the date is accelerated or retarded by more than 4 days the fixed charges shall be assessed on proportionate basis for actual number of days between the date of old reading and the new reading.

C-I SUPPLY AT 400/230 VOLTS

1. This Tariff is applicable to a consumer having mix-load at a single metering arrangement at 400 volts, having sanctioned load of up to and including 500 kW.
2. Consumers having sanctioned load less than 5 kW shall be billed on single-part kWh rate i.e. C-I(a) tariff'.
3. All new consumers having sanctioned load 5 kW and above shall be provided T.O.U metering arrangement and shall be billed on the basis of Time-of-Use (T.O.U) tariff C-1(c) given in the Schedule of Tariff.
4. All the existing consumers governed by this tariff having sanctioned load 5 kW and above shall be provided T.O.U metering arrangements.

C-2 SUPPLY AT 11 kV AND 33 kV

1. This tariff is applicable to consumers receiving supply at 11 kV or 33 kV at one-point metering arrangement and having sanctioned load of up to and including 5000 kW.
2. The supply under this Tariff shall not be available to a prospective consumer unless he provides, to the satisfaction and approval of the Company, his own Transformer, Circuit Breakers and other necessary equipment as part of the dedicated distribution system for receiving and controlling the supply, or, alternatively pays to the Company for all apparatus and equipment if so provided and installed by the Company. The recovery of the cost of service connection shall be regulated by the NEPRA eligibility criteria.
3. All new consumers shall be provided TOU metering arrangement and shall be billed on the basis of tariff C-2(b) as set out in the Schedule of Tariff.
4. Existing consumers governed by this tariff shall be provided with T.O.U metering arrangement and converted to C-2(b) .

C-3 SUPPLY AT 66 kV AND ABOVE

1. This tariff is applicable to consumers having sanctioned load of more than 5000 kW receiving supply at 66 kV and above.
2. If the Grid Station required for provision of supply falls within the purview of the dedicated system under the NEPRA Eligibility Criteria, the supply under this Tariff shall not be available to such a prospective consumer unless he provides, to the satisfaction and approval

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of the Company, an independent grid station of his own including Land, Building, Transformers, Circuit Breakers and other necessary equipment and apparatus as part of the dedicated distribution system for receiving and controlling the supply, or, alternatively, pays to the Company for all such Land, Building, Transformers, Circuit Breakers and other necessary equipment and apparatus if so provided and installed by the Company. The recovery of cost of service connection shall be regulated by NEPRA Eligibility Criteria.

3. Existing consumers governed by this tariff shall be provided with T.O.U metering arrangement and converted to C-3(b).
4. All new consumers shall be provided TOU metering arrangement and shall be billed on the basis of tariff C-3(b) as set out in the Schedule of Tariff.

D AGRICULTURAL SUPPLY

"Agricultural Supply" means the supply for Lift Irrigation Pumps and/or pumps installed on Tube-wells intended solely for irrigation or reclamation of agricultural land or forests, and include supply for lighting of the tube-well chamber.

Special Conditions of Supply

1. This tariff shall apply to:
   - i) Reclamation and Drainage Operation under Salinity Control and Reclamation Projects (SCARP):
   - ii) Bona fide forests, agricultural tube-wells and lift irrigation pumps for the irrigation of agricultural land.
   - iii) Tube-wells meant for aqua-culture, viz. fish farms, fish hatcheries and fish nurseries.
   - iv) Tube-wells installed in a dairy farm meant for cultivating crops as fodder and for upkeep of cattle.
2. If, for any reason, the meter reading date of a consumer is altered and the acceleration/retardation in the date is up to 4 days, no notice shall be taken of this acceleration or retardation. But if the date is accelerated or retarded by more than 4 days, the fixed charges shall be assessed on proportionate basis for the actual number of days between the date of the old reading and the new reading.
3. The lamps and fans consumption in the residential quarters, if any, attached to the tube-wells shall be charged entirely under Tariff A-1 for which separate metering arrangements should be installed.
4. The supply under this Tariff shall not be available to consumer using pumps for the irrigation of parks, meadows, gardens, orchards, attached to and forming part of the residential, commercial or industrial premises in which case the corresponding Tariff A-1, A-2 or Industrial Tariff B-1, B-2 shall be respectively applicable.

D-1 (a)

1. This tariff is applicable to all Reclamation and Drainage Operation pumping under SCARP related installation having sanctioned load of less than 5 kW.
2. Consumers having sanctioned load less than 5 kW shall be billed on single-part kWh rate i.e. D-1(a) tariff given in the Schedule of Tariff.

D-1 (b)

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1. This tariff is applicable to all Reclamation and Drainage Operation pumping under SCARP related installation and other consumers falling under Agriculture Supply having sanctioned load of 5 kW and above.
2. All new consumers having sanctioned load 5 kW and above shall be provided TOU metering arrangement and shall be charged on the basis of Time-of- Use (T.O.U) tariff D- 1(b) given in the Schedule of Tariff.
3. All the existing consumers having sanctioned load 5 kW and above shall be provided T.O.U metering arrangements and shall be governed by D-1(a) for SCARP and D2 for Agricultural Supply, till that time.

D-2

1. This tariff is applicable to consumers falling under Agriculture Supply having sanctioned load less than 5 kW excluding SCARP related installations.

E -1 TEMPORARY RESIDENTIAL/COMMERCIAL SUPPLY

Temporary Residential/Commercial Supply means a supply given to persons temporarily on special occasions such as ceremonial, religious gatherings, festivals, fairs, marriages and other civil or military functions. This also includes supply to touring cinemas and persons engaged in construction works for all kinds of single phase loads. For connected load exceeding 4 kW, supply may be given at 400 volts (3 phase) to allow a balanced distribution of load on the 3 phases. Normally, temporary connections shall be allowed for a period of 3 months which can be extended on three months basis subject to clearance of outstanding dues.

Special Conditions of Supply

1. This tariff shall apply to Residential and Commercial consumers for temporary supply.
2. Ordinarily the supply under this Tariff shall not be given by the Company without first obtaining security equal to the anticipated supply charges and other miscellaneous charges for the period of temporary supply.

E -2 TEMPORARY INDUSTRIAL SUPPLY

"Temporary Industrial Supply" means the supply given to an Industry for the bona fide purposes mentioned under the respective definitions of "Industrial Supply", during the construction phase prior to the commercial operation of the Industrial concern.

SPECIAL CONDITIONS OF SUPPLY

1. Ordinarily the supply under this Tariff shall not be given by the Company without first obtaining security equal to the anticipated supply charges and other miscellaneous charges for the period of temporary supply.
2. Normally, temporary connections shall be allowed for a period of 3 months, which may be extended on three months basis subject to clearance of outstanding dues.

F SEASONAL INDUSTRIAL SUPPLY

"Seasonal Industry" for the purpose of application of this Tariff, means an industry which works only for part of the year to meet demand for goods or services arising during a particular season of the year. However, any seasonal industry running in combination with one or more seasonal industries, against one connection, in a manner that the former works in one season while the latter works in the other season (thus running throughout the year) will not be classified as a seasonal industry for the purpose of the application of this Tariff.

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Definitions

1. "Year" means any period comprising twelve consecutive months.
2. All "Definitions" and "Special Conditions of Supply" as laid down under the corresponding Industrial Tariffs shall also form part of this Tariff so far as they may be relevant.

Special Conditions of Supply

1. This tariff is applicable to seasonal industry.
2. Fixed Charges per kilowatt per month under this tariff shall be levied at the rate of 125% of the corresponding regular Industrial Supply Tariff Rates and shall be recovered only for the period that the seasonal industry actually runs subject to minimum period of six consecutive months during any twelve consecutive months. The condition for recovery of Fixed Charges for a minimum period of six months shall not, however, apply to the seasonal industries, which are connected to the Company's Supply System for the first time during the course of a season.
3. The consumers falling within the purview of this Tariff shall have the option to change over to the corresponding industrial Supply Tariff, provided they undertake to abide by all the conditions and restrictions, which may, from time to time, be prescribed as an integral part of those Tariffs. The consumers under this Tariff will have the option to convert to Regular Tariff and vice versa. This option can be exercised at the time of obtaining a new connection or at the beginning of the season. Once exercised, the option will remain in force for at least one year.
4. All seasonal loads shall be disconnected from the Company's Supply System at the end of the season, specified by the consumer at the time of getting connection, for which the supply is given. In case, however, a consumer requires running the non-seasonal part of his load (e.g., lights, fans, tube-wells, etc.) throughout the year, he shall have to bring out separate circuits for such load so as to enable installation of separate meters for each type of load and charging the same at the relevant Tariff.
5. Where a "Seasonal Supply" consumer does not come forward to have his seasonal industry re-connected with the Company's Supply System in any ensuing season, the service line and equipment belonging to the Company and installed at his premises shall be removed after expiry of 60 days of the date of commencement of season previously specified by the consumer at the time of his obtaining new connection/re-connection. However, at least ten clear days notice in writing under registered post shall be necessary to be given to the consumer before removal of service line and equipment from his premises as aforesaid, to enable him to decide about the retention of connection or otherwise. No Supply Charges shall be recovered from a disconnected seasonal consumer for any season during which he does not come forward to have his seasonal industry re-connected with the Company's Supply System.

G PUBLIC LIGHTING SUPPLY

"Public Lighting Supply" means the supply for the purpose of illuminating public lamps.

Definitions

"Month" means a calendar month or a part thereof in excess of 15 days.

Special Conditions of Supply

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The supply under this Tariff shall be used exclusively for public lighting installed on roads or premises used by General Public.

H RESIDENTIAL COLONIES ATTACHED TO INDUSTRIES

This tariff is applicable for one-point supply to residential colonies attached to the industrial supply consumers having their own distribution facilities.

Definitions

"One Point Supply" for the purpose of this Tariff, means the supply given by one point to Industrial Supply Consumers for general and domestic consumption in the residential colonies attached to their factory premises for a load of 5 Kilowatts and above. The purpose is further distribution to various persons residing in the attached residential colonies and also for perimeter lighting in the attached residential colonies.

"General and Domestic Consumption", for the purpose of this Tariff, means consumption for lamps, fans, domestic applications, including heated, cookers, radiators, air-conditioners, refrigerators and domestic tube-wells.

"Residential Colony" attached to the Industrial Supply Consumer, means a group of houses annexed with the factory premises constructed solely for residential purpose of the bona fide employees of the factory, the establishment or the factory owners or partners, etc.

Special Conditions of Supply

The supply under this Tariff shall not be available to persons who meet a part of their requirements from a separate source of supply at their premises.

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Annex-VI

List of Interested / Affected Parties to send the Notices of Hearing in the matter of Petition filed by Faisalabad Electric Supply Co. Ltd. (FESCO) for the determination of its <u>Consumer-End Tariff Pertaining to the FY 2013-14</u>

*****

A. ***Secretaries of various Ministries***

1. Secretary
Cabinet Division
Cabinet Secretariat
Islamabad

2. Secretary
Ministry of Industries & Production
'A' Block, Pak Secretariat
Islamabad

3. Secretary
Ministry of Water & Power
'A' Block, Pak Secretariat
Islamabad

4. Secretary
Ministry of Finance
'Q' Block, Pak Secretariat
Islamabad

5. Secretary
Ministry of Commerce
A-Block, Pak Secretariat
Islamabad

6. Secretary
Privatization Commission
EAC Building
Islamabad

7. Secretary
Planning and Development Division
'P' Block, Pak Secretariat
Islamabad

8. Secretary
Ministry of Petroleum & Natural Resources
`A` Block, Pak Secretariat
Islamabad

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9. Secretary
Irrigation & Power Department
Govt. of Punjab
Near Old Anarkali,
Lahore

10. Director General
National Tariff Commission
Ministry of Commerce
State Life Building No. 5,
Blue Area Islamabad

B. Chambers of Commerce & Industry, Telecom Companies & General Public

1. President
The Federation of Pakistan
Chamber of Commerce and Industry
Federation House, Main Clifton
Karachi – 5675600

2. Chief Capital Office
The Federation of Pakistan
Chamber of Commerce & Industry
Aiwan-e-Sanat-o-Tijarat Road,
Sector G-8/1, Islamabad.

3. President
Lahore Chamber of Commerce & Industry
11, Shahrah-e-Awan-e-Tijarat
Lahore

4. SHEHRI
206-G, Block – 2, P.E.C.H.S
Karachi – 75400

5. Chairman
All Pakistan Textile Mills Association (APTMA)
APTMA House, 44-A, Lalazar P.O. Box 5446
Moulvi Tamizuddin Khan Road
Karachi

6. Secretary
All Pakistan Textile Mills Association (APTMA)
97-A, Aziz Avenue,
Canal Bank Off Gulberg Road,
Lahore

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7. Textile Working Group
30/7, Behind State Bank, Civil Lines,
Faisalabad.

8. Textile Working Group
97-A, Aziz Avenue, Canal Bank off Gulberg Road,
Lahore

9. Chairman
Pakistan Cotton Ginners Association, Karachi
1119-1120, 11th Floor, Uni Plaza,
I.I. Chundrigar Road,
Karachi.

10. Secretary General
Pakistan Cotton Ginners Association
PCGA House, MDA Road
Multan

11. Secretary
All Pakistan Textile Processing Mills Association (APTPMA)
213 Main Susan Road
1st Floor, Ibrahim Plaza
Madina Town,
Faisalabad

12. All Pakistan CNG Association
Suite No. 6, 2nd Floor
Al-Mustafa Centre
Near Chandni Chowk,
Rawalpindi

13. TheNetwork for Consumer Protection
Flat No. 5, 40-A, Ramzan Plaza
G-9 Markaz, Islamabad

14. Kissan Ittehad Mianwali Khushab

15. M/s Anwar Kamal Law Associates

16. PTCL
Corporate Head Quarters, Block – E
G-8/4, Islamabad-44000

17. Chief Executive Officer

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Mobilink
Mobilink House 1-A
Kohistan Road, F-8 Markaz
Islamabad

18. Chief Executive Officer
Ufone (Emirates Telecommunication Corporation Group)
13-B, F-7 Markaz
Jinnah Super, Islamabad

19. Chief Executive Officer
Telenor Pakistan (Pvt) Limited
13-K, Moaiz Centre Bhittai Road
F-7 Markaz, Islamabad

20. Chief Executive Officer
Zong
CMPak Limited
Kohistan Road, F-8, Markaz
Islamabad

21. Chief Executive Officer
Warid Telecom (Pvt) Limited
P.O. Box 3321
Lahore

22. Chairman
Pakistan Telecommunication Authority (PTA)
PTA Headquarters building
F-5/1, Islamabad

C. **Heads of Various Organizations**

1. Member Power
WAPDA
738 – WAPDA House
Shahra-e-Quaid-e-Azam
Lahore

2. Managing Director
Pakistan Electric Power Company (PEPCO)
721-WAPDA House
Shahrah-e-Quaid-e-Azam
Lahore

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Chief Operating Officer
CPPA
Room 107 WAPDA House
Shaharah-e-Qauid-e-Azam
LAHORE

Managing Director
Private Power and Infrastructure Board (PPIB)
House No. 50, Sector F-7/4
Nazimuddin Road
Islamabad

5. President
Institute of Electrical & Electronics Engineers of Pakistan (IEEEP)
4 – Lawrence Road
Lahore

6. President
The Institute of Engineers Pakistan
IEP Roundabout Engineering Centre
Gulberg – III
Lahroe – 54660

7. Chairman
Pakistan Engineering Council
Attaturk Avenue (East), G-5/2
Islamabad

D. **Petitioner**

1. Chief Executive Officer
Faisalabad Electric Supply Co. Ltd. (FESCO)
Abdullahpur, Canal Bank Road
Faisalabad

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National Electric Power Regulatory Authority (NEPRA)

NOTICE OF ADMISSION / PUBLIC HEARING

PETITION FILED BY FAISALABAD ELECTRIC SUPPLY COMPANY LIMITED (FESCO) FOR THE DETERMINATION OF ITS CONSUMER-END TARIFF PERTAINING TO THE FY 2013-14

All stakeholders, interested / affected persons and the general public are notified that Faisalabad Electric Supply Company Ltd. (FESCO) has filed a petition with the National Electric Power Regulatory Authority (NEPRA) for the determination of its consumer-end tariff pertaining to the FY 2013-14.

Dawn: 23-08-13

SALIENT FEATURES OF THE PETITION

1. The petitioner has prayed for the determination of its consumer-end tariff pertaining to the Financial Year 2013-14, approval of Distribution Margin @ Rs. 1.85/kWh, investment for Rs. 10,895 million, line losses @ 10.83% and average sales rate / tariff at Rs. 16.18/kWh with the category-wise tariff as stated in table below.
2. It is also clarified that the Admission of the petition filed by FESCO for determination of its consumer-end tariff pertaining to FY 2013-14 is not to be construed as the approval of tariff by NEPRA.

Description	Requested Tariff for the FY 2013-14		NEPRA Determined Tariff Pertaining to the FY 2012-13	
	Fixed Charges Rs./kW/M	Var. Charges Rs./kWh	Fixed Charges Rs./kW/M	Var. Charges Rs./kWh
Residential				
Up to 50 Units		2.00		4.00
For peak load requirement less than 5 kW				
01-100 Units		14.22		12.57
101-300 Units		18.25		15.50
301-700 Units		22.95		17.50
Above 700 Units		24.43		19.50
For peak load requirement 5 kW & above				
Time of Day (TOD) - Peak		22.21		19.50
Time of Day (TOD) - Off-Peak		14.07		12.50
Total Residential				
Commercial - A2				
For sanctioned load requirement less than 5 kW		25.17		19.52
For sanctioned load 5 kW & above				
Regular	400	21.47	400	18.00
Time of Day (TOD) - Peak	400	22.21	400	19.50
Time of Day (TOD) - Off-Peak	400	14.07	400	12.80
Total Commercial				
Industrial				
B1		17.77		15.50
B1 - TOD (Peak)		22.21		19.50
B1 - TOD (Off-peak)		14.07		12.90
B2	400	18.29	400	15.00
B2 - TOD (Peak)	400	22.21	400	19.50
B2 - TOD (Off-peak)	400	13.77	400	12.70
B3 - TOD (Peak)	380	21.77	380	19.50
B3 - TOD (Off-peak)	380	13.62	380	12.40
B4 - TOD (Peak)	380	21.47	380	19.50
B4 - TOD (Off-peak)	380	13.48	380	12.50
Total Industrial				
Single Point Supply for further distribution				
C1(a) Supply at 400/230 Volts - less than 5kW		18.23		15.00
C1(b) Supply at 400/230 Volts - 5kW & upto 500 kW	400	17.33	400	14.50
Time of Day (TOD) - Peak	400	22.21	400	19.50
Time of Day (TOD) - Off-Peak	400	13.77	400	12.30
C2 Supply at 11.33 kV upto and including 5000 kW	380	16.80	380	14.40
Time of Day (TOD) - Peak	380	21.77	380	19.50
Time of Day (TOD) - Off-Peak	380	13.62	360	12.90
C3 Supply above 66 kV & above and sanctioned load above 5000 kW	380	16.73	360	14.30
Time of Day (TOD) - Peak	380	21.47	380	19.50
Time of Day (TOD) - Off-Peak	380	13.48	380	12.70
Total Single Point Supply				
Agricultural Tube-wells - Tariff D				
D 1 (a) Scarp less than 5 kW		16.29		15.50
D 2 Agricultural Tube-wells	200	14.07	200	15.00
D 1 (b) Time of Day (TOD) - Peak	200	21.47	200	19.50
D 1 (b) Time of Day (TOD) - Off-Peak	200	13.48	200	12.70
Total Agricultural				
G - Public Lighting		22.21		18.00
H - Residential Colonies attached to industrial premises		20.73		15.00

3. In terms of rule 5 of NEPRA (Tariff Standards & Procedures) Rules, 1998 any interested person who desires to participate in the proceedings may file an intervention request within seven days from the date of publication of this notice. Such intervention request shall state the name and address of the person filing the same, objections and the manner in which such person is or is likely to be substantially and specifically affected by any determination in the proceedings. The intervention request may also contain the contentions of the person making the same, the relief sought and the evidence, if any, in support of the case. In the intervention request, the intervener may specifically admit, deny or explain the facts stated in the petition and may also state additional facts which are relevant and necessary for reaching a just and informed decision in the proceedings. The intervention request shall be signed verified and supported by means of an affidavit in the same manner as in the case of the petition. The intervener shall also serve a copy of the intervention request duly attested as true copy, on the petitioner or his authorized representative and the petitioner may file a rejoinder to the intervention request which shall be filed before the commencement of the hearing.
4. Any person may also file the comments in the matter within 7 days of the publication and the Authority, if deemed fit, may permit participation of such person into the proceedings and also may consider those comments in the final determination.
5. All stakeholders and interested / affected persons are also informed that in order to arrive at a just and informed decision, the Authority has also decided to hold a hearing in the subject matter according to the date, time and venue as mentioned below:

Date: September 10, 2013 (Tuesday)
Time: 10.30 a.m.
Venue: Avari Hotel, Lahore

All communications should be addressed to.

Registrar NEPRA
2nd Floor, OPF Building, Shahrah-e-Jamhuriat,
G-5/2, Islamabad. Phone: 051-920 6500
Fax: 051-921 0215, E-mail: office@nepra.org.pk

For further information and to download the petition please visit www.nepra.org.pk

PID(I)1160/13

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نیشنل الیکٹرک پاور ریگولیٹری اتھارٹی

نوٹس وصولی درخواست / عوامی سماعت

مالی سال 14-2013 کے کنزیومر END ٹیرف تعین کیلئے فیصل آباد الیکٹرک سپلائی کمپنی لمیٹڈ (فیسکو) کی دائر کردہ پٹیشن

تمام سٹیک ہولڈرز، دلچسپی رکھنے والے / متاثرہ افراد اور عوام الناس کو مطلع کیا جاتا ہے کہ فیصل آباد الیکٹرک سپلائی کمپنی لمیٹڈ (فیسکو) نے نیشنل الیکٹرک پاور ریگولیٹری اتھارٹی (نیپرا) کو مالی سال 14-2013 کیلئے کنزیومر End ٹیرف تعین کیلئے پٹیشن دائر کی ہے۔

Jang, 23-08-13

SALIENT FEATURES OF THE PETITION

1. The petitioner has prayed for the determination of its consumer-end tariff pertaining to the Financial Year 2013-14, approval of Distribution Margin @ Rs. 1.85/kWh, Investment for Rs. 10,895 million, line losses @ 10.83% and average sales rate / tariff at Rs. 16.18/kWh with the category-wise tariff as stated in table below.
2. It is also clarified that the Admission of the petition filed by FESCO for determination of its consumer-end tariff pertaining to FY 2013-14 is not to be construed as the approval of tariff by NEPRA

Description	Requested Tariff for the FY 2013-14		NEPRA Determined Tariff Pertaining to the FY 2012-13	
	Fixed Charges Rs./kW/M	Var. Charges Rs./kWh	Fixed Charges Rs./kW/M	Var. Charges Rs./kWh
Residential				
Up to 50 Units		1.30		4.00
For peak load requirement less than 5 kW				
01-100 Units		14.22		12.57
101-300 Units		19.25		15.50
301-700 Units		22.95		17.50
Above 700 Units		24.43		19.50
For peak load requirement 5 kW & above				
Time of Day (TOD) - Peak		22.21		19.50
Time of Day (TOD) - Off-Peak		14.07		12.50
Total Residential				
Commercial - A2				
For sanctioned load requirement less than 5 kW		25.17		19.50
For sanctioned load 5 kW & above				
Regular	400	21.47	400	18.30
Time of Day (TOD) - Peak	400	22.21	400	19.50
Time of Day (TOD) - Off-Peak	400	14.07	400	12.80
Total Commercial				
Industrial				
B1		17.77		15.50
B1 - TOD (Peak)		22.21		19.50
B1 - TOD (Off-peak)		14.07		12.80
B2	400	16.79	400	15.00
B2 - TOD (Peak)	400	22.21	400	19.50
B2 - TOD (Off-peak)	400	13.77	400	12.70
B3 - TOD (Peak)	380	21.77	380	19.50
B3 - TOD (Off-peak)	380	13.62	380	12.80
B4 - TOD (Peak)	380	21.47	380	18.50
B4 - TOD (Off-peak)	360	13.48	360	12.50
Total Industrial				
Single Point Supply for further distribution				
C1(a) Supply at 400/230 Volts - less than 5 kW		19.25		15.30
C1(b) Supply at 400/230 Volts - 5kW & upto 500 kW	400	17.23	400	14.80
Time of Day (TOD) - Peak	400	22.21	400	19.50
Time of Day (TOD) - Off-Peak	400	13.77	400	12.80
C2 Supply at 11,33 kV upto and including 5000 kW	380	16.36	380	14.40
Time of Day (TOD) - Peak	380	21.77	380	19.50
Time of Day (TOD) - Off-Peak	380	13.52	380	12.80
C3 Supply above 66 kV & above and sanctioned load above 5000 kW	360	16.73	360	14.30
Time of Day (TOD) - Peak	360	21.47	360	19.50
Time of Day (TOD) - Off-Peak	360	13.48	360	12.70
Total Single Point Supply				
Agricultural Tube-wells - Tariff D				
D-1(a) Scarp less than 5 kW		15.39		15.50
D-2 Agricultural Tube-wells	200	14.07	200	15.00
D-1(b) Time of Day (TOD) - Peak	200	21.47	200	18.50
D-1(b) Time of Day (TOD) - Off-Peak	200	13.48	200	12.70
Total Agricultural				
G - Public Lighting		22.21		16.30
H - Residential Colonies attached to industrial premises		20.73		18.00

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3. نیپرا (ٹیرف سٹینڈرڈز اینڈ پروسیجر) رولز 1998 کے رول 6 کے مطابق اس کارروائی میں شرکت کا خواہشمند کوئی بھی فرد درخواست برائے مداخلت اشتہار کی اشاعت سے سات یوم کے اندر جمع کرا سکتا ہے۔ مداخلت کی اس درخواست میں درخواست جمع کرانے والے فرد کا نام و پتہ اور دلچسپی کی نوعیت کے علاوہ یہ بیان کیا جائے کہ مذکورہ فرد اس کارروائی کے کسی بھی فیصلے سے خاطر خواہ اور بطور خاص کس طرح متاثر ہوا ہے یا ہو سکتا ہے۔ درخواست برائے مداخلت میں درخواست جمع کرانے والے فرد کا موقف، مطلوبہ ریلیف اور اپنے موقف کے حق میں شواہد اگر کوئی ہوں بھی شامل ہو سکتے ہیں۔ درخواست برائے مداخلت میں مداخلت کار درخواست میں بیان کئے گئے حقائق کو بطور خاص تسلیم کر سکتا ہے، ان کی تردید کر سکتا ہے یا وضاحت کر سکتا ہے اور ایسے اضافی حقائق بھی بیان کر سکتا ہے جو مسئلہ کی حیثیت رکھتے ہوں اور اس کارروائی میں منصفانہ اور موثر فیصلہ کرنے کے لئے ضروری ہوں۔ درخواست برائے مداخلت باضابطہ تصدیق شدہ ہونی چاہئے اور اس کے ہمراہ ایک بیان حلفی اس انداز میں فراہم کیا جائے جس طرح پٹیشن میں کیا گیا ہے۔ مداخلت کار درخواست برائے مداخلت کی ایک کاپی (جو اصل کاپی کے طور پر تصدیق شدہ ہو) پٹیشنر یا اس کے مجاز نمائندہ کو بھی پیش کرے گا اور پٹیشنر درخواست برائے مداخلت پر اپنا جواب جمع کرا سکتا ہے جو سماعت کے آغاز سے قبل جمع کرانا ہوگا۔

4. کوئی بھی فرد اپنی آراء اشتہار کی اشاعت سے 7 یوم کے اندر جمع کرا سکتا ہے اور اتھارٹی اگر ضروری سمجھے تو اس فرد کو کارروائی میں شمولیت کی اجازت دے سکتی ہے اور ان آراء کو حتمی فیصلے میں بھی زیر غور لا سکتی ہے۔

5. تمام متعلقہ فریقین اور دلچسپی رکھنے والے اشخاص و افراد کو یہ اطلاع بھی دی جاتی ہے کہ منصفانہ اور موثر فیصلہ کرنے کے لئے اتھارٹی نے درج ذیل تاریخ، وقت اور مقام پر اس حوالے سے سماعت کے انعقاد کا فیصلہ کیا ہے:

تاریخ 10 ستمبر 2013 (منگل)
وقت دن 10:30 بجے
مقام آواری ہوٹل لاہور

اس حوالے سے تمام تر خط و کتابت درج ذیل کے نام کی جائے:

رجسٹرار نیپرا
دوسری منزل، او پی ایف بلڈنگ، شاہراہ جمہوریت، G-5/2، اسلام آباد
فون 051-920 [illegible]، فیکس 051-921 0215، ای میل office@nepra.org.pk

مزید معلومات کیلئے ویب سائٹ www.nepra.org.pk

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Annex-VII

Summary of Directions

The summary of all the directions passed in this determination are reproduced hereunder;

- To complete installations of TOU metering.
- To complete the study of T&D losses pertaining to 11 KV and below.
- To submit Auditor's Report with respect to excessive billing.
- To complete the creation of Independent Post retirement benefits funds at the earliest and update the current status of the compliance not later than 31st March, 2014.
- To conduct a brain storming session on different provisions of draft PSA not later than 31st March, 2014.
- To submit concrete recovery plan and issue of subsidy with GOP, no later than 31st March, 2014.
- To book an appointment for a separate presentation on the creation new circles.
- To submit the next tariff petition in accordance with the changed title.
- To contact Registrar Office for an appointment for presentation on the subject of efforts to overcome overbilling not later than 31st March , 2014. The Presentation must be aimed to justify the Petitioner's
- To submit the completion timeline for the implementation of ERP by 31st March, 2014.
- To provide reasons along with justification for abnormal charging of retirement benefits not later than 31st March, 2014.
- To correct the deficiencies in the submitted Certificate of Auditor in the matter of Additional / Replacement Hiring and resubmit it not later than 31st March , 2014.
- The HR Division of the Petitioner to get the strength yard stick's approval by the Authority, based on proper justifications and its quantified benefits, which would also include a comparison of existing state of affairs.
- To get clarification from its Auditors, on the issue of different closing and opening balances of different asset classes, not later than 31st March , 2014
- To clarify the increased charging of provision with its claims of increased recovery not later than 31st March, 2014.
- To take up the issue of recovery of pending subsidy with the GoP as soon as possible and report back not later than 31st March, 2104.

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